Corporate political activity and location-based advantage: MNE responses to institutional transformation in Uganda’s electricity industry

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ARTICLE INFO

Keywords: Corporate political activity Multinational enterprise Location-based advantage Electricity industry Ukraine

ABSTRACT

We examine how multinational enterprises (MNEs) employ political strategies in response to location-based, institutional transformations in new frontier African markets. Specifically, we explore the heterogeneous corporate political activities of advanced and emerging market MNEs in Uganda’s electricity industry, as they respond to and influence locational advantage using diverse political capabilities. We argue that, in institutionally fragile, new frontier markets, Dunning’s OLI paradigm is more theoretically robust and managerially relevant when combined with a political perspective. Effective MNE political strategies in these markets rely on nonmarket capabilities in political stakeholder engagement, community embeddedness, regional understanding, and responsiveness to stages of institutionalization.

1. Introduction

The global paradigmatic changes that heralded the end of the Cold War and the emergence of the free market economy as the principal model of economic development precipitated an increased interest in understanding multinational enterprises (MNEs) as agents of foreign direct investment (FDI), particularly in emerging and transition economies. A strand of this research has focused on corporate political activity (CPA), or on the efforts of MNEs to favorably influence government regulation and policies (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004; Lawton, McGuire, & Rajwani, 2013).

As growing recipients of FDI and incubators of new interpretations of the free market economy (Lawton, McGuire et al., 2013; Lawton, Doh, & Rajwani, 2014; Meyer, Estrin, Bhaumik, & Peng, 2009; Peng, 2003; Peng, Sunny Li, Pinkham, & Hao, 2009; Raman, 2009; Wright, Filatotchev, Hoskisson, & Peng, 2005), emerging and transition economies have become a rich empirical setting for inquiries into CPA (Baines & Viney, 2010; Bonardi, 2011; Dahan, 2005; Ghobadian, Viney, & Redwood, 2009; Hillman & Hitt, 1999; Hillman & Wan, 2005; Hillman et al., 2004; Lawton, McGuire et al., 2013; Moon & Lado, 2000). However, in investigating MNE FDI activity in these markets, extant literatures mainly focus on Asia, Latin America and Eastern Europe. The evidence from Africa remains largely anecdotal, except for some studies focusing on South Africa, Ghana and Nigeria (e.g. Acquaah, 2007, 2009; Luiz & Ruplal, 2013; Mbalyohere & Boojihawon, 2014; Zoogah, Peng, & Woldu, 2015). As a growing body of evidence suggests that the continent’s potential as a new frontier of FDI activity is gradually being realized (Alemu & Khan, 2011; Bartels, Alladina, & Lederer, 2009; Mbalyohere, 2016; Raman, 2009; UNCTAD, 2014), the need to address this research gap has become more urgent. Increased FDI activity has been further enhanced by an expanding number of African countries opting for the long path to liberal political and economic reforms, and therefore creating unprecedented opportunities for diverse forms of MNE investment.

Uganda’s pioneering role in implementing market liberalization in Sub-Saharan Africa has transformed the country into a test case for the feasibility of pro-market reforms on the continent. In initiating pro-market reforms in sectors as diverse and strategically important as utilities, telecommunications and banking, and being open to partnerships with multilateral agencies like the World Bank, the country also offered an opportunity to review cross-industry performance and the effectiveness of multilateral aid. Uganda was also a suitable setting for this research because of its strategic positioning at the center of the institutionally and politically fragile Great Lakes Region. This strategic location has served as a springboard for various regional and international initiatives to stabilize the region. As an example, initiatives by

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The countries of Africa’s Great Lakes region include Burundi, Democratic Republic of Congo (DRC), Kenya, Rwanda, South Sudan, Tanzania, and Uganda.
the United Nation (UN) and other international agencies to stabilize South Sudan and the eastern regions of the Democratic Republic of Congo (DRC), and previously Rwanda, were based in Uganda and depended significantly on the recruitment of Ugandans (UN, 2015) to build on long-standing cross-border relationships with these countries. Uganda was also historically a supplier of electricity to Kenya and had the potential to meet some of South Sudan’s projected growth in electricity demand. Reforms in the electricity industry in Uganda, the sector chosen for this study, and the associated FDI, were therefore likely to have an impact beyond Uganda’s borders. Consequently, a study based in Uganda was well placed to advance new insights into the nature and impact of MNE nonmarket strategy in the broader region.

Research into FDI has traditionally centered on the activities and agency of advanced market MNEs (AMNEs). However, there is a growing interest in understanding emerging market MNEs (EMNEs), their increasing share of global FDI flows, and their experience of internationalization (Cuervo-Cazurra, 2008; Cuervo-Cazurra & Genc, 2008; Hennart, 2012; Ramamurti & Singh, 2009). A specific area of interest is in how MNEs have approached institutional voids (Khanna, Palepu, & Sinha, 2005; Luiz & Rupral, 2013; Mbalyohere & Boojihawon, 2014; Zhao, Tan, & Park, 2013). An approach to institutional voids that illuminates the strategic choices of MNEs from a CPA perspective is particularly important. This is because it contributes to our limited understanding of the political ramifications of emerging institutionalization, and the strategic implications of related locational choices. This political perspective on locational choice is worth exploring, as it explicitly contributes a nonmarket strategy dimension to Dunning, 1977 OLI (ownership, location, and internalization) Framework. The OLI Framework was conceptualized, and has been primarily applied, from assumptions based on the market, rather than the non-market, context.

Indeed, the richness of issues that MNEs considered in choosing Uganda as a strategic location offers an important basis for extending the OLI framework by using an exploratory, in-depth case study approach. We suggest therefore that, despite institutional fragility and persistent political uncertainty, the growth of FDI in new frontier markets such as Uganda provides a fertile research context for international business scholars.

Considering the above observations, expanded further in the literature review section, we intend to contribute to Dunning’s OLI framework by using a nonmarket strategy, political capabilities perspective, as reflected in the CPA domain of strategic management research (Bonardi, Hillman, & Keim, 2005; Hillman & Hitt, 1999; Hillman et al., 2004; Holburn & Zelner, 2010; Lawton, McGuire et al., 2013; Lawton, Rajwani, & Doh, 2013). Moreover, the institutional processual changes that occurred during market reform in Uganda nurtured new characteristics of location, and necessitated a review of MNE strategic position. By considering this institutional processual perspective, while examining the locational aspects of the OLI framework, the paper builds on efforts by Dunning and Lundan (2008) to integrate the institutional perspective into the framework. However, these scholars have predominantly approached institutionalization as an antecedent or an outcome, and less as a political process. Furthermore, they have not studied the implications of MNEs needing to concurrently engage in business and institutional entrepreneurship in such contexts, and how firms shape locational features from a dual-pronged perspective. Not least, they have not explicitly addressed the novelties in regions that are increasingly referred to as the new frontiers of FDI (e.g. Keeler, 2014; Raman, 2009).

We consequently address some of these shortcomings by investigating the following research question: How do MNEs use political strategies in response to location-based institutional transformations in new frontier markets? Locational characteristics are hence a key dimension in the study’s approach to institutions and the associated MNE political strategies. Moreover, the aspect of heterogeneity emerges as we consider the extent to which MNEs respond to, exploit and shape location using different political capabilities. Given that many of these countries are undergoing broad political transformations, the MNE perspective provides an important addition in making sense of the situation.

We define ‘new frontier markets’ as smaller, less accessible, yet increasingly investible countries in the developing world, than has been categorized under the traditional and now maturing ‘emerging markets’ label (Berger, Pukhuanthong, & Yang, 2011; Keeler, 2014). Such markets are especially evident in Sub-Saharan Africa, and offer new opportunities for academic researchers to study the external behavior of MNEs. Our specific approach extends the OLI paradigm by arguing that the framework would be more applicable in fragile and new frontier market contexts through a more explicit integration of the political perspective. We consequently address the changing institutional perspective of location, L, and advance propositions about the corporate political capabilities associated with this change.

We next proceed to synthesize the extant literatures and to clarify our theoretical context. This is followed by an explanation of the research methodology and a presentation of our findings. We then discuss these findings, draw conclusions and managerial implications, and advance suggestions for future research.

2. Theoretical foundation: the OLI framework and corporate political strategy

A substantial body of research has addressed the institutional implications of market entry and embeddedness in maturing and emerging countries such as China and India (e.g. Boddy & Doh, 2011; Doh, Teegen, & Mudambi, 2004; Hoskisson, Eden, Lau, & Wright, 2000; Luo, 2001b; Luo, Xue, & Han, 2010; Meyer, 2004; Meyer et al., 2009; Peng, Wang, & Yi, 2008; Peng et al., 2009; Sun, Mellahi, & Thun, 2010; Wright et al., 2005). However, data and insights on emerging and new frontier markets remains more limited (e.g. Frynas, Mellahi, & Pигman, 2006; Hoskisson, Hitt, Wan, & Yiu, 1999; Hoskisson et al., 2000; Meyer et al., 2009; Webb, Kistruck, Ireland, & Ketchen, 2010). A predominant view in the literature has been that these markets are characterized by shortcomings usually associated with institutional voids (Khanna & Palepu, 1997; Khanna et al., 2005; Zhao et al., 2013). They may reflect a weaker capability to support home-grown MNEs, a lower stage of institutionalization following pro-market reforms, and the inability to resist conditions advanced by foreign MNEs and their home governments during market entry negotiations. These differences may shape the vulnerability to voids, limit the ability of regulators to predict and mitigate the impact, and increase the possibility for manipulation and the general risk exposure of both the MNEs and the host countries (e.g. Doh & Ramamurti, 2003). On these grounds, established emerging market countries like China and India are generally more experienced and effective at bridging voids than new, often institutionally fragile, frontier markets. Voids can also weaken the competitiveness of AMNEs that are familiar with competing under highly institutionalized contexts. Such MNEs struggle with the implications of voids for efficiency and transparency, particularly when there is institutional distance from the home market (Estrin, Bagdhasaryan, & Meyer, 2009; Mair, Marti, & Ventresca, 2012; Xu & Shenkar, 2002).

Some research suggests that these voids are situated and intermediate (Kogut, Walker, & Anand, 2002; Mair et al., 2012), suggesting that MNE political strategies need to be similarly framed. Other work observes an emerging relationship between MNEs, NGOs and host governments, as one of the strategic responses to voids (Boddy & Doh, 2011; Oetzel & Doh, 2009; Teegen, Doh, & Vachani, 2004; Webb et al., 2010). This is particularly pertinent when the voids manifest themselves at the base of the pyramid, where the need for...
development-oriented interventions is strongest (Ansari, Munir, & Gregg, 2012; London, 2009; London & Hart, 2004; Webb et al., 2010). The implication is that, as they penetrate these new markets, MNEs should not only possess the capability for business entrepreneurship, but also for institutional entrepreneurship, to counteract the voids (Brutton, Ahlstrom, & Han-Lin, 2010; Cantwell, Dunning, & Lundan, 2010; Greenwood & Sudberry, 2006).

