



## POINT

# Africa rising: Opportunities for advancing theory on people, institutions, and the nation state in international business

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### Abstract

Africa is rising, but IB scholars have largely failed to take notice. We argue that this is a missed opportunity. Not only is Africa a dynamic and distinctive region, but its rise presents a number of puzzles for international business (IB) research, with phenomena that seem to challenge fundamental assumptions underlying IB theories. In order to unravel these puzzles and better explain business dynamics on the continent, we contend that there is a need for IB theorizing to place greater emphasis on the role of *people*, to balance IB's traditional emphasis on institutions, location-specific assets, and other macro-level attributes. We explore how this conceptual shift presents new avenues for inquiry into issues that are of importance for IB but have received limited attention to date. Such issues include entrepreneurial human capital, social networks, institutional co-evolution, and the informal economy. As such, we argue that, while extant theories in IB inform explanations and predictions regarding business activity across the continent, Africa's diverse and distinctive characteristics offer the potential to serve as a context for testing and developing generalizable, cutting-edge IB theory.

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## INTRODUCTION

The phrase, 'Africa Rising', has emerged to describe the promising prospects of Africa and the opportunities it represents for business.<sup>1</sup> It speaks to a continent that is home to some of the world's fastest-growing economies, many of which are rapidly improving their regulatory environments and political institutions. Investment on the continent is coming from an increasing variety of sources – not only Western nations but also the 'Global South', including China, India, and African countries themselves, led by South Africa (George, Corbishley, Khayesi, Haas, & Tihanyi, 2016; Mol, Stadler, & Ariño, 2017). While Africa's foreign direct investment (FDI) stock is still dominated by the extractive sector, the composition of investment is diversifying, with more recent FDI flows focusing on higher-skill manufacturing and services (UNCTAD, 2019b: 10; UNCTAD, 2021: 10; EY, 2021). Through programs such as the G7

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countries' Build Back Better World (B3W), China's Belt and Road Initiative (BRI), and the EU-Africa Business Forum (EABF), governments around the world are increasingly paying attention to Africa, not just as a recipient of aid, but as a strategic target for billions of dollars of investment in economic and business activities (Stevens & Newenham-Kahindi, 2021). While Africa's rise is neither uniform across the continent nor inevitable – the global pandemic, in particular, has hit many African economies hard – it is difficult to deny that Africa has 'risen' over recent decades, and that firms and governments have begun to take notice.

Academic interest in Africa is booming in diverse fields, including economics, finance, and health (Canen & Wantchekon, 2022; Henn & Robinson, 2021; McMillan & Zeufack, 2022). However, international business (IB) scholarship on Africa lags (Barnard, 2020). 'Silence' is the word that Mol et al. (2017: 3) use to characterize the state of IB research on Africa. Of the 6241 articles published in leading IB journals from 1995 through mid-2021, only 124 (2%) focused on Africa.<sup>2</sup> This is dwarfed by the 1617 articles on Asia, 812 of which focused on China. Among these journals, *JIBS* has lagged, with fewer than 1% of its articles published during this timeframe focusing on Africa. We contend that this is a missed opportunity for IB scholarship. Not only is Africa a complex and dynamic research context but it also presents numerous puzzles that seem to challenge key theoretical assumptions on issues including FDI patterns and the role of institutions.

The purpose of this paper is to stimulate IB scholars' interest in Africa. We argue that Africa represents a fertile context for the development of novel theoretical thinking and for redefining the boundaries of existing IB theories (Bamberger & Pratt, 2010; Banerjee, 2022; Barnard, 2020; Mellahi & Mol, 2015). Attempting to understand Africa from the perspective of country-level institutions and other macro attributes alone often leads to a focus on 'voids' and what Africa *lacks* to the neglect of the opportunities it offers (George et al., 2016). In addition, focusing on national-level institutions ignores the substantial variation in conditions – regional and local – that contributes to the dynamism of economies on the continent. Instead, we contend that shifting the perspective to focus on what Africa *possesses* necessarily leads to an increased emphasis on the role of people-centric dynamics, such as entrepreneurial human capital, relational assets (including personal networks; diaspora communities; and ethnic, familial, and

religious ties), and the interplay between formal and informal institutions and the actors embedded in them, in order to understand business and economic activity on the continent (Anosike, 2019; Gennaioli, La Porta, Lopez-de-Silanes, & Shleifer, 2013; Marks, Dawa, & Kanyemba, 2020; Michalopoulos & Papaioannou, 2015; Moscona, Nunn, & Robinson, 2020; Yenkey, 2015).

We develop this theoretical perspective with reference to Africa as a whole, while acknowledging that Africa is a complex continent comprised of diverse countries and sub- and cross-national regions. The people-centric issues on which we focus are not categorically unique to Africa, but they are particularly salient on the continent. We posit that acknowledging and exploring such issues will help IB researchers to both better explain and predict business activities in Africa specifically, and to leverage Africa's potential as the origin for generalizable, cutting-edge IB research.

We begin by discussing the complexity and distinctiveness of the African context with respect to attributes such as language, ethnicity, and political economy. These are critical for understanding Africa but have not been central to IB scholarship. We show the impact of Africa's distinctive qualities on IB-related phenomena and point to puzzling inconsistencies between the realities of the African context and the predictions of IB theories. Next, we discuss the central importance of individuals in Africa's economic and business activities, and argue that a greater focus on *people*, with associated modifications to the conceptualization of institutions and the role of the state, may help to explain many of the inconsistencies and provide a basis for extending IB theoretical frameworks. We suggest that Africa offers a particularly suitable context for exploring the micro-foundations of IB theories and deepening our understanding of their nuances and conclude by discussing directions for future research.

### THE AFRICAN CONTEXT: DYNAMIC, DIVERSE, AND DISTINCT

Were it a single country, Africa would be fourth in PPP-adjusted GDP (behind China, the U.S., and India) and the third-largest by population (behind China and India). The United Nations projects that, by 2100, Africa will be the birthplace of 40% of the world's population. Africa accounts for 20% of the earth's land mass – equivalent to China, India, the U.S., and most of Europe, combined – with a vast

reservoir of natural resources. The continent is also home to some of the world's most rapidly expanding economies, according to the IMF. In 2019, prior to the global pandemic, four of the six fastest-growing economies, in terms of real GDP growth, were in Africa: Libya, Rwanda, Ethiopia, and Uganda. During 2010–2019, 16 African countries experienced average annual real GDP growth over 5%, led by Ethiopia (9.6%), Rwanda (7.2%), Tanzania (6.7%), and Ghana (6.7%). Moreover, Africa is becoming increasingly important in geopolitical terms, with prominent diplomatic and military ties with both the West and the Global South.

