Engaging Stakeholders Through Corporate Political Activity: Insights From MNE Nonmarket Strategy in an Emerging African Market

How to cite:

For guidance on citations see FAQs.

© 2018 Elsevier Inc.

https://creativecommons.org/licenses/by-nc-nd/4.0/

Version: Accepted Manuscript

Link(s) to article on publisher’s website:
http://dx.doi.org/doi:10.1016/j.intman.2018.04.006

Copyright and Moral Rights for the articles on this site are retained by the individual authors and/or other copyright owners. For more information on Open Research Online's data policy on reuse of materials please consult the policies page.

oro.open.ac.uk
Engaging Stakeholders through Corporate Political Activity: Insights from MNE nonmarket strategy in an emerging African market

ABSTRACT

As interest increases in the political engagement between multinational enterprises (MNEs) and emerging economy host governments, less is known about wider MNE stakeholder engagement and the development of nonmarket capabilities in institutionally fragile environments. This study investigates how MNEs engage stakeholders through corporate political activity (CPA) during the pro-market reform of Uganda’s electricity generation sector. Data is collected through semi-structured interviews, archival materials and fieldwork notes, and is analyzed using an NVivo-supported grounded analytic method. We find both proactive and reactive leveraging of CPA to manage diverse stakeholders. We argue that the host government remains the most important political stakeholder in the early phases of reform, but changes in institutional and political environments necessitate strategic adaptations as the reform process progresses. These adaptations include the need for local engagement and the accommodation of multi-level stakeholder pressures. Our findings contribute to an understanding of corporate political capabilities in Africa’s emerging markets, and illustrate how these capabilities can be strategically leveraged to effectively manage diverse stakeholders.

Key words: Stakeholder engagement, CPA, political capabilities, local integration, nonmarket strategy, pro-market reforms, emerging markets
1. INTRODUCTION

This study seeks to establish the extent to which both emerging market multinational enterprises (EMNEs) and advanced market multinational enterprises (AMNEs) leverage corporate political activity (CPA) as a tool to achieve their stakeholder-oriented nonmarket strategic objectives in African markets. CPA is defined as all MNE activities aimed at influencing governmental regulations and policies in the MNEs’ favor (Bonardi, 2011; Hillman et al., 2004; Lawton et al., 2013). The country context of the study is Uganda, which was a pioneer of pro-market reforms in Sub-Saharan Africa (SSA) (Kasaijja, 2015; Kuteesa et al., 2010; Maweije et al., 2012; Robinson, 2007). Uganda’s relative political stability in the past three decades has made it attractive for investigating MNEs in the region, especially in highly regulated industries such as electricity, oil and gas, and telecommunications. Furthermore, it has emerged as a springboard for MNEs in venturing into politically and institutionally more fragile markets in the region (Mbalyohere et al., 2017). Increasingly, it has also hosted international aid programs intended to support nation-building and state stabilization interventions, especially in South Sudan and the Democratic Republic of the Congo (DRC).

In the context of early experiences with emerging institutionalization and the broader strategic implications of pro-market reforms, there is also a need to understand how CPA supports effective stakeholder engagement by MNEs (Baines and Viney, 2010; Windsor, 2007). Such an understanding could, in turn, help to not only explain the strategic choices of actors on both sides of the MNE-government relationship, but also the underlying political capabilities involved. Consequently, there would be insights into how these capabilities shape the stakeholder relationships that are critical to MNE performance in these fragile contexts. As market reforms in most of Africa are generally at early, albeit important, stages of economic development, and the associated market institutions are not yet fully functional, nonmarket
strategies, particularly CPA, assume more importance. The stakeholder perspective around this reality equally assumes greater weight. This is especially so considering that the application of stakeholder theory to both AMNEs and EMNEs in SSA is currently limited. Our use of stakeholder theory and CPA in this study draws on an instrumental interpretation (Donaldson and Preston, 1995; Jones and Wicks, 1999) that identifies salient stakeholders and informs the shaping of policy and institutions.

The study advances propositions that are empirically grounded in Uganda’s pro-market reforms. It further suggests that some Ugandan experiences are gradually being exported to other emerging countries, therefore offering a tentative case for generalizability. Our research question is consequently framed as follows: How, and to what extent, do MNEs in newly emerging markets undergoing pro-market reform, leverage CPA to engage key stakeholders? We take the understanding of politically-oriented stakeholdership beyond a classical horizontal dimension that addresses one level (usually central government), and infuse it with a vertically-oriented multilevel stakeholder awareness. Such a perspective gives the study a local, national, and continental institutional perspective, which amount to the vertical dimension. To support the core stakeholder perspective, the study also draws on grassroots community engagement, adaptation to Africa as a political market, and the accommodation of emerging institutions.

The study specifically contributes to theory by demonstrating how EMNEs and AMNEs, investing in emerging markets, create and deploy political capabilities to engage with diverse stakeholders. In doing so, choices are made about priorities, pro-activeness versus reactiveness, and responses to political and institutional change. A major criticism of stakeholder theory is that it helps to identify stakeholders and their characteristics, but fails to illuminate the processes involved in their effective management (Ackerman and Eden, 2011). We illustrate that CPA is a tool that MNE managers, especially in politically and institutionally fragile, but
high-growth markets, can deploy to more strategically manage diverse stakeholders. The improved management of and relationship with these often challenging stakeholders is based on political capabilities that MNEs can variously deploy. Such capabilities are especially useful in developing and managing informal relationships, something of core importance to the cultural and informal institutional contexts of these developing markets. Since the development of such capabilities is further based on processes of bundling of specific resources to create these capabilities, this contributes to addressing Ackerman and Eden’s (2011) criticism above.

We also contribute by demonstrating that managerially-oriented, rather than organizationally-oriented, political capabilities are decisive in engaging with these stakeholders. A major reason is that such capabilities are better suited to building and managing the informal relationships that emerge.

The paper next proceeds to synthesize the extant literatures and to clarify the theoretical context and the contribution of the study. Specifically, we use a CPA perspective to frame and explain how diverse MNEs deploy political capabilities to engage multi-level stakeholders in fragile markets undergoing pro-market reforms. This is followed by an explanation of the research methodology prior to presenting the findings and discussion.

2. THEORETICAL BACKGROUND

In this section, we examine extant literatures to establish the status of research on nonmarket strategy in emerging markets, with particular focus on CPA and its associated political capabilities. Stakeholder theory perspectives provide a secondary theoretical lens that nuances the examination, and hones our understanding of CPA and political capabilities in these often institutionally and politically fragile contexts. Consequently, the scene is set for challenging
and recontextualizing capabilities theory, with a focus on political capabilities as enablers of nonmarket strategy. The novel context of a new frontier market (Uganda), that has pioneered pro-market reforms in Africa, provides a rich empirical setting in which to test extant theory.