Institutional voids could be expected to mirror the three forms that institutions can take — regulatory, normative and cultural-cognitive (Scott, 1995, 2001). The nature of resultant MNE political strategies might consequently be expected to follow on. Dimaggio and Powell (1983) further introduced the idea of isomorphism, whereby organizations in the same environment tend to behave the same in response to institutional pressures. Whether this applies to political strategies in fragile contexts has yet to be established. The idea of stages of institutionalization has been advanced in extant literature (e.g. Greenwood et al., 2008; Tolbert, Zucker, Clegg, Hardy, & Nord, 1996).

However, this research has been largely based on highly institutionalized and politically stable advanced market contexts. While some aspects of this work may be extended to emerging and new frontier markets, elements may also be contested. For instance, the close and complicated co-existence of informal and formal institutions in emerging and new frontier markets results in a substantially different context in which to forge a corporate strategic response.

MNEs appear to be gradually differentiating themselves from AMNEs by deploying more organic and adapted FDI and growth strategies in new frontier markets (Aykut & Goldstein, 2006; Broadman, 2010; Luo, 2010; Mbalyohere, 2016; Raman, 2009; Yaprak & Karademir, 2011). This differentiation is in turn making EMNEs increasingly attractive as strategic partners for AMNEs (Acquaah, 2009; Isobe, Makino, & Montgomery, 2000; Luo, 2001a; Yaprak & Karademir, 2011; Yu-Ching, Fang-Yi, & Chow-Ming, 2010; Zhang, Lil, Hitt, & Cui, 2007). The capabilities that EMNEs are accumulating through understanding the evolving complexities of emerging markets are of such magnitude that they translate into firm-specific advantages (Rugman, 2011). The extended exposure of EMNEs to the fast-evolving institutional and political realities of fragile markets puts them in a unique position to develop capabilities to win locational advantages there, which are also increasingly converted into firm-specific advantages (Cuervo-Cazurra, 2006, 2008; Cuervo-Cazurra & Genc, 2008; Ramamurti & Singh, 2009; Rugman, Verbeke, & Nguyen, 2011).

If there is a gap in our understanding of the economics-oriented dynamics of entry into and adaptation to these new emerging markets, there is an even greater knowledge deficiency from a nonmarket strategy perspective, given its relatively recent prominence as a conceptual lens (Baron 1995a, 1995b; Bonardi, 2011; Bonardi & Keim, 2005; Doh, Lawton, & Rajwani, 2012; Holburn & Vanden Bergh, 2002; Lawton et al., 2014; Mellahi, Frynas, & Collings, 2016). A particularly important nonmarket strategy capability lies in developing relationships with key political actors, with the aim of persuading them to support policy and regulatory decisions that are favorable to the firm (Baines & Viney, 2010; Bonardi, 2011; Bonardi & Keim, 2005; Bonardi et al., 2005; Hillman & Hitt, 1999; Hillman et al., 2004). By being historically embedded in the respective emerging markets, many EMNEs accumulate the political capabilities needed to operate successfully there. For this research, ‘political capabilities’ are defined as the strategic decision-making options that a firm accrues by combining, for instance, human resources with relational, reputational and financial resources to achieve corporate political objectives (Baysinger, 1984; Bonardi et al., 2005; Frynas et al., 2006; Hillman et al., 2004).

A particularly influential perspective in international business research has been Dunning, 1977; Dunning, 1980; Dunning, 1988; Dunning, 1998 OLI paradigm, or eclectic theory. This has examined the possibilities for MNE competitive advantage based on the ownership (O), location (L), and internalization (I) of corresponding resources and capabilities during internationalization. The paradigm has been critiqued for not explicitly accommodating the institutional perspective, whereupon Dunning and Lundan (2008) revisited the framework. The original OLI paradigm and the ensuing revisions were based on classical market strategy, and lacked a nonmarket strategy perspective. We argue that the nonmarket perspective is particularly important in fragile new frontier markets, where the institutional and political stability presumed in OLI may be limited or absent. It is here also that institutionalization as a process can be better observed, and hence the implications for the OLI framework assessed.

Our study engages with the proposed nonmarket strategy perspective on OLI by adopting a CPA approach. While there has been substantial research on CPA in highly institutionalized markets, there is less evidence from emerging and new frontier markets. This paper is therefore also a response to calls for more research in this direction (Doh et al., 2012; Kingsley, Vanden Bergh, & Bonardi, 2012; Lawton et al., 2014). Of importance is a stream of research identified by Hillman et al. (1999, 2004) as antecedents of corporate political activity. Here, CPA has been addressed from two angles: the firm level and the institutional level. The firm level engages with research sub-streams that suggest that firms with a stronger dependency on government will prefer relational approaches to CPA (Hillman & Hitt, 1999; Hillman et al., 2004; Sch & Jer, 1999; Zhou & Peng, 2010). The firm level also examines managerial influence as a shaper of CPA. While extant literatures have studied it mainly in terms of contributions to preferred political parties (Blumentritt, 2003; Blumentritt & Nigh, 2002; Cook & Barry, 1995), the findings from fragile markets experimenting with multi-party democracy might be expected to necessitate different approaches.

Institutionally, another sub-stream of CPA research examines how country-based institutional differences affect political action (Blumentritt, 2003; Hillman, 2003; Hillman & Hitt, 1999; Hillman & Keim, 1995). Key aspects of a nonmarket strategy approach to OLI could be integrated here. It is important to note that during pro-market reform, new institutional arrangements need to be introduced to drive change. These may be conditioned by politically motivated behavior to protect vested interests. Also, we must consider that scholars have not adequately considered new frontier and often fragile market contexts (Kim, Kim, & Hoskisson, 2010). The nature and profile of institutional voids, and hence the political response needed in such markets, may be shaped by the stage of emerging institutionalization. Institutionalization here is generally assumed to reflect the three-stage framework (pre-institutionalization, semi-institutionalization and full institutionalization) proposed by Tolbert et al. (1996). As such, some MNEs may possess strategic advantages at the early stage, while others may have advantages at an intermediate or even later stage.

Of significance in the nonmarket strategy context is the evolving political context of location. As an example, Uganda’s parliament made some gains in countering the disproportionate powers of the executive branch of government. Political strategies that were based on prioritizing the executive branch (for example, as pursued by our case company, Frinam), faced some challenges at later stages of reform. Our theoretical framework is therefore a distillation of the key factors critical to successful corporate political strategies, how these factors are integrated for strategic impact, and the implications or requirements for adaptation along the path of reform. The framework consequently translates into insights that inform the extension of the OLI framework through the essential political capabilities that emerge and are a function of location (see Fig. 1 below). The framework adopts a processual perspective along the path of institutional reform to uncover the key dimensions underpinning our research question: How do MNEs use political strategies in response to location-based institutional transformations in new frontier markets? The changes in political capabilities, and hence CPA strategies, can therefore be linked to the level of institutionalization developing around the pro-market reforms in a new frontier host market.

Ultimately, our propositions focus on the MNE political capability
perspective, as shaped by institutional changes in the host market location and the advantages or disadvantages that the MNEs may possess. While OLI has thus far mainly been approached from a market-based perspective, there might be some locational realities that are best approached using nonmarket-oriented strategic choices. New frontier markets like Uganda offer a rich context in which to pursue this line of investigation, especially considering their growing attractiveness for MNEs. A focus in our investigation is the approach of MNEs to dependency on government and to managerial influence in shaping and exploiting local advantages. We make some observations to this end as part of understanding political strategies in the face of institutional immaturity and voids, shedding further light on our research question. This is the basis for our contribution to the OLI framework, employing a political perspective.

In summary, we have identified the nonmarket strategy gap in research on new frontier markets, specifically the political dimension based on relationships between MNEs and political actors in these markets. Our review has further highlighted that the nonmarket strategy perspective is inadequately captured in the OLI framework, particularly from a changing institutional interpretation of location or L. This is where our paper seeks to make a theoretical contribution. The next section presents the methodology for the study.

3. Methodology

We use an exploratory, qualitative, multi-case study approach to gather data. This approach is recommended for new areas of research requiring preliminary exploration prior to administering other methods (Crotty, 1998, pp. 1–17; Cui & Jiang, 2010; Dyer & Wilkins, 1991, Eisenhardt, 1989; Grant, 2003; Marinova, Child, & Marinov, 2011; Sun et al., 2010; Yin, 2003). The broad interpretivist approach that is applied enables us to investigate and make sense of reality using a reflexive, iterative and rich approach (Crotty, 1998, pp. 1–17; Easterby-Smith, Thorpe, & Jackson, 2008, pp. 58–66; Hammersley & Atkinson, 2007, pp. 14–18). Furthermore, such an approach enables us to access deeper levels of complexity in a research situation emanating from its context (Miles & Huberman, 1994, p. 10). Five MNEs constituting four cases – one of them a joint venture – are deployed in the study. They are all located in the electricity generation sector and are listed as follows: Frinam from South Africa, Pisu from Kenya, Energy Global from the USA, Prolux from Norway and Avin, which was locally based in Uganda. Profile details for each are provided in Table 1. For ethical research reasons, the names of the MNEs are pseudonyms.

These cases were selected because they collectively constitute approximately 85 percent of Uganda’s current hydropower generation capacity and accurately represent the mix of MNE strategies in the sector. They also represent a range of different country origins and a balance of AMNEs and EMNEs. Ease of data access was a further consideration in the selection of the case companies. These five MNEs were selected from a larger sample of all MNEs in Uganda’s electricity generation sector that was initially compiled using sector data and information from Uganda’s Ministry of Energy and Mineral Development and the Electricity Regulatory Authority. A bio analysis based on the above criteria, among others, led to the selection of five MNEs as the final sample for the study.