While the statistics provide evidence that Africa as a whole is trending positively on many dimensions, not all African countries are 'rising' – many continue to face macroeconomic volatility, high unemployment, and other substantial challenges and 'extreme conditions' (Hällgren, Rouleau, & de Rond, 2018). Comparisons with other continents show Africa is still catching up to its potential on several dimensions (Table 1). Africa is the world's least globally integrated continent, with respect to trade and FDI flows, accounting for 2.9% of global FDI stock in 2019, compared with 25% for Asia and 8% for Latin America (UNCTAD, 2021). Similarly, Africa's share of world trade is 2.6%. It has the lowest GDP per capita and labor productivity (GDP per person employed), and its countries generally fare poorly on the World Bank's Ease of Doing Business index.<sup>3</sup> The World Bank's classification of national economies, based on per capita gross national income identifies most African countries as low- or lower-middle income.

Of course, Africa is a continent – not a country. In this paper, we develop our theoretical perspective with reference to Africa as a whole, allowing us to embrace the continent's diversity across its 54 countries. As one example of this diversity, Africa has an incredible variety of indigenous languages – by some estimates, over 2000 spoken languages or dialects, accounting for about one-third of the world's total (Heine & Nurse, 2000). In addition to these, Arabic, colonial languages such as English, French, and Portuguese, and creoles such as Afrikaans (derived from Dutch) are widely spoken (Table 1). Africa's languages also change over time. For instance, Rwanda shifted from its historical colonial language (French) to English, for more effective global engagement; it also joined the Commonwealth in 2009, despite having no colonial ties to the UK.<sup>4</sup> Swahili's symbolic and practical importance has grown considerably over time,

from a regional language spoken primarily in East Africa, to one that is gaining increasing adoption throughout the continent as a 'home-grown' pan-African *lingua franca* (BBC, 2022).<sup>5</sup> In parallel, there has also been a continuous spread of colonial languages in some other countries, post-independence, crowding out indigenous languages. For instance, many more Angolans have now shifted to speaking Portuguese, compared to when the country gained independence in 1975 (Soares de Oliveira, 2015). Language also reflects cultural concepts that are important for understanding Africa (and doing business on the continent), including *ubuntu*, *indaba*, and *ujamaa* (Selmier, Newenham-Kahindi, & Oh, 2015).<sup>6</sup>

Africa has remarkable ethnic fragmentation (Alesina, Devleeschauwer, Easterly, Kurlat, & Wacziarg, 2003); its 800+ ethnic groups influence many of the continent's social, economic, and political relationships (Alesina & La Ferrara, 2005; Eifert, Miguel, & Posner, 2010; Udogu, 2018). Colonial powers drew Africa's national borders with little regard to ethnic groups, driven by the desire to increase control rather than creating national unity (Alesina, Easterly, & Matuszeski, 2011). These yielded nation states characterized by large numbers of very diverse ethnic groups, as well as ethnic groups whose historical homelands span multiple countries (Table 1). For instance, the Maasai are spread between Tanzania and Kenya; the San across southern African countries; the Batwa in Democratic Republic of the Congo, Rwanda, and Burundi; the Fulan, Hausa, and Tuareg across western African countries; the Somali, who are scattered across five countries in the Horn of Africa; and the Berbers in northwestern Africa. Elsewhere, political borders grouped several ethnic groups with different languages, religions, and traditions together into single countries, such as Nigeria's Yoruba, Igbo, and Hausa (Thomson, 2016). In some African countries, diverse ethnic groups co-exist peacefully. In others, the legacy of colonial and post-colonial policies has resulted in ethnic fragmentation, leading to intense conflict within and across nations, with strong economic, political, and social implications (Kirk-Greene, 1980).<sup>7</sup>

Africa's political economy, and its mix of political systems, offers another example of its inherent institutional diversity (Abrahamsen, 2016; Henn & Robinson, 2021; Musila, 2017). Mauritius and Rwanda – both among Africa's fastest-growing economies – have achieved this outcome with very different political systems. Likewise, alongside

**Table 1** Africa in a comparative perspective

	Africa	East Asia & Pacific	South Asia	Latin America	Europe & Central Asia <sup>a</sup>	European Union (EU)	North America
<i>Diversity</i>							
Ethnic diversity	0.63	0.37	0.52	0.39	0.40	0.20	0.60
Religious diversity	0.45	0.40	0.31	0.42	0.44	0.35	0.76
Linguistic diversity	0.58	0.44	0.57	0.18	0.36	0.23	0.41
<i>Global integration</i>							
Trade (% GDP)	75.35	44.01	38.99	51.4	62.85	92.18	29.65
FDI, net inflows (% GDP)	2.80	1.51	1.58	3.00	2.21	1.14	1.51
FDI, net outflows (% GDP)	0.13	0.95	0.37	0.70	0.86	1.24	0.86
Remittances, received (% GDP)	4.45	0.57	3.89	2.00	2.00	0.78	0.04
<i>Labor market and human development</i>							
Informality (% GDP) ****	34.40	23.10	28.18	34.33	35.54	16.36	11.25
Total population (in millions)	1273	2103	1836	589	419	447	365
Population growth (annual %)	2.20	0.57	1.18	1.00	0.45	0.06	0.55
Population under 15 years old, % total	39.02	20.36	28.01	24.30	21.16	15.13	18.27
Population in urban areas (% population)	47.31	56.59	34.43	80.20	67.18	74.74	82.36
Literacy rate (% population > age 15)***	69.08	96.03	72.95	94.20	99.04	n.a.	n.a.
School enrollment, tertiary (% gross)	13.81	45.79	25.30	51.40	74.83	73.07	86.71
Individuals using Internet (% population)	31.20	62.04	35.33	68.00	77.05	83.84	90.15
Mobile subscriptions (per 100 people)	87	126	86	103	131	122	106
<i>Economic development</i>							
GDP, PPP (millions \$) *	5464	30,145	11,462	9130	9260	19,850	22,417
GDP per capita, PPP (thousands \$) *	6020	14,330	6244	16,034	22,114	44,388	61,251
GDP per-capita growth (annual %)	0.95	5.17	2.83	− 0.30	1.86	1.75	1.57
GDP per person employed (thousands \$)*	18,508	27,259	18,289	35,091	51,951	97,693	124,636
Manufacturing, value added (% GDP)	10.55	25.70	13.67	13.00	14.66	14.92	10.85
Market cap, domestic companies (% GDP)***	34.3	49.4	77.5	44.4	26.4	51.5	144.9
<i>Institutional quality and governance</i>							
Quality of governance (WGI)**	29.16	57.86	35.07	53.39	66.62	87.60	85.96
Ease of doing business score**	52.83	60.33	58.17	60.00	73.55	76.22	81.82
External debt stocks (% GNI)	47.83	18.00	22.30	40.80	46.60	n.a.	n.a.
General government expenditure (% GDP)	16.2	15.9	10.8	16.2	16.7	20.6	14.4
Inflation, GDP deflator (annual %)	12.50	1.69	4.01	3.20	3.95	2.20	1.79
Total reserves (% total external debt)	73.17	126.30	67.70	41.50	55.70	n.a.	n.a.