2.1. CPA perspectives

Existing research suggests that MNE-host government relationships in developing markets have generally been perceived as adversarial (e.g. Fagre and Wells, 1982; Dunning, 1998 and Luo, 2001). MNEs consequently configure their political strategies and the associated political capabilities to develop a stronger bargaining position vis-à-vis host governments, to exploit superior access to informational, financial, and technical resources at market entry and the early stages of market adaptation (e.g. Bridoux and Stoelhorst, 2014; Pongsiri, 2004). In general, extant research reflects the predominance of the obsolescing bargaining model (Vernon, 1971; Fagre and Wells, 1982; Kobrin, 1984; Moon and Lado, 2000; Ramamurti, 2001; Eden et al., 2005) as the theoretical rationale for MNE-host government relationships. The model also reflected a point in the history of many host countries when they were most dependent on MNEs as a source of FDI, and when local political resources and capabilities to relate with diverse MNEs were heavily underdeveloped. With many host countries only relatively recently emerging from colonial rule, MNEs further tended to be perceived as tools for neo-colonial exploitation (Kobrin, 1984; Leonard, 1980; Udofia, 1984). It was therefore common for the adversity to culminate in the expropriation and nationalization of MNE investments (Kobrin, 1984). State-owned enterprises consequently acted as the main, and immediate, challengers of foreign MNEs, benefiting from early forms of state capitalism that would evolve with time (e.g. Bremmer, 2009; Sun et al., 2012).
The heavily adversarial stakeholder relationship became increasingly untenable for MNEs. Moreover, a realization emerged that MNEs and governments seldom actually bargain. If they do, it is primarily about financial incentives for affected local communities (e.g. Eden et al., 2005). Eden et al. (op cit.) and others have attempted to reconfigure the obsolescing bargaining model by repositioning the political dimension in it. Accordingly, they have proposed the political bargaining model, in which iterative political bargaining, conditioned by institutional and socio-economic transformations, occurs. Our study, in part, illuminates a political capabilities perspective in new frontier markets that could inform this revisionist stream of research.

At the start of the new millennium, a view emerged that emphasized less competition and adversity, and more cooperation between host governments and MNEs. Luo (2001) was influential in shaping this view, building on earlier suggestions by Dunning (1998). He built on co-operation-based theories such as resource sharing and social exchange to produce a classification of organizational and managerial commitment for improving co-operative MNE-government relations. The classification constituted four building blocks: resource complementarity, personal relations, political accommodation, and organizational credibility. These were effectively antecedents of CPA (Hillman and Hitt, 1999; Hillman et al., 2004; Lawton et al., 2013; De Villa et al., 2018) for an emerging market context. Luo’s seminal work could be extended to address the potential for illicit behavior, for example by taking bribes (Adly, 2009), when explaining personal relations, and how this could obstruct impersonalized institutional emergence. Furthermore, political accommodation could be extended into its diverse manifestations under varying levels of internal and external stakeholdership. The work can further be enhanced by the increasingly important NGO perspective (e.g. Boddewyn and Doh, 2011; Teegen et al.; 2004). Such NGOs are important vehicles for strengthening strategic
stakeholdership and inclusivity at the grassroots of institutionally fragile and economically poor markets.

Our study suggests that CPA is an important frame for MNEs in approaching and assimilating grassroots-based strategic stakeholdership. For example, it is the basis on which MNEs negotiate with central and local governments and representatives of the hosting communities to fill the gaps in basic service delivery associated with education and health. Consequently, the frame has the potential to consolidate efforts to tackle poverty at the base of the pyramid (e.g. London and Hart, 2004; Prahalad, 2006), perhaps as a strategic ingredient in programs based on the implementation of the UN sustainable development goals (UN SDGs, 2015).

A key weakness in most of these considerations is that the perspective of political pro-activeness versus reactivity, and the associated heterogeneous political capabilities, in co-evolution with emerging institutional structures, is not explicitly addressed. An explicit consideration of this perspective appears to be critical to successful strategic management in SSA by helping MNEs to formulate the appropriate nonmarket strategies to surmount the voids (Khanna et al., 2005). The study consequently extends the work of scholars like Khanna (op cit.), De Villa et al. (2015; 2018) and Lawton and Rajwani (2011), who have recognized the need for adaptability in these fragile contexts. It does this by suggesting how the relevant and specific political capabilities for these empirically novel contexts are nurtured and deployed.

In this paper, we take political capabilities to be the capacity of an organization to deploy or leverage its political resources (political factors to which an organization has access, especially key political actors, for example government officials, key lobbyists, members of parliament, ruling party officials, etc.) (Amit and Schoemaker, 1993; Holburn and Zelner, 2010; Lawton et al., 2013). Consequently, this interpretation suggests that political capabilities have the
potential to be more integrated in the resource-based view (RBV) of strategy (e.g. Peteraf, 1993; Wernerfelt, 1984), which has traditionally been approached from a predominantly market-based angle, with only scant consideration of nonmarket-based perspectives. Given the propositions in this paper and in Mbalyohere et al. (2017), that nonmarket strategy may be relatively more important than market strategy for MNEs entering new frontier markets at the early stages of pro-market reforms, the study also contributes to efforts to fill this gap in RBV. Our propositions consequently reflect core features of successful corporate political capabilities operating under institutionally and politically relatively fragile circumstances. Many of these features diverge significantly from observations in extant literatures, where stable institutional and political circumstances are predominantly assumed.

2.2. Fundamentals of stakeholder theory

We deploy stakeholder theory at a secondary theoretic level to nuance and further explicate our understanding of CPA and political capabilities in a new frontier market context in Africa. The theory is an increasingly important frame of inquiry for business and management research (e.g. Freeman, 1994; Laplume et al., 2008). One of its most compelling features is the propensity to address managers directly, particularly the rationally-bounded decisions they make, and the implications of these decisions (Donaldson and Preston, 1995; Freeman, 1994; Freeman et al., 2004). It does this by fundamentally questioning the purpose of an organization and the core responsibilities of managers to diverse stakeholders. Consequently, these core responsibilities can be shaped and approached in accordance with the power and the interest that the stakeholders wield. This can be further assessed as per the legitimacy and urgency of stakeholdership (Mitchell, Agle and Wood, 1997). Most importantly, in the context of this
paper, the theory explicitly accommodates stakeholder relationships and their complexities (Ghobadian et al., 2009; Henisz, 2014; Reimann et al., 2012). It therefore offers a useful theoretical space in which to study the strategic management of MNEs in SSA, with particular attention to MNE-government and MNE-local community relationships, given their centrality in the changes taking place in Africa.

Ackerman and Eden (2011) observed that while most studies suggest that stakeholder management is conducted by the whole organization, in practice, it is the top management team that plays the decisive role. As this study demonstrates, in politically and institutionally fragile contexts where personal and informal relations are critical, it may even be the skill of individual managers that is critical to the successful implementation of strategy, let alone its formulation. This could be associated with the challenges of understanding and strategically responding to stakeholder salience (Mitchell et al., 1997; Webb et al., 2010). An example is when this salience reflects emerging stakeholder antagonism (Omeje, 2016) that may even threaten the very existence of an organization. Ackerman and Eden (2011) further suggest that while current stakeholder management tools like power-interest grids and network influence diagrams are good at identifying stakeholders and their characteristics, they are deficient at guiding managers on how to specifically manage these stakeholders. The deficiency is even more apparent in fragile markets, where a high level of managerial adaptation is imperative.

Bridoux and Stoelhorst (2014) identified two extreme approaches to stakeholders: a *fairness approach* based on a high degree of reciprocation, i.e. those who care about fairness; and an *arms-length approach*, where there is a predominance of self-regarding individuals. The institutionally and politically fluid situation in new frontier markets might predicate a mixed approach that is adaptable to the specific need. This may also evolve along the path of reform and therefore provide possibilities for understanding the implications of stages of
institutionalization for stakeholder management and the associated political capabilities (Mbalyohere et al., 2017).

