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Engaging informal institutions through corporate political activity: Capabilities for subnational embeddedness in emerging economies

Abstract

This study examines how multinational enterprises (MNEs) organize internally to enhance subnational institutional fit in new frontier markets. We consider how corporate political activity (CPA) can facilitate local embeddedness by engaging informal institutions and nonmarket stakeholders at local community level. We apply an exploratory, qualitative, multi-case study approach to six MNEs in Uganda's electricity generation sector. The findings suggest that in markets like Uganda, MNEs depend on being bridged with subnational informal institutions such as tribal social and religious norms and grassroots political networks. Such bridging in turn positions these MNEs to contribute to developmental processes by integrating recognizable informal institutions into grassroots projects.

Drawing on institutional theory and an organizational capabilities perspective, we identify the diverse bridging capabilities that enable MNEs to successfully embed locally, thereby simultaneously pursuing business objectives and achieving societal relevance.

Key words: MNE nonmarket strategy, corporate political activity, local embeddedness, bridging capabilities, informal institutions; emerging markets

Title Page (with Author Details)

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Engaging informal institutions through corporate political activity: Capabilities for subnational embeddedness in emerging economies

Abstract

This study examines how multinational enterprises (MNEs) organize internally to enhance subnational institutional fit in new frontier markets. We consider how corporate political activity (CPA) can facilitate local embeddedness by engaging informal institutions and nonmarket stakeholders at local community level. We apply an exploratory, qualitative, multi-case study approach to six MNEs in Uganda's electricity generation sector. The findings suggest that in markets like Uganda, MNEs depend on being bridged with subnational informal institutions such as tribal social and religious norms and grassroots political networks. Such bridging in turn positions these MNEs to contribute to developmental processes by integrating recognizable informal institutions into grassroots projects. Drawing on institutional theory and an organizational capabilities perspective, we identify the diverse bridging capabilities that enable MNEs to successfully embed locally, thereby simultaneously pursuing business objectives and achieving societal relevance.

Key words: MNE nonmarket strategy, corporate political activity, local embeddedness, bridging capabilities, informal institutions; emerging markets

1. Introduction

New institutionalist research tends to coalesce around the formative definition that institutions are the rules of the game in society (North, 1990, p. 3). Though North indicated that these rules affect both formal (codified and written down) and informal (uncodified and not written down) institutions, most research to date has focused on formal institutions. Consequently, we have limited understanding of how informal institutions interact with, constrain and supportively influence organizations, particularly in international business.

This restricted understanding of informal institutions in international business has had implications for research on the foreign market entry of multinational enterprises (MNEs) in emerging and developing economies, where informal institutions play a more prominent role than elsewhere (Hyden, 2006; Mbalyohere et al., 2017; Peng, 2003; Sun et al., 2010). It has further limited our understanding of the social value of MNEs, given that their operations often touch upon some of the poorest communities in these countries and they consequently must learn to relate with the informal institutions valued by these communities. We clarify our understanding of informal institutions in this paper as the uncodified rules of the game (North, 1990), which, in our research context, primarily means being cognizant of and embedded in tribal social norms, traditional religious practices, and grassroots political networks, that are created, communicated and enforced outside of official channels (e.g., Helmke & Levitsky, 2004). By appreciating these informal institutions, MNEs are effectively engaging with new frontier emerging markets in a way that attempts to respect local values and traditions. MNEs, however, also struggle in dealing with informal institutions that might interface with questionable practices reflective of corruption and bribery (see for example Bahoo et al., 2020, Cuervo-Cazurra, 2016, and Stevens & Newenham-Kahindi, 2021). But situations and scenarios can become complex when what passes for corruption and bribery in

one country might be standard hospitality and normal practice in another: for example, the giving of gifts (Graycar & Jancsics, 2017).

As these markets become ever more important for the global economy, not least by attracting increased inward foreign direct investment (FDI) (E&Y, 2018), there is a need to empirically address this research gap. Furthermore, in studying institutions in these markets, research has prioritized the nation state level (e.g., Luo, 2001; Meyer et al., 2009). While this level remains the most institutionally influential in determining MNE market entry strategies, the subnational and the supranational levels can also exert influence (e.g., Lawton & McGuire, 2005; Meyer & Nguyen, 2005). Moreover, it is at the subnational, or local, level that informal institutions are most evident and the societal impact of FDI can be most clearly gauged. MNEs hence need to allocate scarce resources to multiple levels of institutional engagement.

