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INSTITUTIONAL COMPLEMENTARITY AND SUBSTITUTION AS AN INTERNATIONALIZATION STRATEGY: THE EMERGENCE OF AN AFRICAN MULTINATIONAL GIANT

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Key words: Emerging multinational enterprises; institutional voids; African multinational; firm and country specific advantages; institutional leverage capability

Abstract

Plain language summary:

We examine the internationalization decisions made by one of Africa's most successful companies, South African Breweries, while it underwent a period of aggressive expansion. We see processes of both institutional complementarity and substitution at different phases and with different motives. At first it sought countries which played to its strength, namely the knowledge of doing business in environments of institutional uncertainty, but later it pursued an institutional diversification strategy whereby it attempted to minimize its institutional risk exposure. As it became larger, its aspirations increased too and its over-exposure to emerging market institutional risk saw it engage in institutional substitution into advanced countries. Through this phased international process, it was able to develop its internal assets and this enabled the moves into developed markets.

Technical summary:

We demonstrate that firms can exploit their knowledge of 'weak' institutional settings and turn it into a source of advantage as they internationalize into locations with similar institutional 'weaknesses.' Using the case of one Africa's most successful multinational enterprises we illustrate the value gained from initially capitalizing upon institutional complementarity (utilizing

the comparative advantage linked to institutional know-how) by exploiting the experience of the home country's environment into similar settings. Over time and through learning-by-doing, pressure arose to diversify the risk linked with over-exposure to institutional uncertainty and country risk, and this was associated with the process of institutional substitution into more advanced countries. We see an emerging multinational learning and building its capabilities by leveraging off its understanding of its home country institutional environment.

INTRODUCTION

International business literature on internationalization is dominated by work that emphasizes the cautious incremental routes of internationalization, as decision-makers balance risk and return in uncertain locations (Johanson and Vahlne, 1977). Multinational enterprises (MNEs) take advantage of their home country or firm-specific advantages (CSAs/FSAs) to overcome the liability of foreignness as they move abroad (Dunning, 1988). The question is whether emerging multinational enterprises (EMNEs) behave in the same manner as predicted by the existing theory base. Questions have been raised because EMNEs seem to have adopted less gradual and incremental approaches and have often been perceived to be more risk-seeking in their approach (Mathews, 2006; Luo and Tung, 2007). The accelerated expansion has been an important characteristic of the EMNE whereby they have committed significant resources and capital early on in their process of internationalization (Mathews, 2006). It also raises a question around the nature of the advantages that EMNEs possess and how this is affected by home country institutional environments. The relative institutional underdevelopment of their home countries may give rise to situation specific advantages and may impact upon their international expansion and how they appropriate value from their exclusive assets in foreign markets (Kirca, Fernandez, and Kundu, 2016: 629).

The issue arises, where do African MNEs fit in? The call for papers for this special edition raised some interesting issues which we seek to address in this paper. Given the complexity of the business environment in Africa; have MNEs arising from the continent adopted different strategies and competencies and how will these translate into a global context outside of Africa? In this paper, we focus on how an African MNE adapted to and managed institutional voids and distances between its home and host countries and how this influenced the decisions of which markets to enter. We focus on one of Africa's largest and most successful MNEs, South African Breweries (henceforth referred to as SAB), over time.[1] We show that it followed a process of institutional complementarity and substitution at different phases of its internationalization and with different motives influencing these phases. At first it sought countries which played to its strength, namely the knowledge of doing business in environments of institutional uncertainty, but later it pursued an institutional portfolio diversification strategy whereby it attempted to minimize its institutional risk exposure. The unpredictable environment faced by African MNEs means that their decision to internationalize is not only driven by the usual motivations of seeking new efficiencies, markets or assets, but also concern about their home environment and an effort to diversify institutionally to absorb possible future shocks at home. This adds a new layer of understanding to our existing knowledge base of EMNEs and seeks to explain their decisions in a more dynamic manner which takes into consideration not only host country institutions but that of their home countries' too, and relates this to the phases of their internationalization experience. We show that institutions should not only be thought of as constraining economic activity but also being a source of comparative and competitive advantage (Landau *et al*., 2016; Martin, 2014).

As FDI from emerging markets increases, it becomes critical to understand the motivations and behaviors of EMNEs in comparison to developed multinationals (DMNEs). Whilst there has been a growing literature on multinationals from Asia and Latin America, there is a dearth of research on EMNEs from Africa. Given that the continent has experienced a growth boom over

[1] Founded in 1895, the South African Breweries (SAB) is the South African subsidiary and historical birthplace of SABMiller plc. In 2002 in one of its largest transactions SAB acquired the Miller Brewing Company in the US whereupon it changed its name to SABMiller plc. Given that we are examining the process through which *SAB became a global company* and morphed into SABMiller we will refer to it as SAB throughout except in particular circumstances where it needs be referenced as SABMiller particularly. In October 2015 AB InBev announced a $104 billion bid for SABMiller which was finally approved by shareholders in September 2016.

the past two decades that has seen its growth second only to emerging Asia, it is the right time to further explore the development of this literature within an African setting.

LITERATURE REVIEW

Theory and Emerging Multinational Enterprises

The Uppsala Model (Johanson and Vahlne, 1977) proposes that firms internationalize through an incremental process. The model is based on the assumption that local knowledge is vital for a company to succeed and that by operating in a given market, firms are able to acquire the aforementioned knowledge to successfully compete and it is for this reason that internationalization is usually a slow process. As firms gain more knowledge about the foreign market, they slowly begin increasing their level of commitment. Several scholars (Guillen and García-Canal, 2012; Kalasin, Dussauge, and Rivera-Santos, 2014; Mathews, 2006; Ramamurti, 2012a, b) are of the opinion that this assumption does not hold for EMNEs. EMNEs are either skipping some of the Uppsala model steps or engaging in them sooner than the model would predict (Contractor, Kumar, and Kundu, 2007; Knight and Cavusgil, 2004). Ramamurti (2012b) proposes that the reason for the divergence from the Uppsala model by EMNEs may be due to the vastly different business environments and networks in which firms operate today. In later papers, (Johanson and Vahlne, 2009; Vahlne and Johanson, 2013) they revise their original thesis and state that due to the interrelationships developed in international business, networks between firms have become crucial. EMNEs can leverage off these networks which allows for faster processes of internationalization as these firms develop and create competitive advantages not only as operational capabilities but also as dynamic ones, which modify these operational capabilities through learning and innovation.

This raises the question of what sort of competitive advantages EMNEs leverage off. A key premise of theory is that a MNE must have significant ownership advantages[2] (Hennart, 2012) to internationalize but according to Madhok and Keyhani (2012: 36), EMNEs tend to have ‘ordinary resources’. The counterview is that although EMNEs may not have the same financial assets as those from developed nations, they have other assets such as unique forms of knowledge and experiences and thus ownership advantages can take on many different forms and we need to consider a broader definition of these advantages (Cuervo-Cazurra and Genc, 2008; Dunning, Kim, and Park, 2008; Ramamurti, 2012a, b).