While stakeholder theory has been widely applied in the context of politically stable and institutionally mature advanced market contexts (Freeman, 1994; Freeman et al., 2004; Friedman and Miles, 2002; Ghobadian et al., 2009; Holtbrügge et al., 2007; Jones and Wicks, 1999; Lawton et al., 2013; Meru and Struwig, 2015; Windsor, 2007), there is substantive room to explore its efficacy in the diversity of newly emerging and frontier markets. One of the most important such realities, which might challenge conventional assumptions and justify the grounded theorization adopted in the study, is the general preference for personal relationship-based, rather than rules-based interactions (Acquaah, 2007; Foo, 2007; Jessie Qi and Peng, 2010; Peng, 2003; Sun et al., 2010). By implication, there are challenges in finding the right balance between a generally preferred personal and informal relationship culture, and efforts to develop more rules-based and formal institutional arrangements (Child and Tse, 2001; Jessie Qi and Peng, 2010; Peng and Luo, 2000). Some researchers have suggested a need to simply accept the rules and belief systems of the local stakeholder environment and accommodate the challenges of attaining legitimacy, let alone power and urgency, in such contexts (Hillman and Wan, 2005; Reimann et al., 2012). But the empirical evidence remains limited, especially regarding the specific application to the CPA domain. It is also not clear how foreign MNEs would, in practice, accommodate such rules, many of them deeply embedded in local cultural practice.

There have been some preliminary attempts to apply stakeholder theory more accurately to emerging and new frontier markets. Examples include the development of a hierarchy of guanxi priorities in China, as a basis for identifying and classifying guanxi stakeholders (Su et al., 2007), or a network of resource coalition-based stakeholders (e.g. Su et al., 2007;
Yongqiang, 2007). They further include recognition of the growing importance of non-governmental organizations (NGOs) as the third element in a tripartite relationship between host governments, MNEs, and NGOs (Boddewyn and Doh, 2011; Webb et al., 2010; Yongqiang, 2007). This work has emerged in the context of growing pressures to address non-traditional stakeholders and calls for inclusive and sustainable economic growth and welfare (London and Hart, 2004; UN SDGs, 2015).

3. METHODOLOGY

3.1. Introduction

We use an exploratory, qualitative, multi-case study approach to gather data. Such an approach has been recommended for new research contexts (Crotty, 1998; Dyer and Wilkins, 1991; Eisenhardt, 1989; Grant, 2003; Sun et al., 2010; Yin, 2003). One of the most important justifications for the approach is that its broad interpretivist character enables the researcher to make sense of otherwise hidden reality (Crotty, 1998; Easterby-Smith et al., 2008, pp. 58-60; Hammersley and Atkinson, 2007, pp. 14-18). The researcher is consequently able to access deeper levels of situational complexity, whilst focusing on context from a locally grounded perspective (Miles and Huberman, 1994, p.10). Five MNEs - three EMNEs and two AMNEs - constituting four cases (one of them a joint venture), are used in the study. They are all located in the electricity generation sector. Summary bio data for each MNE is provided in Table 1. For ethical research reasons, the names of the MNEs in this study are pseudonyms.

-- Insert Table 1 about here --
The cases were selected because they were responsible for approximately 85 per cent of Uganda’s hydropower generation capacity and represented a rich mix of MNE strategies.

3.2. Description of the cases

To supplement the bio data in Table 1, we next present the cases in some more detail.

Avin is the fully local MNE in the study, with a long history of engagement in Uganda. Its most important starting advantage was the extensive network of stakeholders developed over time. While its historical capabilities were based on the food industry, especially sugar cane processing, it had increasingly diversified into other sectors in East Africa. It was ultimately a first mover in lobbying the host government to liberalize the electricity industry. While its original bid, in a joint venture with a US-based MNE, to develop a new hydropower plant at the Source of the Nile was prematurely terminated, it influenced Uganda’s original pro-market reform policies in the industry. Ultimately, Avin demonstrated the alternative possibilities that the industry offered, for example electricity cogeneration.

Frinam is a subsidiary of Africa’s largest electricity generator, based in South Africa. Its strategic profile was characterized by an intent to become the leading player in a proposed Pan-African power grid (McDonald, 2009). A core element in its ‘Africa strategy’ was, further, a pro-active targeting of high profile political actors in the various markets of interest. It did this by exploiting its state-owned status at home, and hence a closeness to senior political actors shaping the country’s re-engagement with the continent, following political reforms. In effect, the case highlights several EMNEs that were relying on the home country’s bid to reshape its foreign policy and its strategic position in the world. The experiences of the case in Uganda reflected how this policy was taking shape, and its strengths and weaknesses.
Pisu/Energy Global was a joint venture between the Kenya-based EMNE, Pisu, and the US-based AMNE, Energy Global. The case represented the most extensive and complex stakeholder-oriented issues surrounding power projects in the developing world. One of its most important features was that it replaced another joint venture in which the AMNE involved was forced to exit international markets as a consequence of the fallout from the Enron scandal. While the venture benefitted from hindsight, it was also under enormous pressure to accommodate diverse stakeholder interests. In harmonizing Pisu’s local and Energy Global’s international capabilities and creating a knowledge complementarity (Un and Rodriguez, 2017), it represented the strategic possibilities open to partnerships between EMNEs and AMNEs. Ultimately, it emerged as a benchmark for global regulators and investors in assessing such large infrastructure projects in the developing world. Questions about its real cost-benefit value later, however, reflected the transient nature of such benchmarking efforts and therefore the complexity of the stakeholdership involved.

Finally, Prolux was a subsidiary of a Norwegian AMNE. It was promoted as an example of the home country’s development aid strategies in the region. Consequently, its engagement with diverse stakeholders was shaped by a close consultation with Norway’s diplomatic representation in Uganda. The engagement was also informed by having the home country’s official development agency as a member of the governing board. One of the case’s most important differentiators was a conscious effort to achieve a complete localization of the workforce. It also sought to be a benchmark in complying with emerging rules in the SME segment of the sector, thereby legitimizing the home country’s broader programs to support pro-market-based institutionalization.
3.3. Data collection and analysis

The methods of data collection were semi-structured interviews, field notes, company archives, institutional archives, and media reports and analyses. Such triangulated approaches compensate for the limitations of individual methods (Hammersley and Atkinson, 2007). Further, the triangulation improves the validity and reliability of the findings. Validity and reliability were additionally supported by carrying over any contradictory statements during the interviews to ensuing interviews, to elicit a different opinion or to reframe the question at a later stage of the same interview. The data was analyzed using a grounded analysis method, adapting suggestions by researchers like Glaser and Strauss (1967), Charmaz (2006) and Easterby-Smith et al. (2008). This grounded approach is fundamentally important in making sense of the situation, without being unduly influenced by extant theory. The theorization that ensues is therefore much more reflective of novel reality. It also, in effect, tries not to make assumptions about the reality in question, by avoiding theory-based bias. With many new emerging and frontier markets like Uganda adopting pro-market reforms, but still exploring the institutional premises that are most conducive to their fast growth, such grounded research is critical to advancing empirical evidence.

The analysis was further supported by Nvivo 10 software to manage the large volume of data, enhance the quality of iteration, and systematically structure the coding exercise. The interview partners were selected based on their seniority and diversity of experience in the sector for the period under investigation, i.e. from 1999 to 2015. The sixteen-year period encapsulates an evolution from the early to the intermediate stage of reform, as measured by the level of regulatory institutionalization and political capability development. Each interview lasted one hour on average, and in a few cases, was conducted twice with the same interviewee during the course of the fieldwork to gain a deeper understanding of the situation. The interview partners
in most cases recommended other colleagues, thus facilitating access to a wide audience using a snowballing effect. Interviews were recorded (having sought permission from the interviewees) and transcribed for analysis. A total of 50 interviews and over 100 archival documents, including field notes, are used for this paper (see Table 1 for a break down).