The methods of data collection were semi-structured interviews, field notes, company archives, institutional archives and media reports, thus making it possible to triangulate and corroborate the data. In turn, this approach enhanced the validity of the findings. The interview partners (see Table 1 for an overview) were selected in such a way as to enable a rich mix of managerial levels, professional backgrounds, level of education and local, national and international experience in the sector. While this selection was started prior to developing an interview schedule, it was within the MNEs themselves that recommendations were gradually made to various knowledgeable people as part of a snow-balling pattern. The interviews lasted on average one hour, and,

### Table 1

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Research case</th>
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<tbody>
<tr>
<td>Frinam</td>
<td>2005</td>
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<tr>
<td>Pisu</td>
<td>2003</td>
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<tr>
<td>Energy Global (joint venture)</td>
<td>2007</td>
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<tr>
<td>Prolux</td>
<td>2003 (pre-entry 1999)</td>
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<tr>
<td>Avin</td>
<td>2007</td>
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<td>Total</td>
<td>2003</td>
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<td>Home country</td>
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<tr>
<td>Kenya/USA</td>
<td>2005</td>
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<tr>
<td>Republic of South Africa</td>
<td>2007</td>
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<tr>
<td>Republic of South Africa</td>
<td>2003</td>
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<tr>
<td>Republic of South Africa</td>
<td>2003 (pre-entry 1999)</td>
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<td>Incumbent</td>
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<td>Private</td>
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<td>Hybrid</td>
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<tr>
<td>Independent power producer</td>
<td>2007</td>
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<td>Public private partnership</td>
<td>2003</td>
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<td>About 35</td>
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<td>About 25</td>
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<tr>
<td>About</td>
<td></td>
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<td>None</td>
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<tr>
<td>Number of MNEs</td>
<td>5</td>
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<tr>
<td>Electricity generation capacity (MW)</td>
<td>250</td>
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<td>380 (old dam plus extension)</td>
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<td>13</td>
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<td>50 Other electricity projects in Africa</td>
<td>Ruzizi dam project (DRC, Rwanda, Burundi, and Tanzania)</td>
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<td>30% (old dam plus extension)</td>
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in a few cases, were conducted twice with the same interviewee during the course of the fieldwork to gain a deeper understanding of the situation. Since fieldwork was organized in a preliminary and a main data gathering stage, bridged by preliminary analysis, it was possible to refine the interview questions and probe for deeper insights on various aspects of the research question. The questions were framed in such a way as to maintain the semi-structured perspective and mitigate against bias. Having a preliminary phase was especially useful in sensitizing the researchers to the dynamics involved. The interviews were recorded and transcribed for the ensuing analysis, after seeking due permission. A total of 40 interviews and over 100 archival documents are used for this paper.

The data was analyzed using a grounded analysis method as proposed by Charmaz (2006) and Easterby-Smith et al. (2008), who illustrate its strengths in getting close to the reality of the respondents, in linking data analysis to growing levels of conceptualization, and in overcoming rigidities that the seminal proponents had not foreseen. Analysis was supported by NVivo 10 software to manage the large volume of data and to systematically structure the coding of the emerging themes. The software is especially conducive to growing levels of qualitatively based conceptualization through its memoing functions and the iterations needed for deeper insights from the data. All of this enhances the quality of making sense of the data (Johnson & Gill, 1997; Miles & Huberman, 1994; Weick, 1995).

The quality of analysis was further enhanced by a robust research design that included a preliminary data analysis phase that followed an initial data collection phase, and preceded the main data collection phase. Findings from this preliminary analysis served to strengthen the quality of engagement at the main data gathering stage by further deepening clarity and accuracy of interviewing as well as the complementarity between interviews, documentary data and fieldwork observations by the researcher. Finally, depth of insights was enhanced by first engaging with each case (see the Findings section for a presentation of the cases) on its own using an in-case analysis approach prior to deploying an integrated cross-case analysis. Even after formally completing the in-cases analyses and switching to an integrated approach, it proved useful, and added to the depth of insights, to regularly revisit the original stand-alone cases, thus verifying that the higher-level conceptualization was indeed corroborated by original data. Grounded analysis as applied here was strongly conducive for this validating measure.

3.1. Coding and progression from data to findings

The coding and progression to the findings built on suggestions by Miles and Huberman (1994, pp. 55–72) and was corroborated by other scholars (e.g. Charmaz, 2006; Easterby-Smith et al., 2008). There was consequently a progression from raw data to open coding (for initial emerging concepts), then to focused coding (under categories A and B of the findings, e.g. political stakeholder engagement), and finally to more holistic higher order conceptualizations underlying the theorization in later sections of the findings, as well as the discussion section (e.g. managerial influence). This progression was reinforced by iterations to verify the accuracy of the emerging themes and to ensure an immersion of the ensuing propositions into data. Nodes and underlying nodes were created to enhance the replicability of the coding and references for recoding. The map of nodes, including the concentration of data sources and references associated with each code, in turn contributed to corroborated judgments about the strength of the themes and their prioritization. The decision about the three sub-categories under category A of the findings was informed by this possibility, indicating how the selected core themes emerged from the data. Having explained the methodology, the next sub-section provides a brief synopsis of Uganda’s electricity industry, thus clarifying the context in which the research design was deployed.

3.2. Research context: Uganda’s electricity sector

While Uganda has been one of the few modestly durable success stories of economic and political revival in Africa in recent decades, its continued economic prosperity requires sustaining macroeconomic stability, backed up by boosting economic productivity (World Bank, 2012). A key limiting factor is the high rate of growth in demand for electricity that is outstripping the rate of supply (ERA, 2008).

Uganda’s electricity sector is regulated under the Electricity Act of 1999. At the time of implementation, this was the most extensive power sector reform ever undertaken in Africa. Consequently, the Uganda Electricity Board (UEB) which had enjoyed monopoly status, was split into three separate, government-owned entities as follows: the Uganda Electricity Generation Company Limited (UEGCL), the Uganda Electricity Transmission Company Limited (UETCL) and the Uganda Electricity Distribution Company Limited (UEDCL). Concessions were also issued to private companies to perform generation and distribution as part of Public Private Partnerships (PPPs) with the newly created, government-owned entities. There was also the option to enter the market as an Independent Power Producer (IPP). A new regulator, the Electricity Regulation Authority (ERA), was formed under the policy guidance of the Ministry of Energy and Mineral Development (MEMD). Also, a Rural Electrification Agency (REA) was mandated to spearhead the electrification of rural areas. Access to electricity in rural areas is estimated at a mere 6 percent, while the national average is only 15 percent—far below sub-Saharan Africa’s average of 30 percent (World Bank, 2014). The government maintained a monopoly on power transmission through the UETCL.

Currently, the country has an installed hydroelectric capacity of around 700 MW (Kasaija, 2015; Opio, 2016), which is almost predominantly a product of dam installations at the source of and along the River Nile. But the country has the potential to produce up to 2000 MW of hydroelectric power (ERA, 2008), with further installations along the Nile, a prospect that might help alleviate the massive growth in demand. The next section of the paper presents the cases studied.

3.3. The cases

This section presents the four cases of the study, capturing key background information and summarizing experiences and behaviors that are relevant to our research question.

3.3.1. Pisu Energy Global

Pisu is the infrastructure development arm of a leading, privately-owned multi-sector enterprise development agency in East Africa. Established in the early 1960s, it promotes venture capital investments and has offered technical assistance and management support especially to economies in South East Asia and Africa. Pisu has emerged as a local market leader in managing complex infrastructure projects. The multi-sector experiences and capabilities of its parent organization have been beneficial in this process. Pisu was consequently a joint venture partner of choice for the U.S.-based multinational, Energy Global, as it sought to enter Sub Saharan Africa.

In Uganda, Pisu had been involved with a successful rural electrification project in the north of the country. This project ultimately became the first project in Africa to qualify for carbon financing under the World Bank’s prototype Carbon Fund. One of Pisu’s most important capabilities was the ability to ‘work in tandem with government objectives and goals at the time’ (company’s website). The capability to align its strategic objectives with those of its host governments has been critical to its sustained success and ultimately to the joint venture with
Energy Global. Over the years, therefore, the company has proactively focused its strategy on the privatization of infrastructure projects by governments in Africa.

Energy Global, on the other hand, is one of the most respected MNEs in the industry, with over fifty global dam projects in its portfolio, supported by highly experienced managers. It also has a strong financial position supported by one of the largest global venture capital funds. In considering Uganda for market entry, Energy Global was entering a project where its predecessor, also a U.S.-based energy multinational, was exiting prematurely. This exit was precipitated by agitation from organizations including Green Peace and International Rivers Network, that contested the social and environmental sustainability of the project. This was further complicated by political resistance to the project within the country. As such, there were possibilities for Energy Global to learn important lessons and to capitalize on local political knowledge. By selecting Pisu as a partner, after extensive due diligence, feasibility and compatibility checks, Energy Global demonstrated a capability for strategic local adaptation. This is consistent with a project that Energy Global concurrently developed in the Philippines in partnership with a local MNE and a Chinese MNE. All this occurred between early and intermediate institutionalization stages, and was characterized by extensive learning by the partners involved, particularly in deploying appropriate political strategies.

One of the joint venture’s most important strategic activities was re-engagement with the local community by expanding the scale and scope of the project to explicitly include and safeguard local interests. This re-engagement was critical to the success of the new project, not least by instilling a sense of co-ownership with the local community. Relationships were rebuilt, and new ones established, to produce a strategic stakeholder engagement that benefitted the project. While its effectiveness was still limited at the early stages of market entry, it eventually developed into a powerful tool at advanced intermediate stages of the broader reform path. In effect, there was a strategic learning process in accommodating local stakeholders and becoming embedded in the local community.

Ultimately, the case revealed the balance between proactiveness and reactivity, and the most far-reaching integration of global and local considerations of voids. It exposed the strategic advantages of a complementarity-based partnership between EMNEs and AMNEs. The project also exposed sensitivity to some of the most important issues that arose along the path to reform. As an example, although the project was critically important to the stabilization of Uganda’s electricity supply, it was questioned at the intermediate stage as to its cost-benefit value for the host country, compared to similar projects running elsewhere (Mwenda, 2015). In responding to the accusation of offering a very expensive dam, the case demonstrated the importance of strategic political relationships through which the corporate side of the story could be effectively told. It was also an example of how new frontier economies were getting more sophisticated at assessing the strategic value of such high-profile projects.

The capability to leverage the internationality of Energy Global and the localness of Pisu to produce an integrated multi-dimensional approach to the diversity of political stakeholders, stands out as a paramount feature of the joint venture project. The multi-dimensionality and the sharing of roles was further extended to approaches to local embeddedness and the understanding of Africa as a unique region to strengthen stakeholder engagement at a holistic level. Along the reform path, the capability to leverage this integrated profile for entry into other markets became stronger, leading to a new project on the River Ruzizi and the potential to bid elsewhere. There are in fact some signals of interest to bid for a role in Africa’s most important dam project – the 40k MW Grand Inga on the Congo River (Yukanhanov, 2014). This suggests an evolutionary growth in the strategic capabilities for even larger and more complex projects in the region.