MNEs deploy their FSAs which, along with CSAs, affect the competitiveness of their international operations and compensate for the liability of foreignness. The original FSA/CSA matrix developed by Rugman (1981) suggested the differentiation between FSAs as managerial decision (or internal) factors, and CSAs as environmental, exogenous factors. FSAs were seen as ‘unique resources and resource combinations ranging from competences in innovation to transactional advantages’, whilst MNEs leverage their home-country advantages, or CSAs including ‘natural resources, the local product demand, and favorable political and administrative rules’ (Hillemann and Gestrin, 2016: 768). This original categorization has several limitations. It is fairly static although this is not necessary as one can easily allow for processes of learning, and it implicitly assumes that FSAs are easily transportable across institutional milieus, and that CSAs arise from ‘better’ country resources and institutions. All this plays very much into the narrative of DMNEs as they will have more FSAs and better home institutions leading to CSAs. This struggles, in its original conceptualization, to account for the success of EMNEs. But it is

[2] Hashai and Buckley (2014), however, challenge the view that competitive advantage is a necessary condition for the emergence of a MNE and argue that under certain conditions MNEs may emerge without such advantage vis-à-vis their rivals.

easily remedied within this framework without having to change the categories but by allowing for a more diverse institutional/contextual reality. Others have raised similar concerns with Hillemann and Gestrin (2016: 767), for example, arguing that the FSA/CSA matrix needs 'to better reflect how firms bundle their assets with CSAs.' EMNEs may not possess the initial internal FSAs associated with large balance sheets, innovative technology and so forth, but they can learn and build FSAs. Furthermore, these FSAs can be constructed on the back of CSAs which allow EMNEs to leverage off their understanding of home country institutional environments, which in the original conceptualization would be seen as 'inferior' (discussed in the next section). But when EMNEs invest in other emerging markets with similar settings they are able to leverage more out of their limited FSAs because of their experience in this milieus. In this process FSAs are rapidly accumulated by EMNEs. Our conceptualization is a more dynamic interpretation of the original matrix which is more in line with the reality of the new EMNEs.

The springboard perspective to internationalization by Luo and Tung (2007: 482-487) postulate that EMNEs use international expansion as a springboard to attain vital resources needed to compete more effectively against their global rivals and to diminish their vulnerability to institutional and market constraints at home. EMNEs faced with distinctive disadvantages seek out strategic assets and acquire these from DMNEs to negate weaknesses. Not path nor entry mode dependent, these firms are driven by other pressures such as global rivalry, technology advances, innovation and new product development and domestic restrictions. They list several key 'springboarding' behaviors that EMNEs manifest and we focus on three of these. First, EMNEs use international expansion as a springboard to compensate for potential competitive disadvantages relative to DMNEs. Whilst MNEs from the industrialized world capitalize upon their resource-based competitive advantage to make an imprint globally, EMNEs invest in developed countries to gain know-how and strategic assets such as sophisticated technology and brands. This does not imply that EMNEs are bereft of relevant advantages but rather that they seek additional advantages. Second, EMNEs use international expansion to overcome their latecomer disadvantage. Given that EMNEs are latecomers onto the global stage they need to make big foreign moves to leapfrog over their handicaps and quickly secure key resources such as managerial expertise, technology, and consumer markets. Third, they use international expansion to alleviate domestic institutional constraints. The existence of institutional voids raises not only the transaction costs of doing business in these countries but also the risk profile and EMNEs see their global expansion as part of a strategy of institutional diversification. We extend this analysis in the discussion of our case study below.

Meyer and Peng (2016: 8) discussing the theoretical foundations of emerging economy business research state that the rise of EMNEs gave rise to a shift in the scholarly discourse towards 'the development of capabilities and organizational forms for the relevant context. Faced with persistent uncertainty and institutional idiosyncrasies, firms develop structures that enable strategic and operational flexibility, … develop political and market capabilities, … [and] adapt organizational forms that enable the development and exploitation of such capabilities.' They conclude that 'EMNEs partly expand by exploiting such capabilities in other countries where they face similar challenges.' They therefore reinforce the institution based view of EMNEs and the importance of understanding business environments of emerging economies which are characterized by uncertainty and instability.

The role of institutions in emerging markets

Accepted Article

The role of institutions in internationalization strategy has received increased prominence (Kostova and Hult, 2016; Meyer and Peng, 2016; Peng, Lee, and Wang, 2005) and the experience of EMNEs has reinforced this emphasis. Institutions affect the 'uncertainty faced by economic actors', 'shape the incentives faced by agents and hence the effectiveness of alternative governance structures, impact the 'efficiency of markets and hence the transaction costs', and affect the 'rules of competition in emerging economies' (Meyer and Peng, 2016: 9-11). Ingram and Silverman (2002: 20) state that 'institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy, and to create competitive advantage'. Institutional differences between home and host countries plays an integral role in determining the motives and behaviors of MNEs (Dunning and Lundan, 2008; Gaur and Lu, 2007, Luiz and Stewart, 2014). While institutional differences between countries allow companies to assess which markets are most conducive to the success of their operations, the legacy of the institutional environment in their home country may result in the selection of markets with similar, rather than superior institutions (Cuervo-Cazurra, 2006). An understanding and assessment of the degree of institutional distance between home and host market is therefore essential to the success of an organization's international ventures (Cantwell, Dunning, and Lundan, 2010, Liou, Chao, and Yang, 2016).

While institutional voids are seen as a risk by multinationals from developed markets, Khanna and Palepu (2006, 2013) argue that EMNEs see the lack of institutions in developing nations as a business opportunity and their ability and willingness to fill the void, and therefore reap the rewards, is often a driver of internationalization. Cuervo-Cazurra and Genc (2011: 444) maintain that EMNEs are characterized by significant non-market advantages that facilitate operating in emerging markets. These non-market advantages involve the 'resources that the firm develops and uses to interact with and operate in its environment, such as knowledge of the local customs or understanding of laws and regulations'. This institutional, non-market know-how can enhance access to resources that would otherwise be unavailable to foreign MNEs and facilitate entry into other emerging markets because these firms already possess many of the non-market advantages required to navigate the institutional voids characteristic of these markets and this can generate outcomes with substantial efficiency effects (Clougherty, Kim, Skousen, and Szücs, 2016: 9; Hennart, 2012; Holburn and Zelner, 2010).

DMNEs often struggle to adapt to doing business under conditions of institutional voids because their FSAs may not translate well into these milieus. On the other hand, EMNEs may engage in a process of internationalization that plays to their strengths of doing business in the context of institutional uncertainty. What they lack in FSAs, they compensate for by limiting their liability of foreignness by moving into institutionally familiar environments. We term this institutional complementarity. This notion of institutional complementarity has its roots in historical comparative institutional analysis (see Amable, 2016; Crouch, Streeck, Boyer, Amable, Hall, and Jackson, 2005; Guardiancich and Guidi, 2015). Admadjian (2016) states that this complementarity has implications for how MNEs deal with institutional complexity. Firms that arise in one sort of institutional setting are likely to look and compete differently from those that arise in different institutional settings. Furthermore, institutions are not only constraints but can be enabling factors that provide MNEs with capabilities derived from the institutional context it emerges from. Thus an EMNE's home market gives it a 'comparative advantage that firms from other institutional contexts cannot easily imitate' (p. 17). Admadjian (2016: 25) concludes that 'institutions are not only a force to be resisted or adapted to, but are also … sources of competitive advantage. … When it comes to market entry and competing successfully across multiple markets, where an MNE is coming from is as important as where it is going.' Landau *et al*. (2016: 51-52) argue that the success of firms internationally partially results from both the existence of home country institutional benefits and the capacity of firms to integrate them effectively into their own resource base in what they term institutional leverage capability (ILC). They explain the heterogeneity among firms with respect to their ability to exploit location-based institutional advantages and leverage them into FSAs of a competitive nature.

EMNEs thus may not have the internal resources such as large balance sheets, cutting edge technology or global brands that their developed market counterparts do but they do understand how to improvise and do business in unpredictable settings (external). This advantage has been gained from their home country experience (country specific advantages - CSAs). EMNEs have more experience in dealing with high levels of uncertainty, unpredictable regulatory agencies, and corrupt government official and have the developed the ability in managing various market inefficiencies (Cuervo-Cazurra and Genc, 2008: 975). In effect they have turned a negative (of home country institutional voids) into a positive by converting their experience of growing up in institutional weakness into a source of institutional advantage in similar countries.