To enhance the quality of sense making, validity and reliability, there was a preliminary data analysis phase after the first three months of fieldwork. Insights from the preliminary phase then informed the final phase of four-month fieldwork, not least by sharpening the questioning during interviews and purposefully collecting corroboratory archival materials. Further, the main analysis and interpretation phase was followed by revisiting the field for two more months to discuss the findings with a selected sub-sample of informants. This approach ultimately served to enhance the quality of sense making and the validity and reliability of the findings, not least by maintaining close contact with the respondents, seeking clarifications, and strengthening the quality of emerging theorization. Moreover, it supported reflection on the side of the researchers, and being able to re-engage with the research context.

4. FINDINGS

Two overarching categories that emerged from the data analysis are deployed as a framework for summarizing the findings: a generalist perspective and a regulatory/policy-making perspective. It is this body of evidence that informs the discussion in the paper.

4.1. Overview of the findings

The study establishes that MNEs draw on a diversity of CPA strategies to adapt to the institutional fragility in Uganda, and outlines the implications for strategic stakeholdership.
Multiple approaches to stakeholder engagement, local integration and the understanding of Africa reflect these implications. The approaches effectively constitute a resource base from which the political capabilities to confront the evolving institutional, and hence stakeholder, situation are developed.

4.2. Findings category A: Generalist perspective

This first category captures generalist perspectives emerging from the data. The category ultimately informs the second category advancing more institutional dimensions. The three strongest factors that emerged here - stakeholder engagement, local integration, and understanding Africa - were empirically supported by 152 instances of NVivo-based coding activity. Representative excerpts for each of these categories and the corresponding cases are presented in Table 2.

-- Insert Table 2 around here –

4.2.1. Stakeholder engagement

This was the most influential factor, and reflected the growing importance of stakeholder considerations in new frontiers like Uganda. Its dynamics were most evident in the joint venture case. The capability to combine the international positioning of Energy Global and the local positioning of Pisu into an integrated stakeholder strategy was hence a major defining characteristic of the venture. Practically, this involved identifying areas of strategic complementarity during the contractual negotiations, integrating these areas during implementation of the project, and periodically assessing effectiveness based on the impact on
stakeholders, emerging institutions and market performance. Effectively, there was a feedback loop under which effectiveness assessment would inform adjustments in primary strategic choices, and their implementation. The stakeholder re-engagement framework in Figure 1 was especially important in applying this ongoing strategy optimization process.

4.2.2. Local integration

Local integration emerges as a critical factor for all cases. In this research, local integration refers to the degree to which a project engages with or is immersed in the host community and its socio-cultural institutions, and hence adequately responds to local stakeholder demands. While it could credibly be included under the stakeholder engagement perspective, its importance was such that a separate analysis was justified. Consequently, there is need for a strong local perspective in CPA in such markets to appropriately accommodate any novel and potentially challenging stakeholder-based realities. Such realities are especially demanding if they involve a sub-cultural dimension that MNE expatriate managers struggle to understand. Local subsidiary managers consequently play an important role in filling the gaps (Muellner et al., 2017).

4.2.3. Understanding Africa

The scale and the scope of understanding Africa as a region emerges as one of the major determinants of successful political strategies. It effectively adds a supra-national perspective to stakeholder engagement. While some of the cases, for example Avin, leveraged their
historical understanding of the market, others like Energy Global depended on a strategic partnership with a local partner to fill the gap in their capabilities. Understanding Africa as a political market involved interpreting ongoing political reforms, the emergence of more cohesive regional economic blocs, and the attempts to strengthen Pan-Africanism. Frinam, for example, positioned itself as a corporate partner of the African Union in developing a continental electrification strategy. To achieve such prominence, it exploited its closeness to the home government, which in turn was recalibrating its foreign policy to prioritize Africa. Prolux, in contrast, based its strategy on a locally-oriented human resource management policy. Consequently, it leveraged the extensive Pan-African knowledge of the local team to embed itself in the market and develop a long-term stakeholder perspective.

Other entrants depended on possibilities surrounding development policy in the region. The Energy Attaché in Prolux’s home country embassy in Uganda commented on her government’s engagement in the energy sector as follows: *We have cooperated in the electricity sector with Uganda for so many years; and I think Norway and Uganda’s cooperation actually facilitated this Electricity Act .... So we see that Uganda is more advanced than most of the neighboring countries, mainly due to the Electricity Act that laid the ground way back in 1999.*

4.3. Findings category B: Regulatory/policy-making perspectives

This second category of the findings takes a closer look at the institutional and political environmental perspective of the study. The four cases are assessed using 181 instances of NVivo-based coding activity (see Table 3 for an overview of evidence). The circumstances that accompanied the market integration for each case are clarified, leading to a deeper understanding of the emerging stakeholder-based political capabilities.
This category of the findings exposes a more institutionally-oriented dimension of the investigation. It also introduces a co-evolutionary consideration, juxtaposing political capability evolution onto institutionalization stages, and signaling the implications for political stakeholder relationships. Here is how a Frinam manager assesses the early years: ‘Many times, we are asked to do more, in terms of capacity building. It is part of the mandate. ‘We wanted you to come here… Share with us best practices’. Frinam hence had to strike a balance between actively shaping emerging institutions and pursuing its main investment goal. While some political stakeholders cooperated in designing the relevant strategy, others were resistant and even sought to terminate the company’s contract. Here is how one opposition parliamentarian felt: ‘It is therefore ironical that the Government of Uganda chose to abdicate its sovereign responsibility to a foreign state-owned but locally privately-owned company. These findings form the basis for the interpretation and discussion that follows.

5. DISCUSSION

5.1. Strategic stakeholder engagement

Considering the social, political, and economic changes that have engulfed Africa in recent decades, strategic stakeholder engagement patterns were also evolving. Key stakeholder demands were becoming ever more sophisticated and there was a growing potential for conflict. Due to their heterogeneous backgrounds and strategic orientation, the cases in the study correspondingly depicted both similarities and differences in approach to stakeholder engagement. Our propositions reflect this convergence and divergence of strategic behavior.
Frinam benefitted most from the possibilities open to early relationship-based engagement. The most important relationship it invested in was with the host government that had engaged it as the official corporate partner to effectively replace the former state-owned Electricity Board. The strategic possibilities that Frinam attained are reflected in a statement by the then Minister of Natural Resources in a communication with the World Bank (see Table 2, Excerpt F1).

By underlining the early phase where government would be closely involved, the minister was effectively also signaling the opportunities available to MNEs like Frinam in shaping institutions (Scott, 1987) in the reformed sector. Ultimately, Frinam’s first-mover relationship with the host government evolved into a symbiosis, with substantive benefits for both partners as each depended on the other – Frinam needed political protection and the government needed to fill the gap left by the dissolved board. Being state-owned in its home country, Frinam understood very well how to relate with government intimately. MNEs like Frinam that enjoy a growing continental reach and can nurture symbiotic relationships with reform-friendly governments, are poised for significant impact on pro-market reform trajectories (Daniel et al., 2003, 2004; Dippenaar, 2009). In managing these relationships, such MNEs also eventually influence governments to be more accommodating of broader stakeholder dynamics. They effectively wield a much wider influence than extant literatures indicate (Crilly, 2011; Ghobadian et al., 2009; Henisz, 2014). Frinam was hence able to position itself as the MNE of choice for many African countries by riding on the close political and diplomatic relationships its home government was nurturing across Africa through a new foreign policy.