Regional averages or total, 2019 (unless otherwise indicated); growth rates: 5-year averages.

Source: World Bank Development Indicators, UNCTAD FDI database, Alesina et al., 2003 (groupings based on World Bank classification).

Legend: \*International PPP adjusted \$ at constant 2017 prices. \*\*Higher scores reflect higher quality. \*\*\*As of 2018. \*\*\*\*As of 2017, Dynamic Macroeconomic General Equilibrium model.

Excluding high-income countries.

countries characterized by ineffective and/or corrupt governments, others (e.g., Botswana, Mauritius, and Rwanda) have achieved notable governance standards. The Transparency International's Corruption Perceptions scores of several African countries exceed those of some European nations. Rwanda was 38th in the 2020 Ease of Doing Business ranking, just two spots behind Switzerland (and ahead of The Netherlands); this is especially noteworthy considering the differential between Rwanda's GDP per capita (PPP) of US \$2322 and Switzerland's US \$73,114.

While Africa's diversity is not, on face value, completely surprising, given the continent's size, these variations introduce subtleties, belie generalizations, and require the acknowledgement of nuances and distinctions in order to explain phenomena of interest to IB scholars. Moreover, the complicated colonial history has resulted in a remarkable degree of both within-country variation and cross-country similarities in Africa's sub-regional blocs. This variation occurs across many different facets, but often concerns how individuals communicate, identify with, and interact with each other – including issues of language, ethnicity, politics, and technology. As such, the African context gives rise to a number of theoretical puzzles for IB scholars. We argue that these people-related issues are key to understanding the African context, and how it can contribute to theoretical development in IB.

### AFRICA AS A SOURCE OF THEORETICAL PUZZLES FOR IB

Africa's rise presents a number of puzzles for IB research: growth happening where extant theory would suggest that the fundamentals are not conducive to economic expansion, investment going to (or staying in) surprising places, and variation within and across countries that defies many theoretical explanations (Canen & Wantchekon, 2022; Darendeli & Hill, 2016; EY, 2021; Pilling, 2018; Stevens & Newenham-Kahindi, 2021; The Economist, 2017). Why have Ethiopia and Côte d'Ivoire experienced rapid economic growth despite continuous conflict and strife? How has Rwanda – which experienced horrific ethnic-related genocide in the recent past – become a model of peace and institutional stability? Why has Kenya outperformed neighboring Tanzania, to emerge as a regional economic and technological hub, despite greater corruption, more ethnic

division, and weaker institutions? Why did investors not decamp from countries such as Morocco and Algeria in the upheaval of the 'Arab Spring'? How has Lagos – a city of over 15 million people that is "as dynamic as many of the booming cities of Asia" (Pilling, 2018) – thrived despite its location in a country notorious for weak governance and substantial linguistic and ethnic fragmentation? Why, despite having the lowest rate of Internet penetration, has Africa emerged as the world's second-largest mobile banking market? How and why has the massive informal economy served as a catalyst, rather than an obstacle, for innovation, entrepreneurship, and growth? While conventional IB explanations for trade and investment (availability of natural resources, institutions, etc.) provide some insights, they do not seem to tell the whole story (Barnard, Cuervo-Cazurra, & Manning, 2018; Canen & Wantchekon, 2022; George et al., 2016).

Research about Africa is replete with findings that call conventional IB wisdom into question; examples include the role of institutions and their impact on local and foreign actors, and the determinants of both FDI patterns in Africa and Africa's regional and global integration. For instance, Ofori-Dankwa and Scott (2013) find that the expected relationship between environmental dynamism and capital structure is reversed in Africa. Similar inconsistencies are found with respect to the institutional determinants of foreign venture capital (Hearn, Oxelheim, & Randøy, 2018). Nachum and Ogbechie (2019, 2023) demonstrate competitive dynamics between foreign and local banks in Nigeria that are inconsistent with the notion of the liability of foreignness. Researchers have identified puzzling theoretical inconsistencies in MNEs' non-market strategies for dealing with corruption, political risk, CSR, and crony capitalism in Africa (e.g., Darendeli & Hill, 2016; Parente, Rong, Geleilate, & Misati, 2019; Stevens & Newenham-Kahindi, 2017, 2021).

Empirical findings regarding the patterns of FDI within Africa likewise deviate from the assumptions of IB location models. Rolfe, Perri, and Woodward (2015) observe no relationship between African firms' location choices within Africa and the quality of the regulatory environment, corruption, or political stability, while White, Kitimbo, and Rees (2019) note that the quality of formal institutions does not affect the location choices of South African firms in the region. Dike and Rose (2019) find that African telecommunications firms' FDI



location decisions are not well captured by existing theoretical frameworks. In part, these inconsistencies may arise because regional investors evaluate location-specific assets differently from the Western MNEs that have been the basis of most of the theoretical development in IB. However, findings inconsistent with extant theory have also emerged in relation to Chinese firms investing in Africa, e.g., regarding the impact of political risk on location choice (Lu, Huang, & Muchiri, 2017). The choice of many African countries as hosts for inward FDI often appears inconsistent with their locational attractiveness, based on conventional IB measures (Asiedu, 2002).

Africa's low level of intra-regional integration also defies established IB predictions.<sup>8</sup> Intra-regional shares of total FDI and trade in Africa are 10 and 16%, respectively, compared with 48 and 58% in Asia (Ngouhou, Nchofoung, & Kengdo, 2021; UNCTAD, 2019a). Notable inconsistencies relate to geographic proximity (Head, & Mayer, 2014) and the predominance of the 'home region' that explains many FDI patterns elsewhere (Casanova, 2009; Rugman, 2005; Rugman & Verbeke, 2004). Firm-level studies of African firms' decisions regarding where, how, and why to internationalize highlight the complex and distinctive dynamics underlying these deviations from traditional IB expectations (Adomako, Amankwah-Amoah, Tarba, & Khan, 2021; Dike & Rose, 2019).<sup>9</sup>

### AFRICA AS AN OPPORTUNITY FOR ADVANCING IB SCHOLARSHIP

The puzzles raised by Africa's rise represent an opportunity for IB researchers. The small, albeit rapidly growing, body of IB research on Africa is diverse, both theoretically and methodologically.<sup>10</sup> Theoretical perspectives include institutional theory, transaction cost economics, stakeholder theory, the eclectic paradigm, the resource-based view, and micro-level theories related to leadership and justice. Researchers have used a variety of methodological approaches: quantitative and qualitative, utilizing primary and secondary data. A key theme underlying much of the extant research is the importance placed on the role of *people*, to better explain business dynamics on the continent (Horwitz & Ronnie, 2021; Newenham-Kahindi, Kamoche, Chizema, & Mellahi, 2013; Parente et al., 2019). We argue that this suggests the need to consider not only the role of institutions themselves, but to focus on the economic, political, and

social actors that inhabit the institutions and the incentive structures they face, in order to unravel the puzzling deviations from theoretical predictions presented by Africa.