Proposition 1: EMNEs possess a greater comparative advantage in internationalizing into countries with similar institutional conditions that leverage off their emerging market home country experience of doing business under conditions of institutional voids – thereby engaging in a process of institutional complementarity.

Proposition 1 does not imply that EMNEs welcome the fact that their home country is exposed to institutional uncertainty. Companies prefer to do business in conditions which minimize transaction costs and ensure predictability. They may therefore wish to mitigate some of this risk by diversifying out of emerging markets into more secure institutional settings - we term this institutional substitution. EMNEs may seek out very different characteristics in different institutional contexts, engaging in what has been termed “across-country switching” (Song, Makhija and Lee, 2014). This ties in with the existing literature on the ‘escape’ motive or that of institutional arbitrage (Cuervo-Cazurra, Narula, and Un, 2015; Luo and Wang, 2012; Regnér and Edman, 2013; Surroca, Tribó, and Zahra, 2013; Witt and Lewin, 2007). This literature posits that there are push factors involved and that outward investment may be associated with an attempt to avoid poor home country conditions.

Institutional push, as a driver of internationalization, occurs where home country institutions function sub-optimally to such an extent that firms go abroad to escape that dysfunctionality. Witt and Lewin (2007: 582) suggest that institutional transition is a dynamic process and that changes in the institutional context may cause formerly useful elements to lose their utility and become obstacles to firms, which creates misalignment between firms and their environment. Such misalignment inflicts economic pains and increases costs, and may cause an escape response of firms to avoid the misalignment in the form of outward foreign investment. As firms become more successful and grow larger, their aspirations increase too and institutional dysfunction may become an obstacle to these aspirations by raising the costs of executing on their business plans. Furthermore, global economic integration has resulted in greater competition forcing home country firms to increase their levels of efficiency vis-à-vis international competitors. Institutional weaknesses may limit their global ability to do so. As a result EMNEs may engage in institutional substitution by investing in locales with more predictable institutions so as to diversify their exposure to institutional risk associated with emerging countries: ‘By escaping the home country, the firm not only improves the efficiency of its operations by obtaining new sources of advantage, but also solves different limitations of the home country' (Cuervo-Cazurra, Narula, and Un, 2015: 32).

EMNEs therefore engage in an institutional portfolio effect whereby they exploit both the advantages and disadvantages associated with their home country institutional weakness. They leverage their CSAs by investing in countries with less institutional distance – that is institutional complementarity. In their case that means internationalizing into other emerging markets where they can exploit the institutional sameness between home and host countries and capitalize upon their comparative advantage of the ability and experience to operate in these milieus. But at the same time EMNEs are aware that as they grow larger it becomes more important to diversify and mitigate their exposure to risks associated with their dependence on emerging markets. The institutional voids in these countries are allied to higher forms of country and currency risk and transaction costs. Firms may therefore opt for a process of institutional substitution to balance out their risk holdings. Internationalization thus entails making decisions about when to internationalize and when to build on your CSAs and when to diversify and risk mitigate. This can be seen as a portfolio decision related to institutions and at different times either or both of these may make more sense.

Proposition 2: EMNEs internationalize into locations which diversify their portfolio of locational and institutional risks by engaging in a process of institutional substitution.

Emerging markets need to be understood not only as new centers of growth but also as political economies in transition. In this transitional phase institutions are still in the process of consolidation and the rules of the game are fluid, and this leads to higher risk and transaction costs and greater levels of uncertainty (Luiz, 2016). The rise of EMNEs are products of this milieu. Whilst emerging markets are sources of growth, they are also 'casualties' of unstable polities and policy environments. EMNEs can turn this experience into a source of advantage by exploiting their institutional capability and complementarity to internationalize into other emerging markets, but also engage in institutional risk mitigation as they seek to escape institutional voids (the institutional push factors) and 'normalize' their institutional exposure. We now turn to our case study of how one such EMNE internationalized engaging in processes of institutional complementarity and substitution.

METHODOLOGY

A qualitative research approach was chosen as it is a useful method to examine complex situations as well as events that have occurred over periods of time (Snape and Spencer, 2013). It utilizes an inductive approach and a case study research design in order to examine the phenomena of internationalization through the perspectives of the specific participants. The research has been performed as a retrospective longitudinal case study of the internationalization processes of SAB, in order to find insights into this multinational and its evolution from a South African company into a global behemoth. A limitation of this study is that because it focuses on a single case study, generalization to all emerging market multinationals is not possible.

The population considered for this research report is made up of current and past senior executives and managers of SABMiller Plc., SABMiller Latin America and SAB South Africa. We selected current and past senior management and executives from the above-mentioned population based on their direct involvement in strategic decisions regarding new foreign market entries. Our sample was thus purposefully selected on the basis of their potential to contribute to the relevant field of research. Interviews were requested via emails or telephone calls and were primarily conducted face-to-face but in a limited number of cases (which we note below) telephone calls or Skype calls were used as an alternative. A total of 17 interviews were conducted with various senior managers and executives of SABMiller (both current and former) – see Table 1. Special consideration was given to select individuals from a broad spectrum in terms of the region(s) in which they had / have experience, the time of their involvement in SAB, as well as their position within the organization.

Insert Table 1 here

Semi-structured, in-depth interviews with open ended questions formed the basis of research and data collection. A research guide or template was drafted and used in the interview process. The semi-structured interviews allowed for the general direction of the interview to be controlled while still enabling the interviewees to express their own views and opinions. The interviews were recorded with the permission of the interviewees and the results were then transcribed. Yin (2010) asserts that qualitative data analysis generally moves through five phases: compiling, disassembling, reassembling, interpreting and concluding. Thus our interviews have been recorded, coded and the findings then interpreted. Once the interviews were transcribed, a process of coding was undertaken to find recurring themes and engage in a process of sense-making of the data (see Gioia, Corley, and Hamilton, 2013).

Supplementary forms of data (such as company reports and internal company documents) were used where appropriate to substantiate the findings from interviews thereby enhancing the internal validity through triangulation. Given the use of interviews, there is a danger of the benefit of hindsight and post-hoc rationalization by respondents and we therefore checked throughout the process for consistencies with the historical record. Furthermore, Thomas and Magilvy (2011) recommend member checking as a means of ensuring internal validity. Findings from the study were therefore presented to interviewees once they had been compiled in order to ensure internal validity. In addition to this, an iterative process was followed which, according to

Morse, Barrett, Mayan, Olson, and Spiers (2008) ensures that data and interpretations are continuously monitored and confirmed. Reliability of findings was ensured through the clear documentation of the process and research decisions and through the use of an interview guide.

Lastly, transferability has been considered through the provision of detailed information about the chosen population and conducting the research in a real-life setting (Leedy and Ormrod, 2012). Although the chosen sample was relatively small in size, careful consideration was given to the sample selection process to ensure that those with the greatest knowledge and experience relative to the study were interviewed and thus it represents a substantial proportion of the major decision-makers in the process.

PRESENTATION AND DISCUSSION OF FINDINGS

SAB's internationalization and the global brewing industry

The global brewing industry has undergone much consolidation in recent years due to mergers and acquisitions by multinational brewers. As a result, the brewing industry serves as an interesting case study in which the internationalization strategies of MNEs can be examined and understood. Gammelgaard and Dörrenbächer (2013) state that the global brewery industry remained fragmented until the 1960s and did not truly become global until the 1990s. Meyer and Thu Tran (2006: 186) provide a reason for this and state that beer is a 'traditional and culturally embedded product'. As a result, they maintain that customer loyalty to local brands created a significant barrier to entry and thus prevented the entrance of foreign breweries into local markets.