Pisu/Energy Global project, by nature of its size, complexity and history, stood out most conspicuously with regards to interaction with the local communities. The international regulatory agencies and the institutional funders associated with it were hence keen to have evidence of solid performance in relating with these, often fragile, communities as a precondition for positive appraisal. Ultimately, the project emerged as a pilot case for new global guidelines on social and environmental impact assessment, spearheaded by the World Bank. The attainment of this status constituted an evolution of capabilities from early to late intermediate stages, underlining a strategic learning curve.

By developing a highly localized political strategy that culminated in co-ownership of the project by the hosting community and the financing of development projects that were proposed by the community, the project effectively reflected the potential that MNEs have to drive change and alleviate poverty. The lengths to which the project went to actively embed individual managers in the hosting communities further illustrates the extent of possibilities that MNEs must explore to surmount voids and develop relationship-based and culturally-sensitive strategies of engagement. The managers who were selected to be embedded, in turn, had the opportunity to develop managerial influence and to shape the dependency on government at a local level, which are the two higher order political capabilities that were deployed to integrate the primary capabilities. Some questions did arise at the intermediate stage concerning the sustainability of the community projects beyond the lifetime of the core project. There was an opportunity to explore this uncertainty further and integrate the findings into revised strategies, perhaps as part of an aligned market and nonmarket strategy for the country and the region. The feedback of the embedded managers was critical to this realignment process.

By seeking to understand Africa as an emerging and evolving region, the joint venture depended substantially on Pisu’s strategic political resourcefulness. This was reflected, for example, in the appointment of a manager with extensive African experience to lead Pisu’s team and to act as the overall project manager. Also, the recruitment of a former senior manager at Frinam to become the general manager of the joint project introduced more depth and diversity into the portfolio of capabilities about understanding Africa as an evolving region. In sum, Pisu/Energy Global made choices based on the strategic value of an MNE joint venture integrating political capabilities that were extensively tested both globally and locally. Pisu took the lead in adapting locally, while Energy Global attended to global challenges. The success of implementation depended significantly on harmonizing these roles, being astute to political influences, learning from each other, and involving diverse political stakeholders. In the end, the project not only stabilized Uganda’s highly stressed electricity generation capacity but it emerged as the most successful such joint venture in Africa, offering lessons for future projects well beyond the region. While Pisu would have resisted further institutionalization to defend its locational advantage in dealing with institutional voids, it recognized the complementary value of partnering with an institutionally astute partner and hence supported relevant processes. This contrasts with the positions that Frinam and Avin seemed to take outside a joint venture.

3.3.2. Frinam

Frinam is a subsidiary of Africa’s largest electricity company, based in South Africa. It entered Uganda at the invitation of the Ugandan government and as the quasi successor to the former state-owned monopoly, the Uganda Electricity Board (UEB). This status and the closeness to the Ugandan government gave Frinam substantive first mover advantages, especially in the early years of pro-market reform. The company benefited enormously from the capabilities of its first CEO, who developed an extensive network of strategic relationships with relevant stakeholders. In fact, he had been previously recruited to head UEB in its final two years prior to dissolution in 2001. After the dissolution, he was made CEO of Frinam, thus bringing his pre-entry experiences with him.

Frinam represented many South African MNEs that were riding high on the winds of post-apartheid domestic political change and
aggressively expanding across Africa. They were supported by South Africa’s new foreign policy that prioritized the renewal of strategic relationships with other African countries. This renewal process saw many South African MNEs rapidly entering African markets via their political connections. Uganda’s pioneering role in initiating pro-market reforms aligned well with South Africa’s foreign policy. More specifically, Frinam concluded that despite Uganda being a relatively small market, it had significant strategic value as a central element in a proposed Pan-African power grid (McDonald, 2009). The development of such a strategic grid depended substantially on the capability to exploit the political connections with various African governments through the home government as well as the linkage to important Pan-African initiatives like NEPAD. This MNE therefore approached the East African country as its latest locational milestone in building a strategic stake in the continent’s electricity sector.

The Ugandan government’s support significantly helped Frinam’s first mover advantages in its early years but some challenges also emerged at intermediate stages. These were mainly because of disagreement between the executive and the legislative arms of the Ugandan government in appraising Frinam’s status and performance. Frinam was ultimately one of the central subjects of two parliamentary commissions of enquiry into the sector. Some parliamentarians even called for the termination or renegotiation of its contract. While the strongest recommendations of the reports were never implemented, indicating the significance of the backstage political influence that Frinam wielded, they were strong enough to signal the need for a revised political strategy in dealing with foreign MNEs. In response, Frinam became more proactive at intermediate stages of reform in shaping normative institutions by spearheading the formation of an umbrella association for the electricity generators and distributors in the country. This suggested a realization of the need for building coalitions and coordinating industry positions in lobbying against hostile government regulation.

With more MNEs entering the market and its original predominant position no longer sustainable, Frinam visualized itself emerging as the preferred partner in improving rates of rural electrification in the country. Considering a rural electrification rate of only 6–7 percent, compared to a SSA average rate of 30 percent (Haanyika, 2006; Kasaija, 2015), Uganda’s was effectively the lowest in SSA, which meant that this was a potentially game-changing strategic space to occupy. Frinam sought to draw on its successful experiences with rural electrification in South Africa to develop a new Africa market leadership. This would depend on a strong understanding of diverse sub-locations within the region. By implication, this also meant that Frinam needed to adjust its political strategy to relate better with diverse local community stakeholders, and not just to predominantly national ones. To sustain its performance in Uganda, Frinam was being both a business entrepreneur and a co-regulator or regulatory advisor in the sector, sometimes with difficulties to separate the roles. Notwithstanding this challenge, it introduced an industry-wide push for a growing level of efficiency, after years of low efficiency under UEB. This enabled it to become a training ground for managers and technical staff who would later join other companies as the industry expanded.

In sum, Frinam made strategic choices that saw it benefiting from first mover advantages in countries like Uganda in the early years. It linked its ‘Africa strategy’ to the home government’s revised foreign policy and sought a close political relationship with other African governments as the electricity company of choice. It designed and implemented its strategy in close collaboration with institutional actors seeking to learn how to do things in pro-market reform settings, and sought to significantly influence the early years of emerging institutions in each market. At intermediate stages of reform however, there was a need to revise its strategy to accommodate local communities more and to adapt to growing institutional sophistication. More generally, it appeared to subtly resist more sophisticated institutionalization that was hostile to its strategic position.

3.3.3. Prolux

Prolux is a subsidiary of a Norwegian MNE that is partly owned by several local governments in Norway. It acquired its license to operate in Uganda from another Norwegian MNE that opted out of the project at an early stage. A major strategic advantage it enjoyed was that the Norwegian state-owned development agency, that had supported the original developer, negotiated the transfer of the license to Prolux and remained on board as a strategic partner. This ensured continuity and sharing of knowledge that the agency had acquired in several emerging countries. By implication, Prolux was closely linked to the development aid policy of its home government and was, in fact, promoted as a Norwegian example of successful policy in Africa and similar regions.

Prolux gradually emerged as a benchmark for institutional compliance in the small- and medium-size electricity generation sector in Uganda. In being strongly compliant, it supported Norway’s investment in developing regulatory institutions, following pro-market reform. Norway was indeed central in designing Uganda’s Electricity Act, under which reform was operationalized. The project also gradually developed as a case example of sensitivity to special needs in communities hosting small- and medium-sized dam projects. It did this by carefully attending to vulnerable groups like women and children at the grassroots. Furthermore, the project emerged as an example of supporting gender equality in management by having a female CEO, something that was still rare in Africa. It also underlined its commitment to local capabilities development by aiming to eventually become an MNE with a fully local human resource team. Ultimately, it also became the subject of an international research study that illustrated the medium to long-term job creation and value added profile of the project for the region (Scott, Darko, Seth, & Rud, 2013). This study effectively summarizes the local institutional and economic impact of the project.

The timing of Prolux’s entry was at the early intermediate stage and, like Pisu/energy Global, illustrated the possibilities of relative intermediate entry and how retrospective learning can be leveraged for advantage. The MNE depicted strong learning along the path of reform and a consolidation of its status as a benchmark for institutional compliance. There were also some signs of becoming more politically proactive, for example as a founding member of the umbrella association for the sector, cited above in the Frinam case.

In conclusion, this case demonstrates the possibilities of greenfield entry at the lower end of the industry, and how such projects could be integrated through wider development aid strategies. By prioritizing closeness to the local community rather than to politicians at all levels, it demonstrated an alternative approach to dealing with political unpredictability, while not being hostile to politicians. Perhaps most importantly, it demonstrated other strategic options that AMNEs have in such markets, beyond the strategic partnership with local MNEs as in the case of Energy Global. Such options are especially characterized by the integration of reactive strategies in the host market and proactive strategies in the home market.

3.3.4. Avin

Avin was the wholly local MNE among the cases studied, and represented the growing phenomenon of EMNEs gaining influence in emerging markets. It was characterized by a long-standing presence in the country, extending to early colonial days when its larger parent company was founded by a trader from India. The MNE’s most important strategic advantage was a detailed and localized knowledge of the market. The expulsion of Asians from Uganda in 1973 by Idi Amin’s military government, marked the low point of the MNE’s experience in the country. While it was legally a fully Ugandan company, there were major social, cultural and political factors that resulted in a generally

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*The New Economic Partnership for African Development (NEPAD) is one of the African Union’s core projects: [http://www.nepad.org/](http://www.nepad.org/).*
negative perception of it in the local population. Despite enjoying extraordinary advantages based on close political connections, it was also often challenged by calls for more indigenization.

Of all the cases in the study, Avin had been involved earliest with plans to reform the sector. In the late 1980s and early 1990s, it had lobbied government to develop a new policy for the sector, as part of the government’s broader liberalization and privatization agenda. Avin was originally interested in the Bujagali project, which was later taken over by Pisu/Energy Global. In fact, Avin had formed a joint venture with AES of the United States, starting work in 1997. The project, however, faced serious challenges, including resistance from social and environmental activists, opposition politicians and cultural stakeholders. It was also affected by some evidence of bribery and corruption. Further, the fall-out from the Enron scandal in the U.S. forced AES to question the viability of its activities in international markets. Consequently, AES opted to prematurely exit Uganda in 2003. While Avin participated in the new bidding process thereafter, its bid was not convincing this time and Pisu/Energy Global secured the new license. Avin had, however, played a critical role in the early years of formulating a new electricity policy that led to pro-market reform in 1999. The early work in the first Bujagali project was nevertheless valuable as a source of learning for both government and the new developers.