In this way, studying the African context offers the potential to extend and deepen our understanding of key theories used in IB. As the 'puzzles' imply, there is a need to investigate how IB frameworks perform in conditions that differ from the contexts in which they have been developed and traditionally applied. Leveraging important and distinctive attributes of the African context should enable the development of a more nuanced approach to IB research. In some cases, this may warrant the development of new theories and frameworks; mainly, though, we expect that it will require a shift in emphasis, to balance IB's traditional emphasis on institutions, location-specific assets, and other macro-level attributes with an increased consideration of people and the micro-foundations of IB theory (Boddewyn, 2016; Dunning & Lundan, 2008).

We argue that this shift in emphasis creates opportunities for providing novel answers to traditional IB questions, as well as asking new ones. It also allows for the development of deeper insights into areas of importance to IB such as human capital, entrepreneurship, social networks, and the informal economy by observing them from the distinctive perspective of Africa. We highlight some particularly promising areas for Africa-based theory development below; these are summarized in Table 2.

### Entrepreneurial Human Capital

A stronger focus on people may better explain Africa's grassroots rise of entrepreneurship and the bottom-up development of the private sector, both of which defy the expectation that 'extreme conditions' should not be conducive to the strong entrepreneurial culture and comfort with risk-taking that permeate the continent.<sup>11</sup> Olopade (2014: 20) uses the Yoruba word *kanju* to refer to "the specific creativity born from African difficulty", giving the example of how Nigeria's 'Nollywood' film industry sprang into being from the ingenuity of an electronics dealer who needed to offload surplus blank VHS tapes. Today, Nollywood is a multi-billion-dollar film industry, and the world's second largest in terms of output, ahead of Hollywood and behind only India's Bollywood (Akinwotu, 2021). Similarly, Adomako, Amankwah-Amoah, Dankwah, Danso, and Donbesuur (2019)

**Table 2** Key attributes of Africa and their implications for theory development in IB

Topical issue	Attributes of Africa	Implications for theory
Demographics	Africa's population is young and growing rapidly	The young, tech-savvy population has implications for theories relating to learning and innovation (e.g., technology leapfrogging) and FDI strategy (e.g., Africa is experiencing a shift from asset-seeking extractive FDI to market-seeking service-sector FDI)
Economic growth	While some countries have been left behind, others are experiencing rapid growth	It remains unclear whether African countries' development path will resemble other countries' (e.g., emerging economies in East, Southeast, and South Asia) or whether they will follow distinct pathways, with implications for trade and FDI (inward and outward)
Global connectivity	While rising, Africa's share of global FDI and trade lags those of other regions	This has implications for theory related to learning, governance, and global value chains (GVCs), especially with respect to breaking into existing relationships
Intra-regional linkages	Despite its geographic fragmentation, regional blocs (EAC, ECOWAS, etc.) and continent-wide pacts (African Union, African Continental Free Trade Area) are developing	Increased integration has implications for spillovers of information, people, and trade; these are salient for theories pertaining to, among others entrepreneurship, stakeholder management, FDI, and trade
Language	Africa has thousands of indigenous languages in addition to those brought by colonial and other outside forces	Language is an important issue for theories of FDI location choice and trade patterns, along with stakeholder management, legitimacy, and social license to operate
Ethnic fragmentation	Many nations have diversity of ethnic groups, and many ethnic groups span national borders	Ethnicity affects a wide range of IB issues, including social networks, subsidiary management, non-market strategy, political risk, and corruption
Governance	Many countries have enacted substantial improvements in governance quality and the rule of law. In addition to formal institutions, policymakers, political will, and policy enforcement play an important role	There are implications for the role of agency in institutional theory (e.g., the question of whether institutions shape firm behavior, or whether/how MNEs shape institutions through institutional entrepreneurship, non-market strategies, and state capture). Within- and cross-country variation allows researchers to address the question of <i>which</i> institutions matter for IB
Human capital	Human capital, especially entrepreneurial human capital, has played a large role in Africa's 'rise' Human capital has limited location-boundedness and is only loosely tied to a country's average level of formal education	This has implications for the OLI paradigm, theories of locational and ownership advantage, and foreign entry strategy (including location choice, entry mode, and partner selection). Forms of firm-specific assets related to entrepreneurship in an IB context remain under-researched: resilience, adaptability under conditions of volatility, comfort with the informal economy, the role of social networks and diaspora linkages
Diaspora	Africa has a large and important diaspora, along with an under-examined 'inverse diaspora' population	There are implications for theories of human and social capital, and constructs including cultural and psychic distance. Migrant and diaspora communities are underappreciated factors in national and sub-national location choice, venture financing, and immigrant entrepreneurship.
Informal economy	Much of Africa's growth has been catalyzed, rather than hindered, by the informal sector	The informal economy has been understudied by IB scholars; however, MNEs are increasingly leveraging it in their supply chains and in how they relate to stakeholders

Africa is rising, but IB scholars have largely failed to take notice. We argue that this is a missed opportunity. Not only is Africa a dynamic and distinctive region, but its rise presents a number of puzzles for international business (IB) research, with phenomena that seem to challenge fundamental assumptions underlying IB theories. In order to unravel these puzzles and better explain business dynamics on the continent, we contend that there is a need for IB theorizing to place greater emphasis on the role of *people*, to balance IB's traditional emphasis on institutions, location-specific assets, and other macro-level attributes. We explore how this conceptual shift presents new avenues for inquiry into issues that are of importance for IB but have received limited attention to date. Such issues include entrepreneurial human capital, social networks, institutional co-evolution, and the informal economy. As such, we argue that, while extant theories in IB inform explanations and predictions regarding business activity across the continent, Africa's diverse and distinctive characteristics offer the potential to serve as a context for testing and developing generalizable, cutting-edge IB theory.

find that, far from being impediments, institutional voids serve to *enable* new venture internationalization in Ghana; entrepreneurs in Africa are often able to do considerably more with a lot less (König, Schmidt, Kindermann, Schmidt, & Flatten, 2022).