In 2014, the four largest breweries in the world account for 50% of the global market share. The increase in market share of the large breweries is not due to organic growth but rather consolidation. Recent mergers and acquisitions include AB InBev's full takeover of Modelo in Mexico, Carlsberg's full control over Chongquing, China Resources Snow Breweries takeover of Kingway, AB InBev's acquisition of Siping Ginsber, and then SAB in 2016. An interesting phenomenon to note is that breweries from the smaller or poorer countries such as SAB from South Africa and AmBev from Brazil have conducted successful acquisition strategies whereas those from large wealthy countries such as Anheuser-Busch and Miller from the USA and Scottish and Newcastle from the UK have become takeover targets (Gammelgaard and Dörrenbächer, 2013). This phenomenon supports the views of Ramamurti and Singh (2009) and Bonaglia *et al*. (2007) who claim that despite their latecomer status in terms of internationalization, EMNEs have the ability to catch up with their developed market competitors and in some instances overtake them.

SAB was founded in 1895 in South Africa and in 2013 was the second largest brewery in the world with operations in over 80 countries and over 200 products. Countries in which they operate in are broken down into five regions with 16 countries in the African region (South Africa until recently was its own region), seven in Asia Pacific, 24 in Europe, 11 in Latin America and three in North America (SABMiller, 2013). Not only is it involved in the production and distribution of beers but that of carbonated soft drinks too.

There are three distinct stages to SAB's history. The first phase (between 1895 and 1956) saw SAB establishing itself as a major contender within South Africa. In 1955 they acquired their two largest competitors to become the largest brewery in the country with a 98% market share (SABMiller, 2014a). Between 1956 and 1992, SAB embarked on a diversification drive and made numerous horizontal acquisitions ranging from hotels and pubs to furniture, clothing and food retailers. The move towards a diversified business group is not unusual within emerging markets and research indicates that these structures are often related to the prevalence of underdeveloped institutions and the less economically developed status of their home locations (Hearn, Oxelheim, and Randoy, 2016; Khanna and Yafeh, 2007). During this time, SAB made a number of investments and acquisitions on the African continent, starting with neighboring countries and venturing further from South Africa as time progressed. Although SAB continued to make investments in the core business of beer, they also made major non-core investments within South Africa. They diversified into carbonated soft drinks and fruit juices, clothing retailers, hotel groups, a large supermarket chain, a major glass company, and even matches. In terms of beer, in 1964, 1965 and 1966 SAB was granted licenses to brew Guinness, Amstel and Black Label respectively in South Africa and thereby expand their product offering and strengthen their brand portfolio. In 1965, they acquired a 25% share of South West Breweries in Namibia. This was followed in 1969, with an entry into the Swaziland beer market through the establishment of Swaziland Breweries, and then in 1981 acquiring a majority stake in brewing companies in Lesotho. Post 1992, SAB began internationalizing more rapidly, initially into emerging markets and more recently into developed nations through mergers and acquisitions. In 2002, SAB acquired Miller, which was the second largest brewery in the USA at the time and became known as SABMiller. This acquisition saw SABMiller become the second largest brewery in the world. In 2013, SAB's global market share stood at 14.7%, second only to AB InBev (Marketline, 2013). In October 2015 AB InBev announced a $104 billion bid for SABMiller which was finally approved by shareholders in September 2016.

The timeline in table 2 highlights the internationalization activities of SAB. It focused mainly on acquisitions giving them management control with the major exception of China, which is a joint venture and managed by China Resource Enterprise. Other exceptions are a strategic alliance with Castel giving depth to its Africa footprint and greenfield breweries in Russia, Nigeria and South Sudan. It is worthwhile noting that the joint venture with MillerCoors leaves management control with SAB.

Insert Table 2 here

Table 3 presents SAB's beer production and profitability levels in the six regions in which it operates between 1990 and 2013. Currently, whilst the Asia Pacific region is the largest in terms of volume of beer produced, it has the lowest EBITDA margin. According to SABMiller (2013), their strategic focus in this region is to gain market share despite the low margins. On the other hand, Latin America is the region with the greatest profitability although production levels are lower than in Asia Pacific. The table shows that in 1990 SAB was still largely a South African-centric company, but by 2000 South Africa's contribution to operating profits had fallen to 68%, and by 2013 its contribution to EBITDA had shrunk to only 19%, whilst its contribution to volume stood at 11.29%. This demonstrates the rapid internationalization that occurred within SAB during the 1990s and then accelerated thereafter. It also reflects the pattern of internationalization of first moving into emerging and developing countries and only focusing on industrialized countries after it had built up international experience from 2000 onwards. Thus the industrialized world of North America, Western Europe and Australasia only contributed 4% towards operating profits in 2000.

Insert Table 3 here

The process of internationalization

Initially SAB showed evidence of internationalizing gradually and through less risky methods before moving on to acquisitions that required greater capital investments. The incremental process involved increasing levels of investment as well as greater geographical and institutional distances. The sequence of events evident in the history of the company is to a large degree consistent with a company that raised its levels of commitment as it gained international experience. SAB initially focused on the countries immediately neighboring South Africa and these investments preceded their moves into African nations further afield and then those outside of the African continent. International acquisitions increased rapidly in 1994, which saw SAB investing in Tanzania, China and Eastern Europe. This is in line with Guillen and Garcia-Canal (2010) who argue that the new EMNEs have expanded more rapidly than predicted by the gradual, staged model of internationalization of earlier theories. The sequencing of the process, which we analyze below, reveals a company growing in confidence and building its capabilities by initially leveraging off its knowledge of the business environment of emerging markets.

The role of distance in internationalization: Institutional complementarity and substitution

Distance represents both challenges and opportunities for MNEs. There is debate about various aspects of distance including what it captures and how to measure it but a full discussion lies outside the remit of this paper (see Dow and Karunaratna, 2006). Differences in language, culture, political systems, level of education, level of industrial development, and some others are usually included.[3] For our purposes, Table 4 provides multidimensional measures of psychic distance stimuli between the home country, South Africa, and various host countries as

[3] Fainshmidt *et al*. (2016) advance an alternative framework to capture the diverse institutional contexts in less developed countries and encompass state, financial markets, human capital, social capital, and corporate governance indicators.

developed by Dow and Karunaratna (2006). The list of host countries provided is illustrative of the major regional entries made by SAB. The measures pertaining to distance on industrial development and education are particularly insightful to our analysis. SAB's first international moves were into neighboring countries like Zimbabwe, followed by other middle income countries like Hungary, and then China, and India. These countries all demonstrate a measure of closeness in these two multidimensions.[4] SAB chose to locate in countries which minimized the distance between its familiar home country environment and the host countries in terms of broader socio-economic conditions. These locations allowed for it to exercise its CSAs as it built up its FSAs which then made possible the later entry into the USA and then Italy which reflects more of a paradigm shift in terms of these dimensions as SAB takes the leap into confronting more established brands in their home territory.

Insert Table 4 here

Aspects of distance manifested in various ways in our discussions with SAB respondents. A common theme that emerged through coding of the collected data was that of the effects of institutions (social, political and economic) on SAB's internationalization strategies. Only three respondents interviewed failed to raise this issue. But it was not about avoiding risk as SAB clearly realized both the advantages and disadvantages of doing business in the institutionally riskier environs of emerging markets. The advantages were associated with low competition and entry barriers to competitors but also because they played to the strengths of SAB which understood how to do business in countries at lower levels of economic development and often with more fragile institutions given its home country experience. For example as regards Africa:

[4] The political measures are less helpful in this case as they capture a point in time when South Africa was transitioning from one political system to another and therefore SAB would have experience in both the pre 1994 more authoritarian system and the post-apartheid transition to democracy.