All other cases in the study also deployed politically-oriented stakeholder relationship strategies at diverse levels and with various effects on the emerging political market in the reformed industry. Pisu/Energy Global’s approach was especially characterized by the careful accommodation of diverse and often non-traditional stakeholders (see Figure 1). The approach
eventually became a global yardstick for MNEs in accommodating the social and environmental impact of large dam projects in fragile markets, as elaborated under ‘local integration’ below. Avin conversely exploited its long-standing presence in the market to develop electricity cogeneration as a new element in the country’s energy mix. In doing this, it drew on anticipatory political capabilities (Lawton et al., 2013; Oliver and Holzinger, 2008) to overcome initial political and institutional resistance to cogeneration. The opportunities it eventually attained to enter South Sudan and Rwanda indicate the strategic potential that such historically established MNEs have in using the host country as a springboard for cross-border activity (see Table 2, Excerpt A1). Through such activity the MNEs effectively contribute to stabilizing these fragile markets, for example through the job creation and the tax revenues generated by their investments (Scott et al., 2013).

Lessons from Uganda consequently provide a strategic reference for such activity. The CPA-oriented strategic management of such MNEs, in effect, also reflects a nation-building dimension that is of international strategic interest (International-Alert, 2014; UN, 2015). More broadly, such MNEs are contributing to strengthening intra-African FDI and creating more coherent markets (Mbalyohere, 2016; Okonjo-Iweala, 2013). The quality of anticipation that Avin demonstrated regarding cogeneration, irrespective of early institutional challenges, constituted an example of how CPA can instigate strategic change in an industry (Lawton et al., 2013; Oliver and Holzinger, 2008). Finally, Prolux demonstrated the strategic options of an advanced market MNE that used a Greenfield entry strategy and embedded itself in its home country’s development aid programs. Gradually, it emerged as a benchmark for compliance with institutional rules in the small- and medium segment of the sector (see Table 2, Excerpt Pr1) and in addressing gender issues in management in Africa.
**Proposition 1:** During the early stages of pro-market reform in emerging economies, foreign MNEs make more strategic stakeholder decisions at national or regional institutional levels where they must consequently develop capabilities of engagement.

5.2. *Local integration*

Due to its multidimensionality and novelty for new entrants, local integration is the perspective that was most challenging for foreign MNEs, especially AMNEs. In extant literatures, the focus on MNE market entry and integration has been at the national institutional level, with only a minor consideration of the local perspective (Bhaumik and Gelb, 2005; Demirbag and Tatoglu, 2009; Dieleman and Sachs, 2008; Doh et al., 2004; Jensen, 2008; Luo, 2001; Uhlenbruck et al., 2006; Tian et al., 2007). But implementation of projects, especially in the early phases of reform, is in most cases at a local level. Most challenges arise from a clash of AMNE and local cultures, insufficient prioritization of local stakeholder relationships, and inadequate managerial understanding of the strategic importance of integration in the local social context (Mol and Kotabe, 2011).

The case in our study that most strongly illustrated approaches to these issues was Pisu/Energy Global. Its strategy was especially characterized by an effort to re-engage various stakeholders that had been neglected and marginalized by the prematurely terminated predecessor project. The latter project had been a joint venture between a U.S-based MNE and Avin. Initiated in 1997, the joint venture collapsed in 2003 due significantly to local and international opposition and the fall-out from the Enron scandal in the U.S. The project was particularly challenged by a weak response to social and environmental impact activists. Not least, there was a disproportionate prioritization of central governmental stakeholders at the cost of local community ones. Figure 1 depicts the local stakeholder re-engagement approach that the
project deployed as part of winning legitimacy (Geppert and Williams, 2006; Reimann et al., 2012) and rebuilding trust.

The magnitude and quality of local integration was ultimately a decisive determinant of the project’s emergence as the new global benchmark for the accommodation of social and environmental impact assessment regulations for fragile and poor developing markets. This was attained through a pilot implementation led by the World Bank (R.J. Burnside International, 2006). The extent of local integration is summarized in an interview we conducted with the General Manager of the project (see Table 2, Excerpt P/EG2).

The integration was allocated U.S. $2.4 million and was effectively one of the highest financial commitments that had ever been made by an AMNE in Uganda, outside of its core investment (Bujagali, 2015). In engaging with such a wide spectrum of local development initiatives and the associated local stakeholders, the project demonstrated the potential that MNEs have to spearhead developmental change and poverty alleviation at the base of the pyramid (Ansari et al., 2012; Cholez et al., 2012; London, 2009; London and Hart, 2004; Prahalad, 2006; Webb et al., 2010). It further represented the possibilities that MNEs have to fill local institutional voids and to provide basic services that governments in fragile markets struggle to meet (Khanna et al., 2005; Luiz and Ruplal, 2013; Millar et al., 2004; Webb et al., 2010).

But such local integration is not only about having big budgets for projects. It is also often confronted by highly challenging realities like tribally-based cultural conflict that can test the capabilities of an MNE to the limit. Pisu/Energy Global was confronted with a very delicate local conflict regarding the traditional religious belief in a spirit that was supposed to have its home at the site of the dam. Very delicate negotiations resulted in the project being obliged to fund the processes and rituals of relocation of the spirit (Kasita and Nampa, 2007). But the
complexity of dealing with such matters was exemplified by the fact that project management was later informed that the spirit had returned to its original ‘home’. Some more rituals reportedly needed to be performed for it to get ‘satisfied’ and remain in its new home.

More broadly, questions remained about the extent to which MNEs should pro-actively engage with local cultural practices and beliefs, and how the inconvenience to local cultural stakeholders could be fairly valued and compensated. This is a very fluid and contested area, where MNEs need refined capabilities to be able to engage responsibly and ethically as part of effective nonmarket strategic management. The case of Royal Dutch Shell and the Ogoni people in Nigeria has been influential in illuminating how CPA strategies can go seriously wrong in Africa (Frynas, 1998; Obi, 1997). Due to the thousands of sub-cultures and age-old tribal practices that are increasingly threatened by megaprojects in the region, local integration exposes itself as a highly sensitive and important aspect of MNE strategic management (Banerjee, 2010; Calvano, 2008; Carbonnier, 2011; Reimann et al., 2012).

Striking the right balance between ambitious socio-economic and technological development, local cultural accommodation, and MNE strategic management, is one of the most important considerations for successful managers in such fragile, culturally diverse, and fast-growing contexts. As the continent embraces its new reputation as a frontier of FDI activity (Luiz and Ruplal, 2013; Mahajan, 2011; Perry, 2012; Raman, 2009), managers will be increasingly faced with such complex questions. Consequently, they will be required to carefully weigh the various strategic management options to ensure mutual benefit for themselves and the hosting communities. Nonmarket strategy, as expressed here through CPA, ultimately assumes an even more important status than market strategy.
In merging business and government mandates, the way it so often happens in such fragile contexts, things can easily spiral out of control, particularly for the managers in charge. It is instructive to note that Frinam’s first senior manager, who had engineered market entry as the last managing director of the state monopoly before it was unbundled, later clashed with members of Uganda’s parliament. He was consequently forced to resign and leave the country following a police investigation (Kasita, 2009). The issues that led to the demise of the manager had no direct connection with market strategy, but rather with nonmarket strategy.

The above observations underline one of the most important findings in this study: in such fragile, emerging contexts, managerially-oriented political capabilities, like those depicted by the leading managers in our cases, are generally more important than organizationally-oriented ones, which take a long time to coherently develop. Such managerially-oriented capabilities depend more on relationship building, and are sensitive to the informality that is highly prevalent. At the same time, they are more liable to manipulation, for example in the form of graft. This suggests that the dynamic capabilities approach to the resource-based view of strategy that has become influential in the past decade takes on an even more engaging dimension in such contexts. The dynamic capabilities model of effective political management (Oliver and Holzinger, 2008) would therefore need to be more sensitized to this institutional, socio-economic and political fragility.