To help explain this phenomenon, we highlight the notion of *entrepreneurial human capital*. This construct pertains to characteristics of nations' domestic entrepreneurial culture, with a focus on businesspeople who have the business acumen, education, language skills, and international orientation to engage with foreign firms that seek local partners in Africa. Recognition of the critical importance of entrepreneurial human capital in facilitating economic development has led some to suggest that it might sometimes be a more important driver of economic development than institutions (Canen & Wantchekon, 2022; Gennaioli et al., 2013; Zallé, 2019). Proponents further reason that a focus on human capital offers a promising path to economic development; developing human capital from the 'bottom up' can be enacted rather quickly, compared to the time needed to develop institutions and close institutional gaps from the 'top down'. This debate between the relative importance of institutions and human capital has salience for IB, given the prominence of theoretical perspectives such as institutional theory and institutional economics in the field (Aguilera & Grøgaard, 2019).

Viewing entrepreneurial human capital as a type of location-specific advantage raises a number of questions and avenues for future IB research. How do foreign firms tap into this reservoir of in-country knowledge and expertise, which is often housed in individuals and small firms? Conversely, how do African entrepreneurs and entrepreneurial firms gain market access and internationalize, given the headwinds that they face? There is considerable variation, both within and across nations, in entrepreneurial human capital. While many African countries' *average* level of formal education is relatively low, this belies the fact that almost all countries have a class of highly educated, cosmopolitan entrepreneurs and business elites. What are the implications for MNEs' strategies, ranging from location choice to staffing approaches?

Considering entrepreneurial human capital has implications for theoretical frameworks pertaining to FDI and foreign entry strategy, as it implies the need to reconsider the role of domestic business partners and the local business elite for firms' strategies related to entry mode, location choice,

and partner selection. This matters for the springboard theory (Luo & Tung, 2018), and other frameworks attempting to explain the outward internationalization of emerging market MNEs. A firm's home-country environment might be rich in entrepreneurial human capital that enables outward expansion, even if it lacks the other forms of capital and resources that are generally associated with internationalization. As intra-African investment remains rather low, but is an increasing priority, this offers the opportunity to observe the development of international activity with respect to business to and from emerging and developing markets.

### Networks, Linkages, and Diaspora

Given the global mobility of individuals and social networks, entrepreneurial human capital is not strictly location bound. This has implications for theoretical frameworks such as the OLI paradigm, as key 'national' assets may be located *outside* of either the home or host country. A primary example is the role of the diaspora with respect to cross-border business activity related to Africa (Mohan & Zack-Williams, 2002). The African Union views the diaspora 'as an important part of our continent', officially recognizing it as 'Africa's Sixth Region' (Kamei, 2011). Africa's historical diaspora is large – on the order of 160 million people, according to African Union estimates – and has grown substantially since the late 20th century.<sup>12</sup> Much of the cosmopolitan African entrepreneurial class may not actually be resident in their home countries. Alternatively, they may be returnees after many years abroad for work or education, or descendants of immigrants from African countries returning to their ancestral homelands (Akyeampong, 2000; Kaba, 2011; Lituchy, 2019). Such nuances have considerable importance for human and social capital, for both individuals and firms, and complicate the interpretation of common IB constructs such as cultural and psychic distance.<sup>13</sup>

Empirical studies provide evidence that the diaspora is beneficial to the economic development of African countries (Gnimassoun & Anyanwu, 2019). Remittances (some US \$45 billion in 2021, according to World Bank data) are the most tangible manifestation of this impact. However, the diaspora's contributions extend well beyond remittances, ranging from increased trade and FDI links, better access to foreign capital markets, and substantial infusion of human capital, skills, and technology (Clemens, 2011). Africa's diaspora has



been instrumental in the dissemination of social and institutional norms conducive to development and has had important ramifications for local cultures and social dynamics (Gnimassoun & Anyanwu, 2019). Just as the African Union officially encourages the participation of the diaspora in African economies, individual African governments actively factor the diaspora into their domestic development programs (Lituchy, 2019; Plaza & Ratha, 2011).

There is also another important diaspora where Africa is concerned: the 'inverse diaspora' of non-Africans (including individuals of Indian, Chinese, Arab, and Lebanese descent) who become embedded in Africa and the local business environment. For instance, there are approximately 3 million individuals of Indian ethnicity living in east and southern Africa. While small in terms of the overall population, they have had an outsized economic and political influence, both domestically and in building ties between Africa and India, as well as with the broader Indian diaspora in the UK and North America. China's rapidly growing presence on the continent has been catalyzed by the presence of approximately 1 million people moving from China to Africa during the last two decades (Barnard et al., 2018). French (2019) notes that most of these Chinese citizens have moved under their own initiative, seeking entrepreneurial opportunities and enhancing ties between China and Africa along the way.

Without accounting for such phenomena, it is very difficult to grasp the nature of investment patterns, both into and out of Africa. For example, it would be impossible to understand why the Somali multinational Dahabshiil (Africa's largest money transfer company) located physical operations in Minneapolis and Columbus, Ohio, without knowing that these cities are home to the U.S.'s largest Somali and Somali-American populations (let alone why a firm from Somalia – which would seem to face formidable liabilities of foreignness – would have a locational advantage in the U.S.). Ethiopia's bond market and investment schemes in Washington D.C., which are based entirely on activities of the diaspora, offer another example of the global reach of Africa's flexible locational assets. Africans abroad help to overcome information asymmetries between Africa and non-African investors and offer an understanding of how to combine western and African approaches, facilitating investment in both directions (Galeto, 2011; Leblang, 2011). In addition, the African

diaspora, which forms a substantial part of the continent's entrepreneurial class, is a major source of inward investment, playing a pivotal role in the formation of trans-local networks to pursue business opportunities on the continent (Griffin-El & Olabisi, 2018).

These influences have a strong impact on the patterns of FDI flows to Africa, at times overriding the traditional location advantages considered in IB, creating economic relationships that are driven by the connections of the diaspora and may not be consistent with the predictions of IB models. Research on Africa notes the outsized role that social networks, local communities, and stakeholder relations play in shaping firms' strategy and performance (Acquaah, 2007; Ado, Su, & Wanjiru, 2017; Manning, Kannothea, & Wissman-Weber, 2017). The IB literature has been criticized for not taking social networks into account (Cuyper, Ertug, Cantwell, Zaheer, & Kilduff, 2020). Africa presents an ideal context for deeper examination of social network theory in the IB context.

Moreover, the impact of the diaspora on economic outcomes is complicated, and sometimes counterintuitive, calling for additional work in this area (Barnard, Deeds, Mudambi, & Vaaler, 2019). For instance, Barnard and Pendock (2013) note that complex – and sometimes negative – emotions (such as guilt and a sense of loss) of South African diaspora can sometimes impede ongoing, beneficial engagement by cross-border economic activity and knowledge sharing. Mayer, Harima, and Freiling (2015) note the challenges faced by returnees and members of the Ghanaian diaspora in creating effective linkages between Ghana and their countries of residence. The size and breadth of its diaspora makes Africa a prime setting for theoretical development in this area.