'Africa was our backyard. We should understand those markets and we would be able to very quickly, using South Africa as a base, move into those markets'. [16] This reveals a distinct element of institutional complementarity of seeking to exploit the experience of sameness.

Likewise with its move into the former communist countries of Eastern Europe where SAB targeted a few of their earlier international activities. These countries were just emerging from political reform with some instability, weak institutions, poor infrastructure, and lower levels of economic development. Regardless of the language and culture, the capabilities needed to traverse difficult political and socio-economic environments were transferable into different markets and thus SAB did not necessarily view these challenges as unsurpassable. In other words, SAB saw some institutional complementarity between its home base and its early acquisitions and this informed its strategy. The incremental nature of its internationalization was not only determined by geography but by institutional similarity as it played to their advantages. Thus it moves into the rest of Africa and then Eastern Europe followed by China and Latin America – all areas at lower levels of economic development as reflected in Table 4 by the industrial development distance measure which averages 0.47 before the move into the USA and Italy. More developed institutions were not necessarily seen as better because they were more 'foreign' and distant to SAB's experience. It first wanted to capitalize upon the sorts of economies and environments it understood (complementarity) before moving on to more advanced economies.

> [An example of a pep talk from an executive when making an investment into an underperforming business in Eastern Europe] 'I know 12 people have walked away from this, but it may well be that this thing plays to our strengths and they knew, the others, that it didn't play to their strengths. So my vote is, we spend the money. We are going to have a hard time and we are going to learn some hard lessons but we have got to get going'. [15]

> ‘We wanted to get into Latin America. Why? It’s not dissimilar to Africa, emerging markets. We felt we understood emerging markets, wheeling and dealing with shebeen owners, distributors, poked up infrastructure. We felt we knew that we could play in those kind of markets and we had much more confidence there, than maybe the USA’. [15]

Even with SAB’s experience in emerging markets, there were occasions where the political dynamics weighed against operational and market factors. The Russian case was given of a country with significant growth potential in per capita consumption of beer but the political environment posed too high a cost: ‘The reality is there are some environments that whatever you do in the political world, you don't stand a chance in getting them to change and Russia was as good an example as ever.’[4] Subsequent to SAB’s initial entrance into Russia, they formed a strategic alliance with the Turkish Anadolu Group and in doing so relinquished management control of their Russian operations. SAB felt that the Anadolu Group were better equipped to manage the challenges in Russia due to their experience in and familiarity of similar markets.

Overall we see a particular pattern emerge as regards distance. SAB initially moved into geographically, economically, and institutionally similar countries (in Africa), then into Eastern Europe, Latin America and China (all with institutional and economic similarities associated with middle income countries and liberalization). This played into SAB’s strength and we term this strategy as taking advantage of institutional complementarity. A feature that is sometimes overlooked in examining low and middle income countries is the political, institutional and economic changes which occurred in many of these countries over a relatively short period between the mid-1980s and early 1990s. Eastern Europe with the collapse of communism (centered around 1989) which saw a rapid transition of market and political institutions, Latin America between 1986 and 1988, Deng Xiaoping's reforms in China in the 1980s, the transition to more democratic and market based systems in Sub Saharan Africa in the 1990s, and of course

South Africa, itself, between 1989 and 1994. SAB was capitalizing upon its knowledge of operating in economies in transition and these locations were seen as complementary to its home experience –one manager later in the paper is quoted talking about SAB being toughened in South Africa during the 1980s where it survived labor unrest, high inflation and interest rates, and political disorder all descending like 'biblical plagues'. It understood doing business in these conditions and Li, Cui, and Lu (2015: 2) argue that EMNEs derive institutional advantages from the process of liberalization in their overseas expansions. These institutional reforms can lead to variance in firms' abilities to cultivate distinct institutional competitive advantages.

However, SAB was also aware of the disadvantages and risks of being a purely emerging market company and being exposed to these economic vicissitudes. Investors were wary of the country and currency risks it was exposed to and thus it sought to 'stabilize' its institutional risk portfolio of locations by investing in advanced economies such as the USA and Italy. It was important to demonstrate their ability to compete in developed markets and the Miller deal provided that opportunity along with a base from which to launch further expansion into developed markets. Furthermore, whilst previously they had capitalized upon their emerging market status and experience in those environments, this acquisition provided the opportunity to lower their exposure to the vicissitudes of emerging market risk.

> 'The underlying factor [for the Miller acquisition] was that our whole business was exposed to soft currencies. In 1998 there was quite a big currency crash that went around the developing world. Investors became skeptical of companies whose only business was in emerging markets. So there was a negative perception about us unfortunately and Graham Mackay [CEO] came to the conclusion that we had to move into a developed market and have hard currency income streams.' [4]

> 'We didn't want to be purely a developing market company and wanted to prove that we could compete in developed markets. I don't think we bought thinking it would be a growth market but it was more to show that we weren't just a one-trick-pony and that we could compete in those types of markets. We also did it to use as a base from which to

> grow globally so that we weren't just a South African company and it would catapult us into the level of the other global players.' [7]
>
> 'Investment analysts were looking at SAB shares and actually discounting them, saying that inherent in the share price is a big financial risk, a currency risk. To reduce that currency risk, the view was that we had to now start moving into countries that had hard currencies. ... We made the acquisition to add value to our share by reducing the discount attributed to our shares for trading in developing markets.' [3]

This gave it access to what it perceived to be more stable institutions. A significant step in this direction was moving its primary listing from Johannesburg (where it had been listed since 1897) to London in 1999. The forays into these advanced countries represents a switch and a different phase and can be seen as an attempt to diversify their portfolio of institutional risks and hence we term it institutional substitution. It is deliberately engaging in a form of institutional arbitrage (not escape because it remains dominant in emerging markets but a definite institutional hedging strategy). Whilst its home country background provided it with the understanding to do business in environments with institutional voids, and thereby expand into other developing and emerging markets, this also resulted in its over-exposure to emerging market institutional risk. As it grew larger and wished to be seen as a global player not subject to discounting by traders (as in the quote above), it engaged in institutional substitution into advanced countries. This provided a balance in its perceived institutional risk. When the home country is institutionally volatile, a need may arise at some point to shift some of its investment to more stable host countries as represented by advanced countries. However, to do so successfully may require prior international success which capitalizes upon institutional complementarity and thereby builds up FSAs which allow it to move into developed economies. In this case by engaging in institutional complementarity, it facilitated the future process of institutional substitution.

Country versus firm specific advantages

The respondents indicated that SAB's internationalization was facilitated by both country and firm specific advantages. The Eclectic Paradigm (Dunning, 1980) suggests that firms require specific ownership advantages that can be exploited to gain a competitive advantage over local competition. The paradigm has come under scrutiny regarding its applicability to EMNEs as it has been argued that although EMNEs lack the ownership advantages of DMNEs, they have still successfully expanded into foreign markets. Ramamurti (2012b) argues that EMNEs have non-traditional ownership advantages and are able to exploit these when entering foreign markets. Earlier we highlighted the importance of permitting for a more dynamic interpretation of the FSA/CSA matrix which allows for the process of learning and building FSAs on the back of CSAs. EMNEs can benefit from their understanding of home country institutional environments and invest in other emerging markets with similar settings and leverage more out of their limited FSAs. In this process FSAs are rapidly accumulated by EMNEs. Thereby, SAB developed FSAs over time which may not fit neatly into conventional ownerships advantages. Their balance sheet was relatively small but they made up for it with alternative competencies related to their experience in the home country environment.