This multiple embedded approach to governance (Hooghe & Marks, 2001; Marks, 1993, 1996; Marks, Hooghe, & Blank, 1996) can be particularly evident in new frontier markets: fast-growing developing economies that have not quite reached the scale of emerging markets (Keeler, 2014). Many Sub-Saharan African countries fall into this category, and the region has been referred to as the last frontier of major FDI activity (Raman, 2009). With more African countries embracing economic reforms, new opportunities for MNEs are emerging. In East Africa for instance, Uganda's early introduction of pro-market reforms (Kuteesa et al., 2010) made it a test case for the viability of such interventions on the continent. Some of the MNE strategic adaptations that must be made in response to African market conditions are thereby also evident. An important issue is how diverse MNEs have approached what is increasingly called multilevel corporate political activity (CPA) (e.g., Windsor, 2007), as a response to institutional fragility. Windsor (2007) has defined multilevel CPA as the vertical allocation of scarce corporate resources to politically relevant strategies

across subnational, national, regional or supranational, and global institutional levels. These levels reflect a concentration of institutional activity and are therefore a natural focus for studies on the implications for MNE nonmarket strategy, of which CPA is a key ingredient (Baron, 1995; Hillman et al., 2004; Lawton et al., 2013a). It is, however, feasible that the dynamics at particular levels in these markets produce effects that make horizontal considerations equally important, or even more important, than the predominantly vertical perspective evident in extant literatures.

Our study contributes to these debates by illustrating that intra-level dynamics may be critically important in influencing MNE embedding decisions and therefore societal impact. The subnational level is particularly important due to its richness in informal institutions that capture the essence of emerging Africa, including its ethnic diversity and socio-cultural dynamism. We identify capabilities that bridge between MNEs and informal institutions as the critical enablers of successful embeddedness. This in turn informs our theoretical contribution to debates at the interface of institutional theory and organizational capabilities theory. We demonstrate how, initially, the most competitive MNE nonmarket capabilities alternate between the exploitation of old capabilities based on experience and the exploration of new capabilities based on innovative resource combinations. Thereafter, the exploitative and/or exploratory capabilities need to be refined further to consolidate the bridging process. They are either customized to strengthen the fit with the specific subnational context, or identified as transferable to other institutional contexts, including cross-border. We employ the term *hybridized capabilities* to describe the integrated outcome from exploitation, exploration, customization, and transference. These capabilities are more easily and quickly adaptable to contexts that may require substitution for, complementation of, accommodation of, or competition against emerging formal institutions. We contribute by extending Helmke and Levitsky's (2004) seminal work on a typology of informal institutions. We do so by

identifying the mix of bridging capabilities that MNEs deploy to embed in the typology's multiple settings.

Our use of the term bridging capabilities draws on usage by McEvily and Zaheer (1999). These authors posit what they call 'bridging ties', which connect a focal firm to sources of information and opportunities that are not available through other ties. We further draw on usage by Corredoira and McDermott (2014), who highlight experiential and knowledge bridges in institutionally informal contexts. We extend this combined usage to include the active process surrounding the creation and exploitation of these ties, which is reflected in capabilities. We acknowledge that there is often a fine line between ethical and legal bridging activity and bribery, or other unethical practices as exemplified in Bahoo et al. (2020). The differentiation can be particularly challenging in institutional contexts with underdeveloped systems of checks and balances. Our interest in this paper is primarily in the ethical and legitimate forms of bridging. These play an important role in enabling MNEs to engage with local community stakeholders and to succeed in new frontier economies. They should therefore not be confused with contested and unethical forms of bridging. Our main reasons for differentiating between ethical/legal and unethical/illegal norms and practices for the purpose of this study was to ensure that respondents could speak frankly and openly about informal institutions and to evidence transparency in our research approach. We reasoned that any discussion involving bribery or corruption would render respondents less likely to speak in an honest and direct way, and almost certainly decline being recorded.

Insights into MNE CPA engagement at diverse institutional levels will enhance our understanding of MNE nonmarket strategy in new frontier countries. Further, they will furnish us with a deeper understanding of the wider value of such MNEs, especially when they fill service gaps at the lowest socio-economic levels of society.

The paper therefore sets out to explore some of the issues presented above by addressing the following research question: *To what extent do MNEs in Uganda's electricity industry adapt their CPA to address informal institutions at the subnational level?*

After this introduction, the paper synthesizes the extant literatures and clarifies the theoretical context of the study and the paper's theoretical contribution. This is followed by an explanation of the methodological approach employed, and a presentation of the findings. The findings are then discussed and the propositions inductively derived, prior to making conclusions. The paper ends with a statement on the limitations of the study and suggestions for future research.