Most importantly, Avin demonstrated the value of the other possibilities in the sector when it spearheaded electricity cogeneration at intermediate stages of reform. While there was resistance to cogeneration initially, it was eventually accepted, not least thanks to Avin’s persistence, using its longstanding political capabilities. Cogeneration eventually emerged as one of the important supportive ingredients in the country’s energy mix, leading to similar projects by the key sugar processing plants in the country. Avin eventually positioned itself to enter neighboring markets using the same cogeneration model, benefiting from market leadership in Uganda and the support of the Ugandan government and the World Bank. Attaining this strategic position at the intermediate stage of reform was only possible because important foundational work had been done at the early stages, and at preliminary stages, using anticipatory capabilities.

Avin, in conclusion, demonstrated the advantages and the disadvantages of a locally-based MNE. While it was early to identify the strategic opportunities in the sector, contributed to the first reform policy drafts and ultimately spearheaded the first joint venture (with AES) for the Bujagali project, it did not reap the full benefit of this early engagement and foresight. The premature termination of the venture with AES translated into a concentration on electricity cogeneration, underlining the capabilities for adaptability and innovation. By first producing 6 MW to fully meet its own needs, and then successfully lobbying the Ugandan government and the World Bank for expansion to 51 MW to supply to the national grid, it proved the merits of this adaptability strategy rooted in decades of understanding the political strategic realities of the country. It embodied the possibilities and challenges of historic embeddedness in a host market. Finally, it illustrated how voids have an evolving nature and how MNEs need to adapt to and anticipate change accordingly.

The next section summarizes the key findings of the study, following cross case analyses and using the coding explained earlier.

4. Findings

At the outset, we note that there are differences in opinion about the appropriate approach to the reforms in Uganda’s electricity industry. In each case, we perceived the historical events that led in different approaches to reforms, including the accommodation of the diverse key stakeholders involved. To illustrate these differences, we have categorized the findings in two major categories: Category A (foundational generalist perspectives) and Category B (institutional perspectives). While the details under each of these categories are integrated in the narrative for each case presented in Section 3.3 above, this section produces a synthesized and integrated perspective that paves the way for a higher order theorization.

4.1. Findings category A: foundational generalist perspectives

This category captures factors that were critical in ensuring the success of market entry and embeddedness from a generalist perspective and that would lay the foundation for a more refined engagement over time. Informed by 152 instances of NVivo-based coding activity, the analysis identified three sub-categories in order of percentage presence: political stakeholder engagement (41 percent), local embeddedness (31 percent) and understanding Africa (13 percent). These three sub-categories were labelled to reflect concepts emerging from the data. The language used to label the concepts was a mix of language used by the interviewees, and the judgment of the researchers in creating higher-level conceptualizations. In reaching a conclusion about the appropriateness of the names, the researchers further depended on the validity-enhancing merits of the seven-stage analysis scheme proposed by Easterby-Smith et al. (2008), particularly the systematic iteration process. For each conceptual category and title, there were at least three coding and recoding cycles or iterations.

Political stakeholder engagement is defined as the practices that an organization undertakes to involve political stakeholders in its organizational activities (Greenwood, 2007). It stood out as the most important sub-category in this study, exposing how differently the MNEs approached political stakeholders at various levels and in changing locational contexts. There were also indications for prioritization of stakeholders, due to limited resources, and the need to focus capability development to address these stakeholders. The importance of this sub-category is underscored by its reflection, directly or indirectly, in the other two sub-categories. The capability to leverage the internationality of Energy Global and the localness of Pisu to produce an integrated multi-dimensional approach to the diversity of stakeholders, stands out as a paramount feature of the joint venture project. The totality of stakeholder engagement reflected the variety of considerations that needed to be accommodated. Frinam, on the other hand, began to expose a strong continental orientation in its political activity. Benefitting from its home country’s new-found strength as a geopolitical and economic heavyweight in Africa, the MNE approached Uganda as its latest milestone in building a strategic stake in the continent’s electricity sector. While it initially prioritized specific national actors, locational changes forced it to broaden its scope, for example in relating to the executive and legislative arms of government. Prolux for its part reflected other strategic options that AMNEs have in such markets, beyond the strategic partnership with local MNEs, as demonstrated by Energy Global. Such options are especially characterized by the integration of reactive strategies in the host market and proactive strategies in the home market. Avin finally encapsulated the experiences of a local EMNE and how it leverages its long-standing presence in the host country to approach stakeholders, including the hostile ones. It was hence able to break the initial resistance to cogeneration using a sustained and well-funded lobbying strategy. Further, it was a first mover in recognizing the locational value of Uganda as a springboard for more regional engagement.

Local embeddedness. For this research, local embeddedness refers to the degree to which a project engages with or is immersed in the host community and its local institutions. Proactively, it seeks to understand how this community is integrated in the planning and implementation of the project. It emerges as the second most important sub-category for all cases in approaching institutional voids. Indeed, the characteristics of local community embeddedness that require strategic approaches going beyond stakeholder considerations necessitated a demarcation of the sub-category. This was further reinforced by the growing importance of social and environmental impact assessment demands on hydropower dam projects that were predicated on strong local engagement. In principle, there is need for a strong local community
perspective in CPA, considering that local communities constitute an important stakeholder group that must be engaged along the lines explained above.

The Pisu/Energy Global project, by nature of its size, complexity and history, stood out most conspicuously in this regard. The international regulatory agencies and the institutional funders associated with it were hence keen to have evidence of solid performance as a precondition for positive appraisal. In developing a localized strategy that culminated in co-ownership of the project by the hosting community and the financing of development projects that were proposed by the community, the project effectively reflected the potential that MNEs have to drive change and to alleviate poverty at the base of the pyramid. Conversely, Frinam seemed to take a more national-oriented than a local community-oriented stance in approaching local embeddedness. Its deployment of managers and the shaping of the dependency on government reflected this national orientation. It however had to adjust later to be more locally responsive. Prolux, on the other hand, approached the sector from the perspective of an AMNE seeking to develop its profile based on the small- to medium-size dam segment. It also set new standards in deploying a highly locally-oriented approach to human resources. Finally, Avin embodied the possibilities and challenges of historic embeddedness in a host market. Most importantly, it illustrated how voids have an evolving perspective and how MNEs need to adapt and anticipate accordingly.

Understanding Africa. This is defined here as accurately interpreting the strategic development of Africa, the aspirations of its peoples, and the continent’s political, cultural and socio-economic transformations. It includes a comprehension of trends like emergent regional economic blocs intended to enhance intra-African trade, investment and economic flows, such as the East African Community. The scale and scope of MNEs’ understanding of Africa as a region emerges as one of the major determinants of successful political strategies. Consequently, the joint venture depended substantially on Pisu’s political resourcefulness in the region, and ability to interpret locational dynamics. Frinam, on the other hand, exploited its political connectedness with various African governments, through its home government, as well as its linkage to Pan-African initiatives like NEPAD. It nurtured capabilities based on an explicit ‘Africa Strategy’ that was continentally oriented from the outset. Later reform stages necessitated more localization, however. Prolux, in contrast, reflected the possibilities of MNEs from countries with development aid-based interests in the region. It was therefore able to strategically position itself as a case example of successful Norwegian development aid policies. Finally, Avin represented the experiences of a historically-embedded EMNE in exploiting the advantages of acquaintance with Africa’s situation. It was a growing leader in exploiting opportunities for regionalization of investments and adapting to fragility in the region.

4.2. Findings category B: institutional perspectives

This category of findings takes a closer look at the institutional perspective on political market embeddedness. The four cases are assessed from a general institutional, and a stage of institutionalization perspective, based on 181 instances of NVivo-based coding activity. Consequently, the institutional context in general (50 percent) and the stage of institutionalization (44 percent) emerged as the most important factors based on percentage presence in the coded instances. The institutional circumstances that accompanied the market embeddedness for each case are clarified, leading to a deeper understanding of the responses to the voids. This category of the findings exposes a more institutionally-oriented dimension that informs the voids focus in the paper at a more specific level. It also introduces a juxtaposition of political capability evolution onto institutional stages. As with category A, the key findings here are integrated in the narrative for the four cases as presented under subsection 3.3. In summary, the sector saw Pisu/Energy Global remaining consistently supportive of emerging institutionalization, building on its new international benchmark status and the synergies resulting from the capabilities of the JV partners. Frinam, in contrast, evolved from being strongly supportive to being subtly resistant to further institutionalization, for fear of losing its politically-connected and hence favored status. Prolux also maintained support for institutionalization, based on a benchmark status regarding compliance with rules. It also demonstrated the strengths of prioritizing grassroots actors rather than national political actors. Finally, Avin illustrated strong anticipatory capabilities (Oliver, 1991) based on the emergence of the electricity cogeneration sector as an important ingredient in the country’s energy mix, and as a basis for developing new institutional requirements. Hence, while all cases supported early institutionalization, there was a divide between continued support and subtle resistance at later stages, based on corporate political rationalization (see Fig. 1).

4.3. Higher order findings

A deeper analysis of the findings in categories A and B, and how they were integrated, led to the identification of two higher order variables — configuration of the dependency on government and deployment of managerial influence — which help explain the complexity underpinning the MNEs’ political strategies. The determination of these two higher-level themes was based on a final theorization process about how the separate key success factors could be further synthesized and integrated. It was also supported by our observations in the field. We recognized these two higher order concepts as the drivers behind the identified factors. It was through these concepts that the strategic political capabilities of engagement and the locational adaptations along the path of reform were attained. While the preceding factors could individually be leveraged to some effect, only through an integrated approach were higher value and strategic impact possible. We examine this further below.

4.3.1. Approach to configuring the dependency on government

Given the early stage of reform in Uganda’s electricity sector, the political value of the sector and the persisting debates among policy makers about the strategic credibility of the applied reform model, all cases depicted some degree of dependency on government. This basic dependency was also pre-conditioned by the choice of reform model, which saw government maintaining full ownership and operation of the electricity transmission segment. All generators had one main client, government, through its Electricity Transmission Company facility, which in turn sold to distributors. The dependency on government through contracts, as highlighted in extant literatures (e.g. Hillman et al., 2004), was effectively the same for all. It was the approach to, and the configuration of, the finer-grained details of the dependency that produced strategic differences. MNEs did this using heterogeneous approaches to integrate the key factors identified in the findings.

With this process, we note that companies can shape the institutional context as well as respond to it. An important consequence is that the managers who brought experience from other frontier markets, especially in Africa, ended up not only managing their core projects, but also acting as advisors to the host government in advancing the reform. A configuration of this double role was to a large extent the most important political capability that the corresponding MNEs deployed to accommodate the voids. MNEs that approached this capability proactively, not least by exploiting the closeness to home and host governments, were able to effectively configure and deploy it. In the process, the MNEs not only became more sensitized to the voids, but also designed more fitting response strategies.