> 'As SAB has got bigger, one of our key strategic differentiators has become our diversity of knowledge… so the things that we did well in Poland, if you put them in Columbia, they could actually improve the performance there. So in a divisional office, we were very effective at transferring knowledge from one country to the next. It has worked very, very well and I think is a big strategic advantage for SAB. People talk about as you get bigger you can get economies of scale in procurement which SAB is doing a lot of but you can also use that scale of knowledge or diversity of knowledge to maximum effect' [3]

This view is also expressed in SABMiller's (2014b: 10) annual report in which it states 'Our teams around the world learn from each other's experiences as we share best operating practices including innovation, marketing, technical standards, sourcing and training. Our insights help us to see emerging trends that echo developments we have seen in other markets and develop strategies to take advantage of new opportunities'. A final point related to knowledge sharing is that there was a level of humility in that they were fine with asking for help and learning from others. Respondent 5 spoke about how they learnt and got help from other companies and mentioned a particular example where they asked Coca-Cola for advice on their entry into China and which location would be the best given their requirement and it confirmed their prior thinking.

SAB's understanding of the institutionally similar business environments of other emerging markets resulted in CSAs that gave it a comparative edge over firms from dissimilar markets. Respondents argued that this lowered their risks of entering comparable markets relative to their developed market competitors:

> 'We decided in general to focus on three parts of the world where we thought that we could play to our strengths. The first one was the rest of Africa, which we knew very well. The second was central Europe and the third was China. … So they were markets where we had some comparable experience and in which there were no great competitors and we thought that we would be reasonably welcome.' [4]

> 'Obviously in Africa, we had the advantage that it was geographically close. If you talk about going into Eastern Europe or South America, we didn't have the geographic advantage but we had the understanding of third world countries.' [6]

> 'They [African nations] were in our backyard and we understood Africa. If somebody comes from Anheuser-Busch from America, they wouldn't be too keen on going to work in Malawi. ... And this was the same with the European brewers. ... The same sort of thing started happening with the collapse of communism in central and Eastern Europe where you had businesses that had low labor costs and there had been no capital investment for years. So SAB could go in better than our competitors and turn that business around and produce good quality beer at a far lower capital cost than the other guys could.' [3]

Respondents specifically referred to institutional voids as a source of a CSA. They indicated that SAB's willingness to operate in markets with institutional voids represented real exploitable opportunities – related to our proposition on institutional complementarity. This concept is supported by Khanna and Palepu (2006) who argue that EMNEs often view institutional voids within foreign markets as business opportunities and that they were actually drivers of internationalization. The respondents stated that they felt institutional voids played into the hands of SAB's strengths and that they were not deterred by the prevalence of such voids.

> 'I don't think there is any country that is too tough to go into so we weren't really put off by the institutional environment. A poorly developed environment meant that competitors withheld or wouldn't invest, it created a better competitive landscape; we would be more willing to take on the risk of poor institutions. … To be quite frank, we actually accepted that we would live with political risk and poor institutions. We didn't really shy away from high risk countries unless of course there was a raging civil war that we would have to wait to subside. We accepted the risk of political instability and we relied heavily on the portfolio effect where if you were in ten countries in Africa and one or two bombed out …, if you can get eight out of the ten that would work from a portfolio perspective.' [1]

In the early days of the consolidation of the beer industry, SAB entered markets that were largely free from global competitors such as Anheuser-Busch and Heineken. Now, however, it is evident that these firms are competing against each other for many of the same target breweries. As such, they presently often operate in the same markets as SAB and have slowly developed skills through their experiences in developing markets that rival those of SAB. Respondents stated that the initial CSAs were slowly being eroded by DMNEs as they learnt to adapt to operating in emerging markets:

> 'We certainly did [have an advantage over our competitors in emerging markets] in the past. I think it may be becoming a little less so given that our major competitors for acquisitions would be AB InBev who are partly Brazilian so they have the same sort of emerging market background to us or Heineken who are based in Holland but with their operations around the world they have also gained that experience. But having said that, when we were originally moving into Eastern Europe and Africa, it certainly was a benefit for us.' [2]

There is a counter side to the emerging market capabilities possessed by SAB, namely a possibly inferior ability to operate in developed markets in comparison with their DMNE competitors. Developed markets were institutionally distant to SAB and therefore represented a greater learning curve for the firm. In developed markets, the situation was therefore reversed and SAB no longer possessed relevant CSAs. As a result the associated risks of entering such markets were significantly higher for SAB than for their developed market competitors. The fact that it had fewer traditional FSAs and was entering an institutionally dissimilar environment resulted in some disadvantages. This view was raised by all the respondents:

> 'I definitely think we had advantages in developing markets but I think the converse is probably true for SAB in developed countries as we did not have any experience outside of emerging markets when we went into the US with the Miller acquisition.' [6]

> 'The US and Australia are markets that were completely foreign to us. It is still beer at the end of the day but we were certainly more familiar with emerging markets. Our strengths have luckily been where the highest growth in beer markets has occurred.' [7]

> 'We have also been more successful in developing markets than we have in the developed ones. … You inevitably play to your strengths that come out of your long heritage in emerging markets – it's kind of in our DNA it's what we really are good at.' [4]

Our findings lend support to the growing body of literature on the different internationalization strategies employed by EMNEs. It suggests that traditional assets discussed in the literature need to be supplemented when dealing with EMNEs as they have different ownership advantages that allow them to exploit previously unattractive conditions associated with CSAs. Furthermore, many of these different FSAs arise out of their experience in emerging markets. The assets alluded to by respondents include the following.

a) Employee aptitudes: Words like robust, flexible, resilient, entrepreneurial and diverse were used to describe the abilities of SAB employees. Respondents believed this robustness was built up through the exposure of individuals to living in an unsteady South African environment.

These FSAs developed out of CSAs related to political and economic instability (see Guillén and García-Canal, 2009; Ramamurti, 2009).

> 'Well I think that the breed of SAB managers from the 80s had survived labor trouble, survived interest rates at 25%, inflation at 16-17%, survived political disorder, political violence, had survived 10 biblical plagues we had to live through, the pre-democratization which was terrible for business. That toughened you, toughened us'. [11]

This robustness combined with an ability to connect with different cultures[5] meant that the employees deployed by SAB worldwide allowed it to be flexible in its risk, location and investment choices and became a key differentiator.

> 'And that skill set … was the unique difference between us and the others. The others didn't have that. I mean Heineken and AB were brand-led organizations [that] had very strong first class, well first world models, and wouldn't know what to do when you are given a run-down old brewery and a cell phone….So that cadre of people established our international drive. And that was very, very different to anyone else'. [12]

b) Operational excellence: This was described as the ability to turnaround neglected breweries and businesses, to drive performance through targets, to find efficiencies, to fix assets, and to manage costs and eliminate waste. The experiences faced in their home country with a significant rural population and pockets of poor infrastructure meant that finding innovative ways to overcome these challenges were embedded into their DNA. Respondents highlighted the wastefulness of their DMNE competitors and the extravagance of their CEOs flying by helicopter to their breweries.

> 'We knew that having worked in Africa and refined broken down breweries in Eastern Africa, in Southern Africa that our people could fix any brewery. Now the major brewers of the world would look at that and set fire to it. We didn't. We looked at it and said we could fix it, our engineers could fix it'. [11]

c) Brand development and marketing: Respondents stated that this was both an advantage and disadvantage to SAB. Their DMNE competitors had strong brands which had global brand

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[5] South Africa is one of the world's most ethnically and linguistically fractionalized countries – for a full discussion see Luiz, 2015.

recognition. SAB did not have these iconic brands but instead it learnt to use the local brands of the brewers it bought and built these into strong national brands. Also it deliberately went out and later acquired global premium brands like Peroni and Grolsch to fend off the competition at a global level.