2. Theoretical Context

We build on Windsor's (2007) definition of multilevel CPA to note that the vertical allocation of scarce corporate resources to politically relevant strategies across subnational, national, regional, and global institutional levels must accommodate often conflicting policy and jurisdictional arenas, as well as varying levels of multi-stakeholder engagement (Baines & Viney, 2010; Ghobadian et al., 2009; Mbalyohere & Lawton, 2018). In an increasingly multi-polar world order (De Villa et al., 2015; McGuire et al., 2012), characterized in part by countries searching for the version of market capitalism that works best for their economic and social needs (e.g., Detomasi, 2015; Jackson & Deeg, 2008; Lehrer & Delaunay, 2009), multiple embedded CPA assumes an important role as a nonmarket strategic moderator of the process.

A critical consideration is that MNEs must carefully determine the extent of embeddedness that is needed at these different institutional levels. Further, it is imperative to take into account a typically high prevalence of informal institutions (unwritten rules and social norms) in emerging markets (de Soysa & Jütting, 2006; Helmke & Levitsky, 2004;

Zhou & Peng, 2010; Lauth, 2004; Mbalyohere et al., 2017; Meyer et al., 2011; Seyoum, 2011). Yet embeddedness in such informal institutional contexts must not hamper the emergence of more formal institutions, noting the complexity of this interrelationship (e.g., Chacar et al., 2018). MNEs - especially those from advanced markets – are therefore challenged to develop an appropriate response to formal and informal institutions at different levels.

While work has been done to examine characteristics of some types of informal institutions in large emerging and transition economies, for example *Guanxi* in China and *Blatt* in Russia (e.g., Helmke & Levitisky, 2004; Michailova & Worm, 2003), less work exists on informal institutions in the broader array of emerging and new frontier markets. There is also a noticeable lack of literature differentiating between informal institutional practices that are ethical and legal and those that are not. Insights from Sub-Saharan Africa are especially scant. Yet it is here that informal institutions might be best researched, given their overwhelming prevalence (Hayden, 2006; Wright et al., 2005; Peng et al., 2008). As these economies are increasingly important for the global economy, it is appropriate to shed more light on these institutions and how they interact with MNEs. This scarcity of insight and knowledge has often translated into the (mis)categorization of informal institutions in Africa and elsewhere as institutional voids (e.g., Khanna et al., 2005). It is also possible that they are perceived as voids because of a lack of highly developed formal institutions with which they can dynamically interact and by which they can be moderated. While there is a need for further development of formal institutions that emerge from the contingencies of these new frontier contexts, there is a further and arguably more complex need to identify the informal institutions that have meanwhile served these societies well over centuries and have a role to play in their future.

Where informal institutions in Sub-Saharan Africa have been specifically addressed, the tendency has been to consider those with a generally negative effect. Of these, the three most important are clientelism, corruption, and 'Big Man' presidentialism (Bratton, 2007; Tangri & Mwenda, 2001). The complexity and double-edged nature of such institutions is illustrated by observations that they may have some stabilizing effect in extremely fragile political and institutional contexts (Bratton, 2007; Helmke & Levitsky, 2004). Yet this is a contested position, as it could hinder efforts to advance formal institutions. Apart from a limited interrogation of informal institutions in Sub-Saharan Africa, and lesser developed markets more generally, there is even less differentiation of their manifestation at the key levels of institutional governance suggested by Windsor (2007). Of special relevance for this paper is the manifestation at subnational level.

However, given the scarcity of corporate resources and the need to focus strategic commitment (e.g., Meyer & Nguyen, 2005; Oliver, 1997), MNEs become obliged to prioritize some levels over others. In practical terms, this necessitates decisions about the political networks and, consequently, the CPA levels (Banerjee, 2010; Geppert, 2003; Peng & Zhou, 2005; Rizopoulos & Sergakis, 2010; Sally, 1994; Sun et al., 2010) on which to concentrate resources and develop the firm as a political actor (Scherer et al., 2014). Such networks rarely exist in isolation. Rather, they are interdependently connected with networks at other levels. This significant institutional informality translates into an increased demand for relationship rather than transaction-based capabilities (Crittenden & Crittenden, 2010; Hennart, 2012; Khanna et al., 2005; Luiz & Ruplal, 2013; Mbalyohere et al., 2017; Stal & Cuervo-Cazurra, 2011; Zhao et al., 2013).