These observations contribute to a research sub-stream that suggests that MNEs — and firms more generally — with a strong dependency on government will prefer relational approaches to CPA (Hillman & Hitt, 1999; Hillman et al., 2004; Sch & ler, 1999; Zhou & Peng, 2010). Consequently, MNEs such as Frinam, Pisu and Avin, that understood how
the dependency on governments in an African context relationally op-
erated, tapped into this knowledge and experience but from different
standpoints. Frinam used a first-mover, politically high-profile and
continently-oriented approach that was intended to establish market
leadership in Africa. It prioritized the most influential political actors
at the national and the continental levels, sometimes neglecting the more
locally-oriented layers of political action. In a sense, this was a top-
down approach to political relationship building. It translated into a
careful choice of market location, first and foremost for its political
value. Uganda was strategically located in the Great Lakes Region and
at the source of the River Nile, and Frinam recognized the value of
winning a stake and integrating it in a bid to dominate Africa’s elec-
tricity sector. While the approach proved beneficial initially, it exposed
serious limitations at later stages. Pisu and Avin conversely represented
EMNEs that were historically embedded in East Africa and could stra-
getically leverage the locational advantages. Indicative of the emerging
heterogeneity of CPA, the two EMNEs chose different routes in pursuing
their goals. While Pisu opted for a joint venture with an AMNE (Energy
Global), Avin focused on anticipatory political capabilities that ulti-
mately transformed it into the benchmark for the cogeneration seg-
ment. The approach to shaping the dependency on government and the
requisite relational dimensions were hence informed by these strategic
choices that benefitted from historic hindsight and resourcefulness. The
choices consequently transformed Pisu into the lead partner in re-
sponding to the local voids on behalf of the joint venture.

This suggests that MNEs need to possess the political capabilities to
adequately engage with such complex developments, that nevertheless
affect their embeddedness and determine when and how to interact
with the corresponding actors. For example, one of the key strategies
that Pisu deployed to this end was a stakeholder remapping in the
hosting community. This enabled it to re-engage with the local gov-
ernment at various levels, and to address the local community more
strongly in project planning and implementation than the predecessor
project had done. By implication, the level of stakeholder engagement
(Ghobadian et al., 2009) was substantially improved to make it more
accommodative of diverse interests and exploitative of institutionally-
oriented locational advantages (Dunning, 1980; Dunning & Lundan,
2008). Given the fluidity of circumstances in such emerging contexts,
there was a need to more regularly review and refine stakeholdership,
from a locational perspective, than is perhaps common under more
stable institutional contexts. As an example, the hosting community
was characterized by an intense cultural leadership wrangle for several
years. In later years, however, there was a form of resolution of the
conflict, leading to a new demand on MNEs to clarify their relationship
with cultural stakeholders, that could potentially influence local per-
ceptions about the projects. The cultural institutional void that had
previously existed was hence partially filled, with implications for
cultural-cognitive institutional influences (Scott, 2001).

MNEs consequently need to possess the political capabilities to
adequately engage with such complex developments that nevertheless
affect their embeddedness and determine when and how to interact
with the corresponding actors. The case at hand involved a mix of local
cultural and national political dimensions that raised the level of
complexity of the situation. There is a strand of thinking emerging in
the field which argues that MNEs in such situations need to be more
proactive in finding solutions as part of what is increasingly called
corporate diplomacy (Henisz, 2014). We argue that this is one of the
most important political capabilities that MNEs can develop to shape
the dependency on government and, by extension, contribute to nation
building and international peace and security. By deploying strategic
reorientation based on a stakeholder review, the project was also ef-
effectively supporting the host government in filling institutional voids
and delivering basic services to the community as part of an emerging
strategic partnership between MNEs, NGOs, and the host government
(Boddewyn & Doh, 2011; Webb et al., 2010).

However, going beyond the preoccupation with voids in the extant
institutional literature, this study observes that the reality is a mix of
managing voids on both the institutional and the business side. It is the
capability to adequately integrate these two L perspectives, based on
locational characteristics, that leads to success. Successful MNEs in-
tegrate institutional and business entrepreneurship, but in ways that
supersede narrations in extant literatures or experiences in mature in-
stitutional systems. The level of creativity and innovation that is
needed, both from an institutional and business perspective, is sub-
stantive.

Avin, conversely, could start penetrating new regional markets,
particularly South Sudan and Rwanda, where its experience in Uganda
(the most important trading partner for both countries) proved strate-
gically useful. At various points, it drew on its historically-rooted re-
relationship with the government of Uganda to strengthen its case for
regionalization and to leverage its locational advantages. It is note-
worthy that all this happened as the Ugandan government was playing
an increasingly important role in stabilizing more fragile neighboring
states. Home-grown MNEs like Avin were therefore an important stra-
getic asset since their investments were also politically and in-
titutionally valuable. The dependence on government can thus have
a geopolitical dimension of global interest in such fragile contexts, fur-
ther underscoring the locational imperatives of CPA.

Finally, in Uganda, Prolux tapped into the development aid policy of
its home country, which prioritized the construction of effective policy
and regulatory institutions in the energy sector. It could develop cap-
abilities that transformed it into a benchmark for compliance with
emerging institutional rules. The capabilities involved building re-
lationships with institutional technocrats in the host market, using
a politically reactive strategy. In other words, the emphasis was on re-

defining political relationships that were not yet strongly
involved with actors at a professional or technical level, rather than
directly with political actors. The success of this strategy was predicated
on a proactive approach to home-based political actors responsible for
development aid in Uganda. Consequently, it emerges as a strategy that
proactively exploits home country relationships to support a generally
reactive stance in the host market. Here too, there was a close in-
tegration of business and institutional perspectives in approaching the
voids.

The next section examines managerial influence as the second con-
ceptual perspective that emerged out of a deeper analysis of the sub-
categories in the findings and a distillation of their rationale. Managerial influence appears to have implications for important as-
pects of the configuration of the dependency on government, as will be
explained.

4.3.2. Approach to exerting managerial influence

While extant literatures have interrogated the managerial influence
aspect of CPA, mainly in terms of contributions to preferred political
parties (Blumentritt, 2003; Blumentritt & Nigh, 2002; Cook & Barry,
1995), this study underscores, in part, the limitations of extending such
findings to new frontier markets where multi-party democracy is still
weak. Choice is generally limited by systems that are not yet strongly
accommodative of regular change of government. The decision to make
a contribution to an opposition party can have existential consequences
for an MNE. Conversely, contribution to the party in government,
whilst being the most convenient and rational option, can result in an
ethical and moral backlash, especially if the party in government has a
contested human rights and governance record. Managers therefore
find themselves between a proverbial rock and a hard place in such
fluid contexts. But those that master the capability to circumnavigate
the fluidity, and make prudent choices, reap significant benefit and can
become influential.

In Uganda’s reform context, the managers, especially of the early
entry MNEs, were empowered with the double role of managing their
projects and advising government (Cantwell et al., 2010; Fatas-
Villafranca, Sanchez-Choliz, & Jarne, 2008). The empowerment went
far beyond what extant literatures posit, given the assumption there of a
gradual change in largely stable institutional contexts rather than the creation of new ones and the initiation of processes based on discontinuity (Diamagio & Powell, 1983; North, 1990; North, 1991).

The observations here reflect Africa’s emerging confidence and capability to create institutions that are more strongly accommodative of its development needs and are rooted in its socio-cultural context. In many ways, this reality contradicts the contemporary understanding of institutions. Much of it derives from a political accommodation (Luo, 2004) of tensions between formal and informal institutional constellations in the context of rapid economic growth. The accommodation needed in a context like Uganda’s is even more demanding than what Luo (2004) theoretically suggested. This is because of novel aspects of informality, for example those reflecting a multi-ethnic, tribal context, that was not explicitly considered in the propositions based predominantly on China’s experience. The result is a capability situation that MNE managers from otherwise highly institutionalized contexts may struggle to accommodate (Cuervo-Cazurra & Gen, 2008; Henisz & Zelner, 2010). Managers that appropriately adapted saw their influence growing. One such manager at Frinam was later described by a Parliamentary Commission of Inquiry as ‘the Architect’ of Uganda’s reformed industry, given the scale and scope of influence he accumulated, significantly due to the mastery of the afore-mentioned capability.

For the Ugandan government to grant such extensive permission to a market entrant like Frinam, and particularly its lead manager, to shape the industry and to make path-defining recommendations, presupposes equally extensive preparatory political work by the favored company. The challenges that Frinam faced in later years however, particularly from a more assertive parliament that questioned the behavior of the MNE’s managers in the pre-entry and the early years, indicate the risks associated with political capabilities based on managerial influence.

The locational suitability for approaches that were successful at early stages of reform diminished later. Consequently, there was a growing need for capabilities of anticipation in the context of an uncertain future, something that strongly tested even the most experienced manager. But the benefits appear to outweigh the risks if the adequate risk mitigation measures and long-term strategic considerations are applied (García-Canal & Guillén, 2008; Holburn & Zelner, 2010). Frinam appeared to be taking these measures at the intermediate stage of reform.

Frinam, Pisu and Avin therefore represented a new breed of MNEs that were fundamentally redefining the relationship between host governments and business in several pro-market, reform-oriented African countries. It was a redefinition that reflected an emerging African interpretation of the free market economy, the role of the state and MNEs that were close to it, and that of civil society (Shaw & Nyang’oro, 2000). The redefinition effectively translated into a broader ongoing reconstruction of state capitalism in Africa, but under relative pro-market conditions. In effect, such MNEs filled the vacuum that had been left by former outright state-owned enterprises (SOEs), for example the Uganda Electricity Board. Therefore, on the one hand, countries like Uganda saw the need to relinquish previous outright involvement in the economy through SOEs. But on the other hand, local political considerations made it imperative for them to maintain a level of involvement (Li, Cui, & Lu, 2014; Okhotmatovskiy, 2010), determined by evolving locational demands, especially from an institutional perspective. In many cases, the former SOEs were still informally operational, despite formal reform, thus creating persistent resistance by former SOE managers and staff. The capability to work through this locational-institutional (L) resistance, based on emerging managerial influence, was important as a prerequisite for success. It presupposed the crafting of a new relationship with the host government and an engagement with its political agenda, whilst not becoming a new SOE.