> ‘The sole reason for that was that we wanted an international brand. One of the characteristics of the beer market is that people tend to view international brands as premium. No matter what country you are in, there are domestic premium brands but there are also international premium brands. So we could now have truly international brands in our portfolio.’ [3]

d) Risk assessment: Respondents contrasted the approach of SAB and Anheuser-Busch to country risk. The latter, they argued, had a conservative approach to risk and international expansion, particularly in emerging markets and paid little attention to SAB as it expanded initially: ‘They didn’t really understand risk, so their ability to fully appreciate how to work out how to define the risk was apparently beyond them. ... If you go to its core, it will be their failure to recognize change and adapt to change.’ [12] Anheuser-Busch did not react to the changing global brewer consolidation until it was too late and eventually when they did, they realized they had little emerging market experience. They were thus forced to make a bid for SABMiller in October 2015 to acquire their significant emerging market presence.

CONCLUSION

SAB represents one of the most successful MNEs to come out of Africa and rose to become the number two brewer in the world. It followed a very distinct strategy, especially as regards its locational choices, that adds nuance to existing theories of global MNE expansion. SAB initially expanded into geographically nearby countries in Africa. The countries selected not only minimized geographical distance but also institutional and economic distance. We argue that it followed a strategy of institutional complementarity by seeking countries which played to its strength, namely the knowledge of doing business in environments of institutional uncertainty (proposition 1). This is further confirmed as it moved beyond Africa into Eastern Europe (which had recently transitioned away from central planning and thus was experiencing an institutional transition too), Latin America, and China.

The next phase represented a distinct shift with major acquisitions in advanced countries such as the Netherlands, USA, Australia, and Italy. We also see it relocating its headquarters and primary listing from Johannesburg to London. This we maintain is part of a process of institutional substitution. It is not an escape from its home country as this remains a significant part of its operations, but it is a process of hedging against its exposure to the uncertain institutional environments and voids in its home country and its emerging market hosts. We maintain that the move to developed markets should not only be understood in the context of traditional motives such as asset seeking (although clearly this forms part of it) but also in terms of a portfolio effect of institutional substitution (proposition 2) – an attempt at institutional diversification, and country and currency risk mitigation. The unpredictable environment faced by EMNEs means that their decision to internationalize is not only driven by the usual motivations of seeking new efficiencies, markets or assets, but also an anxiety about their home risk and an effort to diversify institutionally to absorb possible future shocks at home.

Our case study illustrates the value of initially capitalizing upon institutional complementarity and exploiting the experience of the home country's environment into similar settings. This provides a useful basis to expand utilizing the comparative advantage linked to institutional know-how. However, over time and with success, pressure may arise to diversify the risk associated with over-exposure to institutional uncertainty and, its associated country and currency risk, and this raises the possibility of a process of institutional substitution into more advanced countries. We provide an example of a firm learning and building its FSAs on the back of CSAs which allowed it to leverage off its understanding of its home country institutional environments. We progress the comprehension of the role of home country institutions in the internationalization patterns of EMNEs and the dynamics of how and when this relates to host country institutions through our notions of complementarity and substitution. The benefit of the case method is that we are able to illustrate how the home country institutional environment was both a source of advantage and disadvantage to SAB at different phases of its internationalization.

Our work builds on that of Landau *et al*. (2016) and Martin (2014) who examine home country institutions as a source of comparative and competitive advantage in internationalization but question *how* and *why* some companies are able to leverage off local institutional benefits whilst others are unable to do so? Moreover, *how* do firms exploit domestic institutional advantages and *when* is this exploitation of particular relevance? Martin (2014: 66) proposes that institutional competitive advantage occurs when the firm utilizes its preexisting resources and undertakes activities which 'prompt the local institutional environment to enable further distinctive resource accretion'. We show how SAB was able to build on its initial FSAs and combine them with their CSAs, related to understanding how to do business in milieus of institutional uncertainty (due to their home country knowledge of such institutions), and thereby construct further distinctive resource advantages. This gave it both a comparative and competitive institutional advantage in its process of internationalization and it chose it locations in such a way as to capitalize upon these advantages at distinct phases. Landau *et al*. (2016: 52) term this ability as institutional leverage capability (ILC) which they state explains the heterogeneity amongst firms with respect to their ability to exploit these domestic institutional benefits and leverage them into firm-specific competitive advantages. They, however, rely on German cases to demonstrate favorable home country institutions (such as the dual education system) which are more noticeably and traditionally advantageous. Few would take issue with the argument that stable, well run institutions are a source of advantage. We, however, demonstrate that EMNEs can exploit their knowledge of, what would in institutional theory be perceived as, weak institutional settings and turn it into a source of advantage as they internationalize into locations with similar institutional ‘weakness’. Over time they are able to construct further resource advantages and move into countries with less familiar institutional environments. In this way we both complement and extend the work of Landau *et al*. (2016) into emerging markets. Like them, we contribute by integrating two strands of the international business literature namely the capabilities-based and institutional theories or strategy around the location and firm-level ownership competitive advantages (Landau *et al*., 2016: 63). They advocate that future research should explore the possibility that ILC may help firms leverage institutions in home and host countries and that such capability will be of relevance for firms operating in multiple and diverse institutional settings. They suggest that complementarities between home and host country institutional competitive advantages would be an important area to explore. We respond to this call by demonstrating this in the case of an EMNE from Africa and how it chose its locational pattern for internationalization on the basis of these institutional advantages between home and host countries.

In terms of implications for practice, we concur with Landau *et al*. (2016: 64) that when internationalizing firms should consider not only the host country’s institutional environment but also be aware of potential institutional benefits that its home country could offer. However, these benefits are not automatic and to capitalize upon this they need to develop their institutional leverage capability. We show that EMNE managers can turn a source of potential disadvantage, namely home country institutional uncertainty, into a source of advantage.

The work has implications for DMNE strategies too. It suggests that their FSAs do not necessarily translate equally well into emerging markets with high levels of institutional voids. These DMNEs may find themselves as proverbial 'fish out of water' as they struggle to capitalize upon these advantages in this environment. As growth continues to dominate in emerging countries it therefore implies that we are likely to continue seeing the disproportionate rise of MNEs from emerging markets as this growth plays to their strengths. Africa represents a particularly extreme institutional and business environment and thus DMNEs are likely to struggle to adapt. This may explain why when Walmart in 2011 decided to enter Africa it chose to do so by buying a 51% stake in Africa's second largest retailer, Massmart from South Africa, rather than go it alone. Likewise, it may explain the offer by AB InBev to acquire SABMiller in late 2015. Africa is thus fertile territory for expansion of EMNEs. But DMNEs are rapidly building their capabilities in doing business in emerging markets in the context of institutional voids and this experience will be put to the severe test in Africa. Acquiring nascent MNEs arising out of Africa is likely to be a growing trend as DMNEs 'purchase' the expertise and footprint that these African companies possess.

South African MNEs have dominated in terms of companies internationalizing from Africa (Luiz and Charalambous, 2009; Luiz and Ruplal, 2013) and thus are likely ahead of the curve of African companies seeking to internationalize. This is the result of particular features of South Africa with characteristics from both the more developed and less developed economies (although this is true for many emerging economies). One therefore needs to be careful in how far one extrapolates from this case study but this 'curious intersection' of these two worlds where some good pockets of managerial human capital exist upon a large unskilled labor market base, where relatively sophisticated and thick financial markets, and the rule of law, co-exist with deteriorating infrastructure (especially in certain parts), crony capitalism, and the 'bottom of the pyramid' consumer markets characteristic of less developed economies provides a valuable canvass for unpacking our understanding of EMNEs and how they leverage of their unique advantages.[6] Nonetheless we do not wish to generalize beyond that which a case study permits but believe it provides a basis for further research.