## Institutions

Placing an emphasis on people does not negate the well-established IB focus on the importance of institutions (Aguilera & Grøgaard, 2019). However, careful consideration of the African context may allow us to develop clearer insights into which aspects of the institutional environment are particularly salient, and how firms manage institutional complexity (Verbeke, van Tulder, Rose, & Wei, 2021). In some cases, institutions are effective at predicting investment flows and economic growth in Africa. Ghana, for instance, has a strong history of democratic institutions and relatively low levels of corruption, making clear its attractiveness for

FDI. Twitter provides a recent example; the 2021 decision to locate its Africa headquarters in Ghana, instead of regional economic and technology powerhouse Nigeria, while a surprise to many observers, is consistent with the institutional perspective (Ndukwe, 2021). As a counterexample, however, Kenya tends to score poorly on measures of institutional quality and corruption – factors that should deter both foreign and domestic investment – but the country has done surprisingly well at attracting FDI. Part of this puzzle can be explained by recognizing that while some of Kenya's institutions are weak and underdeveloped, policymakers have recently created new institutions that have fostered a booming information technology sector (Canen & Wantchekon, 2022).

Institutions in Africa are complex, multifaceted, and constantly evolving.<sup>14</sup> In their recent Attractiveness Report on Africa, EY (2021) found little connection between African countries' 'ease of doing business' and FDI activity, contrary to what traditional IB theoretical frameworks would predict. What was identified, instead, was a stronger relationship between *improvements* in ease of doing business scores and foreign investment. Apparently, MNEs are focusing on trends rather than levels, and making investment decisions based on perceptions of where Africa's institutions may be headed in the future, rather than their current states or historical legacies (EY, 2021). Understanding Africa's institutions requires consideration of the people who shape them, starting with policymakers; specific policies and issues relating to political will are often more meaningful than macro-level indicators of institutional quality (Canen & Wantchekon, 2022). It is also necessary to unpack a country's institutions, as both the quality and enforcement of specific institutions often varies quite widely, even within a single nation.

Rather than being a largely exogenous force that 'happens' to MNEs, the business–government interface in Africa is often dynamic and malleable. Foreign actors (MNEs, governments, NGOs, and multilateral organizations) tend to have more agency with respect to shaping their host environment than is typically assumed in the IB literature, assisting them in navigating challenging terrain (Cantwell, Dunning, & Lundan, 2010). With this flexibility, though, come attendant concerns regarding state capture;<sup>15</sup> questions about MNEs' net impact on issues including governance, sustainability, and social issues; and the constant need

for firms to manage how they are viewed in the eyes of multiple stakeholders under rapidly evolving circumstances (Darendeli & Hill, 2016; Obi, 2010; Stevens & Newenham-Kahindi, 2021). Scholars need to better understand how foreign MNEs navigate such complexity and gain (or lose) legitimacy, reputation, and the social license to operate in developing countries, such as those in Africa (Newbury, Deephouse, & Gardberg, 2019; Newenham-Kahindi & Stevens, 2018).<sup>16</sup>

Considering not just institutions, but the actors that inhabit and shape them, implies an opportunity to develop and deploy theoretical frameworks that remain underutilized in IB, such as evolutionary theory (Cantwell et al., 2010), institutional logics and institutional entrepreneurship (Newenham-Kahindi & Stevens, 2018), and organizational learning theory (Pedersen, Larsen, & Dasi, 2020), all of which are particularly well suited for the dynamic African context. This also suggests a need for more IB research to take a longitudinal, process-oriented approach that places a stronger emphasis on the challenging, multilevel process of subsidiary management (Meyer, Li, & Schotter, 2020). Future theorizing would, thus, benefit from paying attention to people-oriented factors (individual- and family-level ties, diaspora communities, individual- and firm-level experiences and strategies) that influence foreign investment decisions, as well as the post-entry strategies, policies, and relationships that might entice a firm to stay, even when faced with changing conditions. These are areas in which Africa offers considerable scope for theory development in areas of interest to IB scholars.

### Informality and Innovation

In much of Africa, the informal economy *is* the economy. Africa has, arguably, the world's largest informal economy. While estimates vary, the United Nations suggests that the informal economy accounts for more than 80% of employment across the continent (UNDP, 2022). The informal economy encompasses all sectors, even education; Olopade (2014) reports that up to 25% of the schools in South Africa are unregistered. Importantly for IB and global value chains, activity in the informal economy often crosses borders, from informal trans-border shipping and transport to the ubiquitous street vendors who sell foreign-produced handicrafts and use the revenues to purchase local goods. Despite expectations that informality would decline as African countries developed, it continues to grow (McMillan &

Zeufack, 2022; Medina, Jonelis, & Cangul, 2017), altering many notions of business ecosystems as discussed at macro levels of analysis (Abrahamsen, 2016).

Some IB research has considered the role of the informal economy in emerging regions such as Africa. Yakovleva and Vazquez-Brust (2018) find that foreign MNEs in Ghana, unfamiliar with the robust informal economy, struggled with how to deal with it. Over time, firms switched from a conflictual approach to a more cooperative strategy, resulting in improved legitimacy and performance, with positive outcomes pertaining to social challenges such as poverty, inequality, and sustainability. Newenham-Kahindi and Stevens (2018) use an institutional logics perspective to explore MNEs' novel approaches to leveraging the informal economy – which they had initially shunned – allowing them to build legitimacy and overcome liabilities of foreignness in East and Central Africa. Such findings run counter to the literature's standard expectation of the informal economy as an illegitimate phenomenon that firms should combat or avoid (Webb, Tihanyi, Ireland, & Sirmon, 2009).

While informal enterprises often operate at a basic subsistence level, representing a survival strategy of last resort, the informal economy also gives rise to entrepreneurial opportunities and the potential for radical innovation, especially regarding technology. That Africa is home to more than 600 technology hubs (Shapshak, 2019) is counterintuitive at first glance, as access to the Internet is relatively low; the proportion of the population using the Internet as of 2020 ranged from 79% in Seychelles to just 6.5% in South Sudan (World Bank, 2022). However, Internet penetration is growing rapidly, via access through mobile phones. African demographics skew toward the young and tech-savvy, and the lack of older incumbent technologies and business models has facilitated disruption and technology leapfrogging in Africa – albeit still with inherent challenges (Amankwah-Amoah, 2015).