Market strategy in such contexts thus tends to hinge on the efficiency and effectiveness of the nonmarket political behavior of individual managers, who sometimes get overwhelmed. The alignment of market and nonmarket strategy is consequently even more important in Africa, and similar emerging regions, than elsewhere where the core institutional and corporate political structures, systems and regulations have been already largely clarified (Boddewyn and
The considerations in this sub-section translate into the following propositions:

**Proposition 2:** During the early stages of pro-market reform in emerging economies, foreign MNEs deploy stakeholder-oriented political capabilities of local integration to accommodate institutional voids and to be locally legitimized.

**Proposition 3:** During the early stages of pro-market reform in emerging economies, all MNEs depend more on managerially-oriented than organizationally-oriented political capabilities to relate with key local stakeholders.

5.3. *Understanding Africa*

This perspective builds on aspects raised in the previous sub-sections, and integrates them with other considerations to shape the understanding of Africa in the context of this paper. One of the most important determinants of MNE success was not only an in-depth comprehension of the political and socio-economic transformations taking place, but also the capability to accurately predict the trends associated with these transformations. In consequence, this would inform the understanding of an emerging political market, clarifying similarities and differences with postulations in extant literatures (e.g. Bonardi et al., 2005; Kingsley et al., 2012).

There was also a need for successful MNEs, especially the EMNEs born within the continent, to more strategically relate with the evolution of the continent. In an interview, the owner of Pisu’s parent group comments on Africa’s development path (see Table 2, Excerpt P/EG3). EMNEs like Pisu and Avin, that were historically conversant with the African continent, were hence best positioned to anticipate how the future might evolve. Such EMNEs were therefore increasingly attractive as strategic partners for AMNEs on various high profile projects on the
continent. They had consequently developed the resilience against, and the adaptability to, the political turbulences and uncertainties of the region. The local capabilities these EMNEs developed were attractive to AMNEs that sought to infuse their more global profile with this local perspective. In effect, the strategic interaction between local EMNEs and AMNEs translated into a moderating effect on the emerging locally-adapted version of the free market model that saw global ingredients being mixed with local African perspectives to produce a hybrid.

Further, while EMNEs were increasingly entering such partnerships, and using their political resourcefulness to take the lead locally, they also explored new intra-African opportunities for expansion. Avin was entering neighboring markets to Uganda as explained earlier, and illustrating the geopolitical potential of such a regionalization strategy. It was hence using its home base to develop capabilities that would enable it to operate in similar environments. By transferring managers across borders, encouraging Pan-African cross-cultural interactions, sharing market knowledge, supporting emerging institutions, and opening up new, cohesive markets, such EMNEs were cumulatively consolidating their understanding of a new frontier Africa. This understanding would play an important role in developing ever more dynamic markets and reaching the millions at the bottom of the pyramid. In effect, the political capabilities of such historically-embedded EMNEs extend into the area of corporate diplomacy (Henisz, 2014), benefitting not only the EMNEs, but also the broader strategic situation of otherwise fragile nation-states.

The type of EMNE-government relationship represented by Frinam under the stakeholder engagement perspective extends into one other strategically important perspective. This is the observation that such an early reformer like Uganda was effectively making pioneer experiences with the type of corporate relationships that could viably replace the previously
unidirectional relationships with state-owned enterprises (SOEs) like the unbundled Uganda Electricity Board (Li et al., 2014; Okhmatovskiy, 2010). Frinam and other favorably placed EMNEs hence attained a substantively strong opportunity to influence the development of Africa’s emerging version of free market capitalism, with all its early ambiguities and complexities (Bremmer, 2009; Kennedy, 1994; Moyo, 2012; Richey and Ponte, 2012; Wiegratz, 2010). Reflective of these ambiguities and complexities is the fact that Frinam was still state-owned in its home market, but was now operating as a private player in the host market. One of our interviewees, a leading academic and policy analyst in the sector, questioned how Frinam entered the market (see Table 2, excerpt F3). Yet the company believed that it had the strategic freedom to act like a privately-owned company.

This ultimately underlined the magnitude of transformation that had to take place prior to the contours of an emerging African market capitalism becoming clearer (Crittenden and Crittenden, 2010; North, 1990; Srivastava, 2004). The corporate politically-oriented behavior of EMNEs like Frinam, that had filled the vacuum left by dismantled state-owned structures, would play a decisive role in shaping a new strategic MNE-government relationship. Given the different levels of progression of pro-market reforms in various African countries, centrally-positioned EMNEs like Frinam bore a strategically important responsibility. This was to ensure the emergence of a viable and sustainable model that robustly reflected the embedded stakeholder needs and evolving realities of the continent. Such a model also needed to tap into the young and fast-growing population of the continent (Bickersteth, 2015) and evolve into a facilitative mechanism for increased intra-African trade and investment (Mbalyohere, 2016). Furthermore, there was an opportunity to embed the model into the culture of the continent, thus making it more sustainable, co-owned and responsive to the basic needs in the rural areas. The CPA strategies of MNEs in hosting communities (Boddewyn and Doh, 2011; Millar et al.,
2004; Teegen et al., 2004; Webb et al., 2010) across the continent could potentially play an important role in integrating the grassroots into the emerging model and giving them a credible strategic stake going forward.

Ultimately, what was needed was a model of capitalism that was inclusive (Ansari et al., 2012), and not one that cemented the MNE-government relationship into a deeply corrupt arrangement benefiting highly placed political actors and their MNE associates, at the cost of the majority (Dieleman and Sachs, 2008). Nonmarket strategy, as manifest in CPA, hence emerges again as a fundamentally important dimension of strategic management, with the potential to shape the version of the free market economy most suitable in Africa. In relating with diverse actors at various institutional levels, from sub-national to national and ultimately to supra-national and global, and discovering how to best align market and nonmarket strategies, various MNEs were effectively contributing to constructing an emerging African capitalism or a free market model adapted to local conditions (Chitonge, 2017). A key element in this model was the co-existence of both formal and informal institutions in a way that related with highly informal cultures (Williams et al., 2017). Another element was the ever stronger realization that the future of Africa lay in opening up possibilities for the millions at the grassroots and enabling ever more of them to progress to the middle class (Babah Daouda et al., 2016). MNEs collectively had an opportunity to support this process by designing their projects to contribute to basic skills development at the grassroots, for example enhanced entrepreneurship and local institutional development skills, as well as the creation of cohesive markets across borders. The observations in this sub-section consequently translate into the following proposition:

**Proposition 4a:** During the early stages of pro-market reform in emerging economies, politically-connected EMNEs leverage their connections to support the emergence of a free market model that is regionally coherent and favorable to them.
**Proposition 4b:** During the early stages of pro-market reform in emerging economies, AMNEs deploy political capabilities that moderate the emergence of a locally-adapted free market model that is favorable to them.

5.4. *The institutional and political environmental perspective*

Finally, MNEs needed to be conscious of the responsibility of contributing to the shaping of emerging institutions, not only by lobbying for individually favorable regulatory arrangements (de Figueiredo and Kim, 2003; Lawton and Rajwani, 2011), but also those that would positively affect the reformed industry more broadly. The early stages of reform, where new entrants were most likely to invest in informal relationships with political actors (Frynas et al., 2006; Magnusson et al., 2012; Rahman and Bhattacharyya, 2003), were particularly liable to manipulation and abuse. Therefore, while seeking to extract competitive advantage based on stakeholder relationship-based political capabilities, MNEs also needed to recognize the strategic importance of contributing to the emergence of more transaction-based, formal institutions (de Figueiredo and Kim, 2003). Such an emergence would have implications for approaches to lobbying and other political capabilities that are moderated by the extent of institutionalization.