It is noteworthy that Frinam was an SOE in its home country but was trying to act as a private player in African markets like Uganda. This underlines the ambiguities and contradictions that the birth of the new state capitalism and its associated institutional reconfiguration was producing on the continent. With ever more SOEs from China acquiring a major stake in reforming African markets, it will be interesting to observe whether a convergence of Chinese and African versions of state capitalism will emerge, and how this will impact on characteristics of managerial influence. Uganda’s case exemplifies how new frontier markets can integrate these different aspects to develop and sustain locational advantage (Dunning, 1977, 1988, 1998). As noted earlier, Uganda ultimately became a preferred destination for MNEs that were targeting the wider African market. Traditional analyses in international business research have not extensively engaged with locational advantages from a CPA perspective, let alone a broader nonmarket strategy view. This paper therefore offers exploratory insight into this research realm, in the context of new frontier economies in Africa.

Underlining the growing sophistication in such markets and the quality of corporate political engagement needed to surmount the institutional challenges there, the AMNEs in our study, Prolux and Energy Global, demonstrate some of the strategic options available for viable competition. Prolux’s approach in relating proactively with the home government and reactively with the host government — but in an integrated way — has already been explained. It is important to further note that the strategic heterogeneity evident here depended significantly on the Ugandan lead manager’s level of creative engagement when liaising between headquarters (HQ) and the subsidiary. This was especially important when mediating the interpretation of emerging institutions at all levels of government, and hence in shaping an accurate perception of locational reality.

Similarly, Energy Global proactively leveraged its globally-oriented political capabilities, for example in dealing with social and environmental lobbyists and international regulatory agencies. But it left Pisu to lead local political strategy, preferring to be reactive here in a politically-informed sharing of roles. Not only did the complementarity of political capabilities catapult the project into a new global benchmark for social and environmental impact assessment of large infrastructure projects in emerging and new frontier markets, it also facilitated a successful bid for a new project on the Ruzizi River in Central Africa. Here too, the quality of collective managerial influence of the assigned managers at HQ, as expressed in the interaction with managers at the subsidiary, was critical to achieving success. But given the managerial relational dynamics highlighted earlier, the interaction goes beyond classical HQ-subsidiary relationships (Birkinshaw & Pedersen, 2009; Birkinshaw, Holm, Thilenius, & Arvidsson, 2000).

The interplay between the primary political capabilities that MNEs need to possess on entry into new frontier markets, and their integration using higher order capabilities, as well as the evolution of strategy along the path of reform, is captured in Fig. 1. While there is homogenous behavior in initially supporting institutionalization (P1), albeit differentiated at a micro level, strategic considerations at intermediate stages translate into divergent responses. These divergent responses translate into either subtle resistance to further institutionalization (P2) or support for further institutionalization. The support of further institutionalization manifests itself as either joint venture partnerships (P3a), or wholly-owned subsidiaries (P3b). The rationale for this divergent behavior is explained in the immediate sub-sections leading up to the propositions in the discussion below.

In effect, the model represents a processual manifestation of political strategy, as shaped by locational-institutional transformations. MNEs may have advantages and/or disadvantages, depending on whether they take a first mover approach right at the start of reform or opt to enter the market later. Consequently, they also have strategic options for leveraging the advantages and addressing the disadvantages, based on a strategic application of the higher order political capabilities (configuring the dependence on government and exploiting managerial influence) that integrate the primary political capabilities for greater impact. This application must adapt to changes.
along the path of reform and to the demands of the stage of institutionalization that are defined by characteristics of location. Our model further predicts an evolution of the primary political capabilities and the associated integrative political capabilities at advanced stages of institutionalization. MNEs that enter the market at these advanced stages would therefore need to take a significantly different strategic political approach.

The next section proceeds to discuss selected aspects of the findings and to make propositions based on these findings.

5. Discussion

The cases in our study represent evidence as to how new frontier markets like Uganda create locational advantage (Dunning, 1977, 1988, 1998). Uganda developed a Sub-Saharan African country advantage through its pioneering pursuit of pro-market reforms, from the early 1990s onwards. With time, it became a relatively preferred destination for FDI, compared to other African countries that were at a much lower stage of reform. While it ended up being an imperfect reform, it nevertheless offered relative locational advantages for MNEs to learn how to approach diverse institutional and business voids in Africa. MNEs recognized this advantage and helped shape it to different extents using integrative capabilities based on managerial influence and the approach to dependency on government. It is a transient locational advantage, given that the process of reform was ongoing and there were frequent setbacks. Uganda’s locational advantages can be summarized as relative institutional reform, relative political freedom and stability, relative peace and security, a comparatively highly educated workforce that is available for cross-border projects, and the relative rule of law. Although these locational advantages remain fragile, the country has continued to strengthen its reputation as a springboard for penetrating the African region.

From our investigation of the cases in this study, we conclude that different assets and capabilities are important during different stages of pro-market reform and institutional emergence in a setting replete with institutional voids. In particular, political skills and relationships in the early stages of the reforms and transactional or advanced managerial skills as reforms progress. In the early stages, MNE entrants from advanced economies (that primarily possess transactional/advanced managerial skills) may be at a disadvantage, whereas local/regional firms use their political skills and relationships to influence the course of reform. However, these local/regional firms tend to face resistance as reforms advance and get more institutionalized, and the advantage tends to shift to advanced economy MNEs. So, it is best for firms (whether local/regional or from advanced economies) to gain access to or develop relevant complementary capabilities as the situation demands. Whatever their choice, they ultimately try to favorably influence the direction and the form of institutionalization, whilst not appearing to thwart the broader pro-market reform agenda of the host country. Achieving this latter balance is, in and of itself, an important political capability.

The cases in this study demonstrate the diversity of CPA strategies and the associated political capabilities available to MNEs in seeking to be successful in institutionally fragile, but high growth circumstances. The study identifies meta-capabilities based on configuring the dependency on governments and deploying managerial influence as critical to strategic success in new frontier markets. The effectiveness of engaging with political stakeholders, becoming adequately embedded in the local market, and understanding Africa as a dynamically evolving political market (the three original primary capabilities identified), depended significantly on the quality of political capability integration enabled by these higher-order capabilities. While there were significant differences in the scale and scope of proactiveness versus reactivity (Hillman et al., 2004), let alone a mix, with which the different MNEs approached these integrative capabilities from a locational consideration, the integrative capabilities were a common factor for all the MNEs. It is these integrative capabilities that stand out in our attempts to infuse Dunning, 1977 with a nonmarket strategic perspective that is fundamentally important in understanding successful MNE strategy in new frontier markets undergoing pro-market reforms.

In effect, the study advances preliminary evidence of an emerging strategic taxonomy that can help MNE managers to make appropriate choices in these increasingly attractive, yet still institutionally fragile and politically uncertain new frontier markets. As Fig. 1 illustrates, our findings underscore the value of influencing and shaping the inevitable dependence on government in a manner that allows the firm to integrate and leverage its primary political capabilities. Further, active and focused managerial attention is critical for the investing firm to fully realize the benefits of leveraging those capabilities.

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**Fig. 1. Corporate political activity in new frontier markets.**

**Legends: Proposition 1, P1; WOS (wholly-owned subsidiary); JV (joint venture)**
5.1. The political imperatives of institutionalization

A core feature of the ongoing institutional transformation is that the state, and the partnering MNEs highlighted earlier, increasingly support institutional emergence only to the extent that it benefits the symbiotic relationship between them and meets the basic requirements of the broader economy; but does not go far enough to decisively fill the institutional voids. This calculated approach to ensure limited institutionalization can be typical in the early phases of reform. Early phases are characterized by few adopters and little knowledge of the broader implications of the change of rules or norms (Deephouse & Suchman, 2008; Greenwood, Oliver, Sahlin-Andersson, & Sudjady, 2008; Tolbert et al., 1996). Diffusion has effectively not started in earnest, and institutional actors are still internalizing the change.

The relationship between market entrants and regulatory institutions benefits from the emergence of a basic institutional framework at the early stages of reform, that brings order to the industry and clarifies basic rules that are crucial for attracting FDI, let alone sustaining what is already there. All MNEs, irrespective of their entry mode and country of origin, appear to support this basic institutional emergence as it offers them an orientation to consolidate market entry and political embeddedness. The political capabilities that are associated with this stage include lobbying for adaptation of regulatory and technical standards from the home market (Friman); complying with emerging regulatory rules by becoming a showcase for the home country’s development policy in the sector (Prolux); deploying anticipatory capabilities with an intensity that leads to a more favorable attitude to a new market segment (cogeneration) by policy makers in the host and neighboring markets (Avin); and positioning the project to become a learning case for national and international regulators and projects in other fragile contexts (Pisu/Energy Global). The scale and scope of integration and therefore the strategic value of these different features is a function of locational advantages. This institutionally supportive behavior by all MNEs translates into the following proposition:

**Proposition 1.** In new frontier markets at early stages of pro-market reforms, MNEs support early formal institutionalization to ensure an enabling environment for effective political strategies.

However, the symbiotic relationship between certain MNEs and emerging market governments, as explained above, appears to be threatened by more advanced forms of institutionalization, which are categorized in this study as the intermediate stage. This stage constitutes a fair diffusion of the new rules, some history and some level of normative work (Greenwood et al., 2008; Scott, 1995; Tolbert et al., 1996). Institutional actors have now internalized the change and are largely adept at enforcing it. But the legitimacy of the institutions remains contested by some actors, necessitating a deeper diffusion of the practice.

One explanation for the (subtle) resistance by some MNEs, for example those constituting the symbiosis described above, is that advanced regulatory and policy-making institutional actors are prone to retrospectively question the premises of the relationship between some political actors and the MNEs. Since this is often based on potentially contestable behavior (Adly, 2009; Cuervo-Cazurra, 2006; Dieleman & Sachs, 2008; Kwok & Solomon, 2006; Mbaku, 2010; Spencer & Gomez, 2011), there is a tendency to resist institutional manifestations that could question the behavior. A key capability for market entrants is therefore to accurately draw the line between legality and illegality. Considering a fragile and fast evolving regulatory and legal framework, reflecting locational contingencies, this might constitute a substantive challenge. Effectively, the development of the capability involves taking risks that presuppose the strengthening of the associated risk assessment and mitigation measures. These observations translate into the following proposition:

**Proposition 2.** In new frontier markets at intermediate stages of pro-market reforms, MNEs with political capabilities for exploiting weak institutions resist further formal institutionalization that undermines these capabilities.

In effect, the MNEs either support or subtly resist institutionalization. Institutionalization here is assumed to reflect the three-stage framework (pre-institutionalization, semi-institutionalization and full institutionalization) proposed by Tolbert et al. (1996). Only the first two stages are practically applicable to the electricity industry in Uganda at this stage of its development, while the final stage (full institutionalization) is not yet evident. Full institutionalization would reflect the stage where the practice is fully accepted and is hardly questioned. Non-compliance with the institutional rules would thus be considered politically unwise.