Fintech is an area with strong potential to benefit from this nexus of the informal economy and radical innovation, and M-Pesa is a prime example. Created in Kenya, M-Pesa is world-leading in its utilization of mobile technology to facilitate payments outside of the traditional banking system. It increases financial inclusion by being accessible to more of the population – an important issue, as a large proportion of people in Africa lack bank accounts. M-Pesa is just one example of mobile-related technological leapfrogging in Africa. The

embrace of mobile telephony across the continent, as a solution to infrastructure-challenged land-line systems, has had far-reaching consequences for mobile banking, health, education, and trade (Olopade, 2014), and offers global research and policy implications, as Africa leads many developed countries in this regard (Piper, 2020).<sup>17</sup> The rise of new technologies, including fintech and blockchains, brings new opportunities and optimism for African SMEs' growth and internationalization (Business Insider Africa, 2022). Many of these technology-related innovations address pressing social issues as well, creating promising avenues for linking IB theory with research streams on social entrepreneurship, sustainability, language, and stakeholder engagement strategies (Garrone, Piscitello, & D'Amelio, 2019; Parente et al., 2019; Selmier et al., 2015). Africa is, thus, an ideal context in which to study the intersection of technology, institutions, and societal grand challenges from an IB perspective.

## DISCUSSION AND CONCLUSIONS

The field of IB lags with respect to studying Africa (Barnard et al., 2018; Mol et al., 2017; Zoogah, Peng, & Woldu, 2015). This is a missed opportunity, for both Africa and IB scholars. IB's traditional theoretical focus has been on macro-economic dynamics, considering institutions as created by nation states and business relationships managed via formal regulations and the rule of law (Bodewyn, 2016; Dunning & Lundan, 2008). As such, the nation state and MNEs have been the primary units of analysis. A key argument of our paper is the need to balance such macro-level factors with social ties, human capital, and other less-appreciated issues related to individuals in order to delve into the mechanisms of how international business takes place in the African context. However, while a people-centric focus is particularly salient in Africa, it is not idiosyncratic to the continent, or even to emerging markets. As such, while extant theories in IB can inform our ability to explain and predict business activity across the continent, Africa has great potential to inform and influence generalizable IB theory.

The African context – precisely because it differs from the contexts in which IB theories have been developed – represents an ideal laboratory for testing existing theoretical frameworks, investigating their boundary conditions, and revisiting their underlying assumptions (Hernandez & Guillén, 2018;

Nkomo, 2017). Recent theoretical developments have paid attention to micro-level dynamics and begun to articulate the micro foundations of some of the theoretical frameworks that are used in IB research (Felin, Foss, & Ployhart, 2015; Foss & Pedersen, 2019; Kano & Verbeke, 2019). These studies suggest that focusing on the micro- and meso-levels of analysis is essential for the development of managerially relevant theory, for understanding the strategic choices made by internationalizing firms, and for taking a co-evolutionary perspective on institutions that incorporates dynamism and change into IB theories (Buckley, Chen, Clegg, & Voss, 2016; di Giovanni, Levchenko, & Mejean, 2018). From a policy perspective, this approach also facilitates the design of micro-level institutional reforms aimed at promoting entrepreneurship and foreign direct investment.

We believe that the foundations developed in this paper offer real potential for future research that extends existing theories and develops new ones. For instance, our conceptualization of the centrality of people in the African business context provides a novel, and potentially fruitful, lens through which to extend entrepreneurship-related theory, with its focus on the individual – or small groups of individuals – collaborating to create value (Keupp & Gassmann, 2009). It could be employed to develop the notion of resource bricolage and doing more with less (Baker & Nelson, 2005).<sup>18</sup> Entrepreneurship and gender also intersect in interesting and unexpected ways in Africa. In 2021, Uganda (38.5%), Botswana (38.4%), and Ghana (37.2%) had the highest percentage of female business owners, followed by the US (35.6%). Oluwole (2022) notes that “woman entrepreneurs in Africa are resilient and adaptable, particularly those in low and middle-income economies, often surpassing men in terms of entrepreneurial activity”, which suggests promising avenues for research and theory building pertaining to international entrepreneurship.

Another direction for research that would benefit from the African environment is an extended consideration of relational modes of governance. The importance of relationships and social ties across Africa, which has roots in the extended family and small local communities, offers a valuable context for theory development (Cao & Lumineau, 2015). Such research could draw attention to types of social connections that exist in many parts of the world, especially emerging and developing markets, but their ubiquity in Africa

makes it an excellent context in which to study this phenomenon. One area for which Africa-based research appears to be particularly promising is the relationship between firms in the formal economy and those operating as informal entities. Africa’s vast informal economy, which is intricately interwoven with the formal economy, offers fertile ground for extending our understanding of these complex dynamics (Acquaah, 2007; De Soto, 1989, 2000; Godfrey, 2011; McGahan, 2012).

Additional scholarship is needed to deepen our understanding of Africa’s diversity and the search for underlying logic(s) that might explain the associated patterns and offer a basis for classifying African countries and sub-regions. This research could build on what IB scholars know regarding location theory and location advantages to find a middle ground between ‘Africa’ as a homogenous unit, and Africa as a collection of uniquely heterogeneous countries. The important role of sub-regional blocs in Africa (such as the East African Community, Arab Maghreb Union, and Economic Community of West African States) points to the need for IB researchers to consider cross-country flows of investment, people, and information that might otherwise be overlooked from a purely country- or continent-level approach.<sup>19</sup> The African context also offers the potential to consider new types of locational advantages.

Lastly, the shift of focus toward a more people-centric perspective needs to be accompanied by methodological developments. Many of the commonly employed methods in IB research, often based on analyses of large databases of country-level data, are not always suitable for capturing the phenomena and dynamics that matter in Africa and other emerging regions (Bob-Milliar, 2020). Some of Africa’s distinctive characteristics – such as diversity, fragmentation, informality, and ethnicity – challenge existing methods and data collection practices (Groskopf, 2016; Jerven, 2013). Macroeconomic data rarely take the informal economy into account (The Economist, 2018). Likewise, the widely used operationalization of key constructs may not reflect the conceptual foundations needed to understand Africa’s business logic. For instance, culture is generally operationalized at the country level (e.g., Hofstede, GLOBE), but Africa’s cultural diversity often has little relation with national borders (Luiz, 2015). Africa’s vast diversity along cultural, institutional, and other dimensions undermines the very meaning of country averages and suggests the need for greater nuance,



conceptually and empirically, regarding commonly used IB concepts such as ‘distance’. These empirical issues are not unique to Africa (Rose, 2021), but they are especially pronounced on the continent, and hence more vividly observable (Barnard, 2020). However, as the extant body of IB research on Africa shows, the task is not insurmountable, and learning more about effective approaches to undertaking research on the continent presents an opportunity for IB researchers, more broadly, to enhance our strategies and practices related to data collection, operationalization of key constructs, and methodological issues.