As observed by a senior manager at Frinam, behavior was defined by an explicit expectation by institutional actors for MNEs to pro-actively contribute to institution building (see Table 3, Excerpt F1). But this depended, in turn, on the capability of MNEs to accurately perceive the rate of institutional change and the emerging relationship between formal and informal institutions within the broader national context (de Soysa and Jütting, 2006; Jessie Qi and Peng, 2010; Seyoum, 2011; Uzo and Mair, 2014). As exemplified by Prolux, an MNE has the option
to position itself as a benchmark on specific aspects of institutional emergence. Prolux hence gradually emerged as the reference point for MNE compliance to the emerging rules in the small- to medium hydropower generation sector (see Table 2, Excerpt Pr1; Table 3, Excerpt Pr1). It however appeared to be able to develop a more balanced relationship with the relevant regulatory institution than Frinam and avoided having to make significant adjustments or justify the wider value of its strategy to the host country along the path of reform. Pisu/Energy Global, on the other hand, developed capabilities that transformed it into a global benchmark for best practice in relating with grassroots communities and accommodating social and environmental impact issues (Table 3, Excerpt P/EG 1). It was therefore particularly strong in harmonizing international and local institutional demands and creating a basis for new projects in other markets. This reputation played a strong role in helping the joint venture to win a new project on the Ruzzizi River in a much more fragile region of the continent. Of major strategic importance is that Pisu got an opportunity to strengthen its credentials as an EMNE within African markets, while Energy Global developed its profile as a reliable AMNE able to adapt to new frontier markets.

By implication, the successful strategic management of MNEs in the region further entailed the nonmarket strategic understanding of the political imperatives of emerging institutionalization as a process (Deephouse and Suchman, 2008; Oliver, 1991; Oliver and Holzinger, 2008; Tolbert et al., 1996). In many cases, this also meant playing a role in the politics of de-institutionalization and re-institutionalization. The most potent example in our study was Frinam, which engaged in a pre-entry strategy during de-institutionalization, due to one of its senior managers being recruited to head the former state monopoly during the final two years prior to pro-market reform in 1999. Frinam, therefore, had an opportunity to informally influence important decisions preceding its participation in the bidding process. To
play this double role without succumbing to easy favorability and a skewing of the merits of early institutionalization, necessitated a high level of strategic managerial responsibility. A senior political actor made a comment that underlined the ambiguities and challenges surrounding such a role (Table 3, Excerpt F2).

While Frinam accrued major benefits in the early years of reform by deploying a CPA strategy predicated on a close relationship with the host government, it was challenged at the intermediate stage of reform by a parliament that was intent on asserting itself against the executive arm of government. Nonmarket strategy, as expressed in CPA, was hence no longer only an issue of developing relationships with one branch of government. Faced with resistance of similar magnitude, but of a different configuration and source, Avin conversely demonstrated how to deploy anticipatory capabilities to create and dominate a new market segment (electricity cogeneration). It was hence able to significantly influence the institutional development in the new sector, right from the conceptualization of reform (Table 3, Excerpt A1), and to act as a benchmark too.

While it is still early days, there is growing evidence of the continent rising to capture its moment of renewal (Mahajan, 2011; Perry, 2012; Raman, 2009; Shaw and Nyang’oro, 2000). MNEs have a fundamentally important role to play in accommodating this transformation, not least by responsibly deploying CPA strategies and supporting the emergence of sustainably robust pro-market institutions. MNEs that fail to do this may lose out in the long run, as a new generation of Africans, both in and outside government, demand nothing short of accountable, transformative, and responsible stakeholder-oriented leadership and management. The analysis in this sub-section culminates in the final proposition:
**Proposition 5:** The long-term success of MNE political capabilities in emerging markets undergoing pro-market reform depends on achieving favorable policy change, without undermining the legitimacy of the emerging institutions in the host market.

**6. LIMITATIONS AND FUTURE RESEARCH**

Despite the new insights our study provides, it also has limitations that can form the basis for future research. Firstly, the study was based on one industry – the electricity industry. It would strengthen the case for generalization if similar studies were conducted in other industries that have also experienced pro-market reform in Africa. Furthermore, within the electricity industry, the generation sub-sector was the primary consideration. It would add a more holistic perspective if the electricity transmission and distribution sub-sectors were also equally interrogated. Not least, the electricity industry is prone to regular, politically motivated tariff reviews, a tendency that is less common in many other industries. These other industries may depict CPA-based stakeholder characteristics that significantly digress from observations in the electricity industry. Finally, while the MNEs deployed in the study have offered important in-depth, exploratory insights, there is a need to extend the analysis to a much larger sample, encompassing an even wider country-of-origin and host-country perspective. By implication, some of these limitations necessitate progression to quantitative methodological approaches, thus strengthening the basis for validation and generalization of the findings.

More specifically, a few areas can inform a future research agenda. Firstly, there is a need to understand the evolution of the relationship between CPA and stakeholder dynamics along the path of reform. This would offer insights about more mature stages of institutionalization for pioneer reformers like Uganda. It would however also illuminate the experience of late
reformers. Secondly, researchers might investigate whether there is a transition from managerially- to organizationally-oriented CPA at later stages of reform and the dynamics involved. This would inform the nonmarket strategy of late entrants in these markets.

Thirdly, the heterogeneity that has been highlighted in the study would need to be investigated longitudinally to identify change. Change patterns might reflect the complexity of the strategic choices that MNEs need to make in response. Fourthly, it would be useful to investigate CPA from a dynamic capabilities perspective (Oliver and Holzinger, 2008), to draw conclusions about the implications for politically and institutionally fragile market contexts. Given the extensive transformations in these markets, this would produce important insights for MNEs in developing strategy. Finally, given a growing concentration of home-grown, EMNEs in these markets, it would add value to study these emerging players more carefully. This would illuminate their uniqueness, and the evolution of the associated political capabilities.

7. CONCLUSIONS AND CONTRIBUTIONS

Our study contributes to the CPA research domain, and particularly the interface with stakeholder theory. More specifically, it illuminates corporate political capabilities that find expression at multiple levels of strategic stakeholder engagement (Luo and Dong, 2013; Windsor, 2007). Consequently, there is a heterogeneity of behavior by MNEs in responding to these diverse stakeholder constellations that supersede predominantly horizontal perspectives in extant literatures. The heterogeneity is captured, for example, by introducing a vertical dimension that reflects different levels of government and emerging institutions. Of particular importance is the observation that MNEs deploy stakeholder-oriented political capabilities of local integration to accommodate institutional voids and to get locally legitimized.
It is further characterized by divergent and convergent strategic combinations of political pro-activeness and reactivity, as dictated by the existing political capability status of the MNEs, and the imperatives of the political stakeholder environment. Most importantly, the relationship-based political capabilities that early entrants benefited from, in confronting institutional voids, depict limitations at later stages of pro-market reforms. A study of these limitations and the implications for CPA can inform literatures investigating the evolution of political resources and capabilities for such MNEs (Frynas, 1998; Frynas et al., 2006; Magnusson et al., 2012; Mbalyohere et al., 2017; Ramamurti and Doh, 2004). The scale and scope of anticipation needed by MNEs, as they position themselves to respond, appears to possess a much stronger strategic component than has thus far been acknowledged.

Further, the political capabilities that are most conducive to the institutional voids-rich contexts at these early stages of pro-market reforms, tend to be more managerially- than organizationally oriented. Outstanding managers are hence able to enhance the strategic performance of their organizations by exercising contingent flexibility, building and exploiting informal relationships with influential political actors, and judging fast-evolving and often volatile situations according to the managerial experience they possess.