The study has some limitations which also present opportunities for future research. It is based on the experience of a single case which, as we highlighted in the methodology section, has both strengths and weaknesses. We are able to focus in-depth on the experience of a MNE over time which cross sectional work is not able to do. However, there is a need to develop further research on African MNEs with larger samples and from multiple host countries which will allow for the development of the arguments presented here. Also the brewing industry has a number of unique characteristics that may influence the internationalization strategies employed (see Kirca, Fernandez, and Kundu, 2016 for a discussion on industry context in this regard). The local nature of beer and the emotional attachments consumers develop with their national beer brands creates challenges for companies looking to export their products. There is also the question of whether SAB is capturing an African or an emerging market experience. South Africa falls into both categories but this argument would be true for other countries too – the Brazilian experience may capture both a Latin American and/or an emerging market phenomenon. Nonetheless, we are mindful of the unique history of South Africa and its place in

[6] We acknowledge the comments from one of the reviewers in making this point.

Africa. South African companies are the largest source of MNEs from Africa but we are rapidly seeing the rise of MNEs from other African countries particularly into African markets. This makes the case of the SAB experience all the more important.

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Table 1: SAB Interview Respondents

Respondent*	Position	Region(s)
1	Managing Director	Africa and Asia
2	Financial Projects Director	Latin America and Previously North America
3	Senior Executive	Latin America and Previously Europe
4	Senior Executive	Western and Eastern Europe
5	Senior Executive	Africa and subsequently Europe
6	Non-Executive Director	International
7	Senior Executive	Latin America
8	Director	International
9	Group Head	International
10	Senior Executive	International
11	Senior Executive	Eastern Europe
12	Former Chairman and Group Managing Director	Group
13	Senior Executive	Latin America and Previously Europe
14	Former Managing Director	International
15	Former Chief Financial Officer	Group
16	Director of Strategy	Group
17	Director of Manufacturing	Group

* Note: In the text respondents are identified by these numbers [in square brackets].

Table 2: Significant international activity SAB

Pre-1993	• Controlling Shareholding in several southern African countries: Botswana, Lesotho, Zimbabwe
1993	• Acquires controlling share of Dreher Brewery, Hungary
1994	• Joint Venture with China Resources (second largest brewery in mainland China): China • Joint Venture with government, Tanzania • Re-enters Zambia, Mozambique and Angola
1995	• Acquires controlling share of Lech Brewery, Poland
1996	• Increases footprint with Tyskie Brewery, Poland • Acquires Vultural, Ursus and Pitber breweries, Romania
1997	• Acquires controlling share Pivovar Saris, Slovakia
1998	• Greenfields brewery Kaluga Brewery, Moscow
1999	• Acquires controlling interest in Pilsner Urquell and Radegast, Czech Republic • Moves primary listing to London
2000	• Acquires Narang Breweries, India
2001	• Strategic alliance with the Castel group - Mainly Franco African countries • Acquires controlling interest Zambia's national brewery, Zambia • Acquires controlling interest in Bere Timisoreana, Romania • Acquires Cervecería Hondurñ, Honduras • Joint Venture El Salvador Beverages Business, El Salvador
2002	• Acquires 100% of Miller Brewing Company and is renamed SABMiller
2003	• Acquires controlling interest Birra Peroni S.p.A, Italy • Acquires 30% interest in Harbin Brewery, China • Associate China Resources increases footprint in China • Sells Harbin Brewery to Anheuser-Busch, China • New Joint Ventures with Castel in Morocco and Algeria
2005	• Acquires a controlling interest in Bavaria S.A., Columbia, Panama, Peru and Ecuador (South America's second largest brewer) • Increases footprint in India through purchasing Shaw Wallace and Company's portion of Joint Venture • China Resources acquires Fuyang City Snowland Brewery
2006	• CR Snow Breweries, SABMiller's joint venture in China, becomes the largest brewer in China by sales volume and by brewing capacity • Acquires Foster's brand and business in India • Joint Venture agreement with Vinamilk to build greenfields brewery in southern Vietnam
2007	• China Resources acquires 4 more breweries • License agreement to brew Fosters and Special Bitters in the USA
2008	• Joint Venture with Molson Coors Brewing Company to form MillerCoors in US, management control stays with SABMiller

	• Acquires Koninklijke Grolsch N.V, Netherlands • Greenfields brewery in South Sudan • Acquires CJSC Sarmat, Ukraine
2009	• Greenfields brewery, Angola
2010	• Acquires Cervecería Argentina S.A. Isenbeck, Argentina
2011	• Acquires Fosters, Australia
2012	• Greenfields brewery, Nigeria • Strategic Alliance with Anadolu Group for Turkey, Russia, the CIS, Central Asia and the Middle East

Source: SAB/SABMiller data adapted from SABMiller, 2014a

Table 3: SABMiller Production and Profitability Levels 1990-2013

	Hl (Millions)			Hl (% of Total)			Operating Profits Contribution		EBITDA Contribution	EBITDA Margin
Region	**1990**	**2000**	**2013**	**1990**	**2000**	**2013**	**1990**	**2000**	**2013**	**2013**
Latin America			43			17.78%			32%	26.10%
Europe			45.3			18.73%			12%	15.30%
North America			40.5			16.75%			12%	14.40%
Africa (Excluding SA)			18.5			7.65%			12%	20.20%
Asia Pacific			67.2			27.79%			13%	9.10%
South Africa	20.3	25.141	27.3	100%*	48%	11.29%	100%*	68%	19%	20.10%
Rest of Africa, Eastern Europe & China		27.375			52%			28%		
North America, Western Europe & Australasia								4%		
Total			**242**		**100.00%**			**100%**		**N/A**

Source: Company Annual Reports

* The 1990 figure is for all of Southern Africa, although non South African countries would make up a very small contribution of the total

Table 4: Multidimensional instruments of measures of psychic distance stimuli between the home country, South Africa, and host countries

Host Country	**Date of entry**	**Industrial development**	**Education**	**Democracy**	**Political ideology**
Zimbabwe	Pre 1993	0.509	0.205	1.026	
Hungary	1993	0.548	0.469	0.174	0.000
Zambia	1994	0.521	0.452	0.643	0.333
Tanzania	1994	0.667	0.648	1.079	0.333
China	1994	0.419	0.181	1.727	0.333
Poland	1995	0.307	0.520	0.087	0.250
Czech	1999	0.694	1.034	0.177	0.667
India	2000	0.526	0.523	0.238	0.333
El Salvador	2001	0.023	0.401	0.292	0.667
USA	2002	1.956	1.166	0.325	0.167
Italy	2003	0.993	1.300	0.162	0.250

Source: Dow and Karunaratna, 2006

Notes:

Differences in the degree of industrial development amongst countries is measured using nine scales including the differences in US$ GDP per capita, energy consumption, number of cars per

1,000 people, % non-agricultural labour, % urban population, number of daily newspapers, radios and televisions per 1,000 people.

Differences in the political systems amongst countries is measured in two distinct dimensions. The first dimension is the degree of democracy, and the second is the political ideology of the group in power.

Differences in the education levels amongst countries is measured using three scales: the difference in the % of literate adults, % of population enrolled in 2nd level education, % of population enrolled in 3rd level education.