Studying Africa offers the potential to develop rich insights into key IB issues applicable to a much broader collection of contexts – emerging and developed markets alike. To date, IB research on emerging markets has been dominated by investigations of firms that are internationalizing to and from China. While this research provides important insights, China’s institutional environment is quite specific. At the same time, the people-centric approach that we advocate for research in Africa is appropriate for other contexts, at any level of development, and creates the potential for insights that are new to IB research. Issues of networks, entrepreneurial human capital, and disruptive innovation are just as appropriate for a discussion of Silicon Valley as they are for understanding Nairobi’s ‘Silicon Savannah’. Africa’s rise, while a tenuous but dynamic work-in-progress, has been a boon to its people and its countries. It is our belief that IB scholarship is primed for its own ‘Africa rising’ moment that positions the African continent squarely at the forefront of cutting-edge IB theory building and research.

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### NOTES

<sup>1</sup>As one example, ‘Africa rising’ appeared on the cover of *The Economist* in 2011, a decade after the magazine had declared Africa ‘the hopeless continent’.

<sup>2</sup>This is based on a Social Sciences Citation Index search of the title, abstract, and keywords of articles published in *Global Strategy Journal*, *International Business Review*, *Journal of International Business Studies*, *Journal of International Management*, *Journal of World Business* (*Columbia Journal of World Business*), and *Management International Review* (not indexed on Scopus for 1995–2004). Additional information can be found in the online appendix, Table A1.

<sup>3</sup>This index has been the subject of substantial criticism for being based on Western standards and evaluating business practices in ways that are not sensitive to local dynamics (e.g., Broome, Homolar, & Kranke, 2018; Doshi, Kelley, & Simmons, 2019; Krever, 2013).

<sup>4</sup>As further evidence that colonial ties are not destiny, fellow non-anglophone nations Mozambique (in 1995), and Gabon and Togo (both in 2022), also joined the Commonwealth, due to the perceived benefits of doing so (Lundan & Jones, 2001).

<sup>5</sup>Swahili, while indigenous to Africa, has always been inherently global. It arose as a trading language to facilitate communication with merchants from the Middle East along the East African coast, and roughly a fifth of Swahili vocabulary consists of Arabic loanwords, including the language’s name (*sawahili*, meaning ‘of coasts’).

<sup>6</sup>*Ubuntu* (‘humanity toward others’) and *indaba* (‘discussion of issues’) come from the Zulu and Xhosa languages, and *ujamaa* (‘extended family’) from Swahili; English translations are only approximate.

<sup>7</sup>Ethnic diversity and the impact of ethnic leaders, known as chiefs, on political life also varies considerably. In Tanzania, chiefship was formally abolished after independence; in Uganda and Ghana, it is officially recognized as having legal and political power. The Constitution of South Africa makes special provision for chiefs, formally outlining their legal and political roles in their communities (Section 12 of the Constitution).

<sup>8</sup>The legacy of slavery and colonization, and the marks that they have left on Africa’s contemporary economic relationships, also contributed to these patterns. For instance, in East Africa, as well as Angola, most transport routes are aligned from east to west along old slave trading routes, making north–south trade challenging. The recently established African Continental Free Trade Area (AfCFTA) and increased integration within Africa’s



sub-regions (East Africa, West Africa, etc.) aims to improve this situation. We thank an anonymous referee for these insightful comments.

<sup>9</sup>For instance, Barnard and Luiz (2018) discuss how societal instability at home incentivized the use of ‘escape FDI’ by South African MNEs. While much of South Africa’s ‘escape FDI’ has been to Europe and Australia, some South African MNEs (such as SAB-Miller and MTel) have been quite willing to invest in riskier contexts.

<sup>10</sup>Additional information can be found in online appendix Table A2.

<sup>11</sup>Respondents in sub-Saharan Africa had the highest risk appetite in the Global Preference Survey, more than double that of respondents from Middle East & North Africa (#2) and North America (#3) (Falk, Becker, Dohmen, Enke, Huffman, & Sunde, 2018).

<sup>12</sup>The International Organization for Migration estimates that, during 1965–2021, nearly half a million people emigrated from Africa annually. A Gallup survey shows that Sub-Saharan Africa has the world’s highest share of people wishing to migrate, if they had the means to do so – more than double the world’s average (Esipova, Ray, & Pugliese, 2017).

<sup>13</sup>Of course, extensive diasporas, whether forced or voluntary, are not unique to Africa (e.g., Indians in Southeast Asia), and outward migration has implications for ‘brain drain’.

<sup>14</sup>Political borders, as they are understood in Western societies, were historically rare in Africa (Michalopoulos & Papaioannou, 2020). State formation and power were challenged by Africa’s vast land and terrain geography, which raised the costs of exercising political authority and posed obstacles for consolidation (Herbst, 2015). These challenges were accentuated by the artificial borders (Alesina et al., 2011) drawn by the European colonial powers, which were often inconsistent with local realities (Depetris-Chauvin, Durante, & Campante, 2020; Thomson, 2016). The newly elected governments, post-independence, established weak and often dysfunctional political and economic institutions, which further weakened the states’ legitimacy and challenged their effectiveness (Acemoglu & Robinson, 2010).

<sup>15</sup>A major institutional roadblock to investment and innovation is “state capture”, whereby connected domestic and international firms receive favorable regulation, contracts, or enforcement in exchange for campaign contributions and other forms of political support. A salient and well documented case is that of the Gupta brothers’ capture of the South African state under the former President Zuma. The bold response to this political distortion was rather exemplary: first a public disclosure of the crime by a “truth commission”, followed by the arrest of President Zuma and more recently the Gupta brothers (Cheng, 2022).

<sup>16</sup>Note that ‘foreign MNEs’ are a diverse group, and how MNEs navigate such challenges – and opportunities – likely varies depending on whether they are Western, Chinese, African, etc. (Mazé & Chailan, 2021).

<sup>17</sup>Other examples include off-grid electricity and energy systems that have revolutionized life across Africa, particularly in rural areas that never had fully functioning traditional systems. Solar-based investments have been particularly successful in bypassing the need for traditional on-grid infrastructure. Numerous African entrepreneurial firms (e.g., Mobisol in Tanzania, and M-Kopa and d.light in Kenya) have emerged recently, offering clean energy and power generation capacity based on alternative energy.

<sup>18</sup>The global COVID-19 pandemic has highlighted the importance of learning how to ‘do more with less’ for small entrepreneurial firms as well as global MNEs. This capability assumes added urgency in the context of countries with fragile security, public health, and infrastructure conditions.

<sup>19</sup>For instance, integration among countries in the East African Community influences firms’ location choices, non-market strategies, and political risk within the region, resulting in patterns that would not be anticipated based on traditional IB theories (Stevens & Newenham-Kahindi, 2017, 2021).

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