Finally, there is a contribution in illuminating the role of MNEs in shaping an emerging African interpretation of market capitalism (Kennedy, 1994; Moyo, 2012; Richey and Ponte, 2012). Some MNEs have replaced former state-owned enterprises in a new hybrid relationship with reform-oriented governments, as the key partners in shaping the contours of this emerging reality. This is important to the long-term realization of the potential of the continent as a new frontier of FDI activity. Consequently, politically-connected MNEs, in particular, deploy political capabilities of cross-border interaction with diverse stakeholders to try to shape a regionally-coherent and favorable free market model. The long-term success of MNE political
capabilities in these new frontier markets ultimately depends on achieving a balance between favorable policy change and the preservation of the legitimacy of the emerging institutions in the host market.

8. MANAGERIAL RELEVANCE

Considering the increasing importance of new frontier markets like Uganda to global inward FDI flows, the insights that have been raised in this study are of strategic importance to managers. Firstly, managers of MNEs entering such markets can benefit from a greater understanding of the managerially-oriented political capabilities that are most conducive at the early stages of pro-market reforms. This also involves an understanding of how to adapt such capabilities along the path of reform. The adaptation could constitute a reconfiguration of the balance between managerially- and organizationally-oriented political capabilities. Secondly, the study offers useful insights into how managers can approach diverse stakeholders whose interests and power fluctuates with the dynamics of fragility in these markets. The scale and scope of stakeholder engagement that is needed at various levels of government and society is informed by a thorough understanding of nonmarket strategy, especially from a CPA perspective. Thirdly, managers can position themselves, using insights from this study, to acquire a strategic stake in the shaping of an emerging African model of capitalism. The understanding of this model could have important implications in predicting trends of successful FDI in the region, and the type of MNEs that are suited to the circumstances. Finally, the study ultimately offers strategic hints about how managers and the MNEs they lead can leverage stakeholder engagement and CPA to accommodate the institutional voids that prevail in these markets.
8. REFERENCES


38


TABLES AND FIGURES

Figure 1. The Pisu/Energy Global project stakeholder (re)-engagement map

(Based on researchers’ interpretation of activities).
### Table 1. Summary of the profiles of the cases in the study

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Research case</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pisu/Energy Global</td>
</tr>
<tr>
<td>Year of market entry (active operations)</td>
<td>2005</td>
</tr>
<tr>
<td>Home country</td>
<td>Kenya/USA</td>
</tr>
<tr>
<td>Mode of market entry</td>
<td>Joint venture</td>
</tr>
<tr>
<td>Type of project</td>
<td>Public-Private Partnership (PPP)</td>
</tr>
<tr>
<td>Electricity generation Capacity (MW)</td>
<td>250</td>
</tr>
<tr>
<td>Other electricity projects in Africa</td>
<td>Ruzizi dam project (DRC, Rwanda, Burundi and Tanzania)</td>
</tr>
<tr>
<td>Interviewees</td>
<td>8</td>
</tr>
</tbody>
</table>
| Integrated sources of data                       | **Interviewees**: Senior managers, MDs and CEOs (35); Former senior managers in the dissolved state monopoly (4); Policy makers and regulators (4); Senior local government officials (2); Academics/sector analysts (3); General (2)  
**Documents**: Annual reports; strategic plans; proposals for market entry; presentations to the ministry; expert analyses; negotiation papers; regulatory communications; inter-ministerial communications; media reports and analyses; budgetary reports |
Table 2 – Findings about generalist stakeholder perspectives

<table>
<thead>
<tr>
<th>Key insights</th>
<th>P/EG</th>
<th>Frinam</th>
<th>Prolux</th>
<th>Avin</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Harmonization of global and local political capabilities of engagement with diverse stakeholders</td>
<td>- Adaptation of continentally-oriented political connectedness</td>
<td>- Building stakeholdership through benchmark compliancy</td>
<td>- Leveraging historical legacy</td>
<td></td>
</tr>
<tr>
<td>- Remapping of local stakeholders to develop a new strategy around them</td>
<td>- Pressure to get more locally engaged at later stages of reform</td>
<td>- Avoidance of direct political engagement</td>
<td>- Leveraging local stakeholdership for national advantage</td>
<td></td>
</tr>
<tr>
<td>- Continentally-informed views</td>
<td>- Challenges of balancing continental and national political dynamics</td>
<td>- Linkage to broader home country development strategies</td>
<td>- Diversifying stakeholdership through regionalization</td>
<td></td>
</tr>
<tr>
<td>- So I think the combination was ideal. Pisu as a really experienced Developer from East Africa and then the Technical partner coming from the US (P/EG1)</td>
<td>- The current circumstances...require ...a gradual transition from the early stages of restructuring, to a period where the ...sector is regulated by an ..independent authority, and... on to a further period where the need for regulation diminishes ... (F1)</td>
<td>- The Prolux project is one of the most compliant, choosing to proactively submit reports without being asked or reminded (Pr1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Our focus was mainly on two national institutions (water/sewerage and rural electrification) and how they operated locally..But then locally, what we went in for is medical facilities ...schooling ...Microfinance....business centers on both sides of the dam (P/EG2).</td>
<td>- We are in a community where we are making a product that maybe only 15% .. are consuming. Then you have to... cover the other 85%. (F2)</td>
<td>- We made it clear right from the beginning,... we don’t want people who want to deal with the project with political motives (Pr2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- For two generations, those who care about African development have been searching for the best way to improve the quality of human life by advancing the pace of economic development (P/EG3).</td>
<td>- So, there are questions about how they came in.... the fact that they are a state-owned in their own country, but ...coming to act in a liberalized market (F3)</td>
<td>- Significant share by the home country’s development agency in the project (Pr3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Uganda is our identity....We have lived here for three generations (A1)</td>
<td>- Politically, we get that support. We wrote to the president through the local government in Jinja. We have full support (A2)</td>
<td>- In 1997, the Avin Group acquired Rwanda’s only sugar complex, under the privatization program. ...opportunity to expand... and a window of future entry into ...the eastern region of the DRC (A3).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key insights</td>
<td>P/EG</td>
<td>Frinam</td>
<td>Prolux</td>
<td>Avin</td>
</tr>
<tr>
<td>--------------</td>
<td>------</td>
<td>--------</td>
<td>--------</td>
<td>------</td>
</tr>
<tr>
<td>Emergence as the benchmark internationally, hence opening up possibilities for new projects</td>
<td>High expectations to support institutional capacity building as the quasi successor to the unbundled state monopoly</td>
<td>Emergence as the benchmark for compliance to rules in the small to medium-size sector</td>
<td>Deployment of anticipatory capabilities for first-mover advantage and for response to institutional challenges</td>
<td></td>
</tr>
</tbody>
</table>

**Sample excerpts**

**P/EG**

We were working with the most recent requirements by the World Bank and IFC, a new model that they had developed. And we were the first big project that was using this model. They were pretty stringent, but we met them (P/EG1)

**Frinam**

Many times, we are asked to do more, in terms of capacity building. It is part of the mandate. 'We wanted you to come here; you have come here; share with us best practices' (F1)

Ponto (name changed) was part and parcel of the breaking up of UEB. Then,..., when Frinam comes to take over power generation, he becomes the MD (F2)

**Prolux**

The Bugoye project is one of the most compliant, at least as far as NEMA (environment watchdog) expectations are concerned, choosing to pro-actively submit reports without being asked or reminded (Pr1)

**Avin**

Avin International was instrumental in shaping the new energy sector, advising and discussing the needs of all the countries in the region. Although AES withdrew from the project, ... the project will be completed as a public-private partnership, retaining the basic elements that were originally conceived and developed by Avin (A1)