An observable feature of the early stages of reform is the high presence of relationship-based CPA strategies, that are further made conducive by the informal institutional environment (Bonardi et al., 2005; Holburn & Zelner, 2010; Zhou & Peng, 2010). Highly formally institutionalized contexts, on the other hand, are best approached using transaction-based strategies. Since relationship-oriented behavior is particularly strong in emerging and new frontier country cultures like those of Africa (Acquaah, 2007), MNEs that are historically embedded in these markets have an advantage in leveraging relationship-oriented political capabilities. Some entrants are generally strongly schooled in transaction-based CPA strategies that work best in highly institutionalized contexts (Peng & Zhou, 2005; Zhou & Peng, 2010). They therefore prefer to support institutionalization to benefit from their experience with such contexts. When they enter a strategic partnership with an MNE already embedded in the market, for example Pisu or Avin, this motivates these local MNEs to seek to acquire the political capabilities imperative for success at advanced levels of institutionalization. Simultaneously, the entrant MNEs seek to consolidate their capabilities for exploiting weak institutional contexts in a mutually beneficial strategic relationship. The observations here translate into the following proposition:

**Proposition 3a.** In new frontier markets at intermediate stages of pro-market reforms, MNEs support formal institutionalization when their political capabilities for exploiting weak institutions are complemented by partner firms with capabilities for exploiting strong institutions.

**Proposition 3b.** In new frontier markets at intermediate stages of pro-market reforms, MNEs with political capabilities for exploiting strong institutions support formal institutionalization to optimize the effects of these capabilities.

Given the speed at which emerging economies like Uganda are growing, despite the voids defined in extant literatures (Khanna & Palepu, 1997; Khanna et al., 2005) and the forecasts for continued growth in the foreseeable future (Raman, 2009; UNCTAD, 2011, 2014), it makes strategic sense for the MNEs in question to consolidate their competitiveness based on surmounting these voids. In effect, our paper identifies emerging strategic voids. It is in this space of controlled void susnenance that these MNEs have clear advantages over others that are less politically endowed for these markets. Hence, rather than decisively and proactively contributing to filling the void, MNEs like these develop competitive advantage based on CPA strategies that subtly resist further institutionalization, or at least delay it until a strategically more convenient time. MNEs that have developed political capabilities for exploiting weak institutional contexts are prone to resist advanced institutionalization if they lack the relevant capabilities to succeed there. However, such MNEs can overcome their inadequacy if they enter a partnership with other MNEs that are better endowed, to complement each other whatever the reform stage. There is therefore a point of equilibrium where MNEs with advantages in weak institutional contexts and those with advantages in strong institutional contexts can compete head-on in moderate institutional contexts. This is, in effect, at a mature stage of semi-institutionalization, according to the stages
framework used in this study. Beyond this point, MNEs endowed with experience and capabilities in managing under strong institutional contexts tend to be favored. Before this point is where some other MNEs excel, due to superior political capabilities for exploiting institutionally fragile contexts. The specific map capturing these relative advantages and disadvantages is a locational dynamic that a country like Uganda has demonstrated in its pro-market reform experience.

5.2. Broader considerations

Despite the various advantages associated with closeness to government, there are also substantive risks and uncertainties (Brockman, Rui, & Zou, 2013; Cuervo-Cazurra, 2008; Del Sol & Kogan, 2007; Del Sol & Kogan, 2007; Dieleman & Sachs, 2008; Elango & Chinmay, 2007; Jackson & Deeg, 2008; Sen et al., 2010; Zhao et al., 2013). The better access to local knowledge, not least its political dimension, and the stronger embeddedness in the local market that these networks enable, in turn appear to confer substantial advantages vis-à-vis competitors with a different political disposition. One result of this emerging reality is that AMNEs increasingly deploy their financial, technological, and international political resources and capabilities as bargaining tools when seeking joint ventures and similar strategic partnerships with advantaged EMNEs, to get a foothold in these increasingly lucrative markets (Acquaah, 2009; Davis, Desai, & Francis, 2000; Delios & Henisz, 2000; Hoskisson et al., 2000; Luo, 2001a; Meyer & Nguyen, 2005; Wright et al., 2005). Our research also suggests that some AMNEs with deficiencies at competing in these weak institutional contexts are reluctant to invest heavily in understanding the dynamics of developing concentrated political capabilities to surmount the ever more complex voids. This role is increasingly being left to locally politically-endowed partnering firms (usually EMNEs) that extend their competitive advantage in this regard.

Further, there are advantages gained by being a first-mover into these young markets (Frynas et al., 2006), furnishing the entrant with possibilities of influencing institutional emergence from the outset. In addition to the political environmental dynamics in these countries, that these researchers suggest moderate the first-mover advantages, the scale and scope of pre-entry activity also appears to play an important role. Our research indicates that this anticipatory pre-entry activity is strongly enhanced by market entry modes that entail a proximity to the institutional environment of the host country in the early stages of industry emergence, where the MNEs’ strategies are still underdeveloped. It is here that this study finds its rationale, dwelling specifically on the political dimension of the non-market strategy of MNEs in new frontier markets and the implications for Dunning’s OLI framework.

Accordingly, such markets are characterized by an evolutionary reality that heterogeneously mixes political proactiveness and reactivity, depending on the locational-political imperatives of the stage of institutionalization and the political disposition of the MNE or project in question. At a firm level, as defined by the literature reviews of Hillman et al. (2004) and Lawton, McGuire et al. (2013), the interpretation of the strategic implications of the dependency on government in the sector, and the strategic options for deploying managerial influence, emerge as two critical considerations. This is particularly the case in the approaches to shaping relationships with political and institutional actors in an African cultural context that is already relationally disposed. Most importantly, by identifying the two critical considerations as the outcome of a synthesis of the underlying core factors (stakeholder engagement, local embeddedness, understanding Africa as a political market and adapting to a fragile institutional context) of successful CPA observed in this study, the paper offers novel insights into the locational changes that are taking place in Sub-Saharan Africa as part of early pro-market reforms and the reconfiguration of the relationship between host governments and business as represented by MNEs.

A major observation is that while the relationally-oriented capabilities that predominate are conducive to institutional emergence at the early stages of industry reform, where they compensate for serious voids, they substantially conflict with advanced forms of institutionalization that threaten existing locational competitive advantage. MNEs consequently differ in some important ways in approaching this emergence, based on their experiences of dealing with diverse institutional and locational contexts. Ultimately, the insights that the study produces constitute an exploratory contribution to informing a political dimension to relationally-oriented extensions of Dunning’s (Dunning & Lundan, 2008) OLI framework in international business research. The insights further contribute to broadening the geographical base of international business research by explicitly addressing new frontier and often fragile markets, using the case example of a Sub-Saharan African country (Uganda). This is important because of the increasing prominence of these countries in international business and the global political economy. The paper therefore contributes to efforts to develop and shape a theoretical foundation that explains the complex and novel dynamics in these new markets, and how AMNEs and EMNEs can adapt to compete more effectively in the search for a strategic foothold in these locations.

6.1. Practical and managerial implications

The study observes a persistently substantive involvement of the Ugandan government in the reformed sector, albeit not directly as in the past, but through a strategic symbiosis with a growing number of “friendly” MNEs. Such MNEs are developing increasingly refined capabilities to shape these new frontiers of FDI activity by clarifying their locational advantages from a nonmarket perspective. Institutional and business voids are therefore a breeding ground for the creation of new spaces of competitive advantage in these markets that are of growing
importance to the global economy.

Uganda offers an opportunity to review developments from a CPA perspective using a country that built a relative locational advantage for itself as a pioneer in Africa in embracing extensive pro-market reforms (Robinson, 2007; Kutesa, Whithworth, & Williamson, 2010). Its experience is a test case not only for the feasibility of these reforms on the continent, but also for the viability of diverse CPA models deployed by MNEs. This also opens opportunities for the deployment of these strategies in other African host markets. The insights into Uganda’s experience also contribute to international business research by indicating how new frontier markets develop and deploy country-specific locational advantages that appeal to MNEs. The CPA-driven nonmarket strategies that all MNEs in our study deployed depended on having achieved a level of sophistication and relative continuity in its pro-market reform policies and providing an opportunity for MNEs to heterogeneously engage with the on-going reform processes. These are therefore useful insights for illustrating how specifically Dunning’s eclectic framework is enriched with nonmarket strategy perspectives from fast-changing and fragile institutional and business contexts like Uganda. While the focus in this study has been on locational advantages, there are some tentative indications too of implications for the ownership and internalization perspectives of the OLI framework. This is something that will be followed up in future research.

6.2. Limitations and directions for future research

While the results of our research offer important insights, and contribute to filling a research gap, there are some limitations. Firstly, the findings are based on a single industry. There is therefore a limitation of generalizability to other industries. Even within the electricity industry, we have focused on the generation subsector, leaving out the transmission and distribution subsectors. It would therefore be informative to compare and contrast developments in these other parts of the industry. Also, the electricity sector and other utility sectors are characterized by a generally strong regulator intervention, something that is not necessarily the case in other industries. The CPA dynamic in other industries might therefore take a different trajectory and market entrants might not have as much access to political and institutional actors. The implications for institutionalization might be less clear. Utilities are also characterized by a regular tariff review process that opens many doors for market entrants to try to influence the process.

Our study also did not benefit from an empirical understanding of the situation at a mature stage of institutionalization. It would, for example, be interesting to establish whether the symbiosis between the state and some MNEs becomes a liability in later phases, and how the MNEs and the state adapt to this change. Further, the study did not delve deep into specific voids. There is a need to clarify whether labor, capital markets, regulation, contractual law, and property rights are all characterized by the same pattern of CPA behavior, or whether there are important contingencies. In line with more recent observations, it could also add value to differentiate the political environment from a micro- and macro-environmental perspective (De Villa, Rajwani, & Lawton, 2015). This could further clarify the nature and the mix of political capabilities needed along the path of reform, as shaped by divergent MNE nonmarket strategies.

Not least, there is a need for an even wider sample of MNEs to capture the full range of CPA behavioral patterns. Finally, while this study has focused on the location perspective of the OLI paradigm, there is a need to also examine the implications for ownership and internalization of political capabilities. Future work needs to take a more integrative approach, relating locational evolution from a political perspective to capabilities of ownership and internalization. With their growing attractiveness for FDI, new frontier markets like Uganda offer a rich space to study what is happening and to capture it more accurately in theorizing about these markets.

Acknowledgments

Our sincere thanks to the three anonymous reviewers, and to the Editor in Chief, Jonathan Doh, for their detailed and constructive comments.

References