Dynamics have been further driven by the need to fight persistent poverty at the base of the pyramid, where host governments experience limitations in delivering the most basic

services (Ansari et al., 2012; London, 2009; London & Hart, 2004; Webb et al., 2010). Here, political embeddedness has increasingly meant not only dealing with diverse levels of local government and local community, but also an explosion of non-governmental organizations (NGOs) and community-based organizations (CBOs) that have attempted to fill formal institutional inadequacies arising from weak or even virtually non-existent governments (Boddewyn & Doh, 2011; Khanna et al., 2005; Luiz & Ruplal, 2013; Millar et al., 2004; Webb et al., 2010; Zhao et al., 2013).

As such, the spread of globalization over the past decades has not diminished the importance of the local and predominantly informal institutional perspective. Instead, its distinctiveness has become ever clearer (e.g., Rugman, 2003). However, how exactly this distinctiveness plays out in CPA terms, and how it relates with other levels of embeddedness in emerging markets, is barely understood.

Conversely, the supranational perspective has modestly benefited from a growing awareness of the limitations of country boundaries in global economic networks and flows (e.g., Windsor, 2007). Contemporary views are predominantly informed by work on the European Union (EU), with its extensive supranational reach (Lawton et al., 2013b; McGuire et al., 2012; Walzenbach, 2006). But since evidence and insights from the EU and similar arrangements cannot be easily and directly transferred to other institutional contexts, there remains a gap in understanding the reality of emerging markets. While some work has addressed issues from a market-based perspective (e.g., Meyer et al., 2011), there is a gap in exploring the nonmarket dimensions that are generally considered even more important in institutionally fragile markets (Lawton et al., 2013a).

We restrict informal institutions in this study to the unwritten and evolving rules and norms that govern the relationships and interactions between MNEs and diverse community

leaders, local politicians, local cultural leaders and trustees of tribal social norms and traditional religious beliefs. There is consequently a shared expectation that the outcomes from such interactions and relationships will be of mutual benefit to the stakeholders in question. We are further informed by Helmke & Levitsky's (2004) typology of informal institutions, represented by four combinations resulting from the effectiveness of formal institutions on one axis, and the convergence or divergence of outcomes expected of the two types of institution on the other axis.

The resulting typology advanced four forms: *substitutive* informal institutions (resulting from ineffective formal institutions and convergent outcomes) that replace the ineffective formal institutions; *complementary* informal institutions (resulting from effective formal institutions and convergent outcomes) that strengthen the outcomes from effective formal institutions; *accommodating* informal institutions (resulting from effective formal institutions and divergent outcomes) that tolerate the presence of effective formal institutions while achieving different outcomes; and *competing* informal institutions (resulting from ineffective formal institutions and divergent outcomes) that contradict the outcomes of ineffective formal institutions.

MNEs are often challenged to make an accurate assessment of the informal institutional situation and to consider its ramifications for embeddedness. We build on Helmke and Levitsky's (2004) propositions to identify the specific mechanisms by which MNEs identify and respond to the informal institutions represented in the typology. Through this engagement, the typology is translated from only depicting the informal institutions to also identifying the core capabilities that MNEs must deploy in response to these institutions. It therefore becomes a more strategically accessible tool, able to provide a basis for explanations of heterogeneous MNE responses. In extending the typology thus, it translates

into a transposition of some dimensions of institutional theory (DiMaggio & Powell, 1983; Oliver, 1997; Scott, 1995) onto the resource-based view of strategy (e.g., Grant, 2003; Peteraf, 1993), through a CPA lens that recognizes the firm as a political actor (Scherer et al., 2014).

The two core pillars of nonmarket strategy – corporate political activity (CPA) and corporate social responsibility (CSR) - are also increasingly aligned in the literature with the intent to foster synergies (e.g., Lawton, Doh & Rajwani, 2014; Liedong et al., 2015; Mellahi et al., 2016). We draw on this work when exploring CPA in this paper.

We consequently address issues around the deployment of CPA by MNEs to achieve institutional embeddedness in a Sub-Saharan African state by addressing the questions presented at the outset, and with a focus on the subnational level. This choice was informed by preliminary evidence suggesting a concentration of informal institutions at this level, as well as calls for more research on subnational institutions.

3. Methodology

We use an exploratory, qualitative, multi-case-based approach to gather data. Such an approach has been recommended as appropriate for novel areas of research about which we have a very limited understanding (Dyer & Wilkins, 1991; Eisenhardt, 1989; Grant, 2003; Regner & Edman, 2014; Sun et al., 2010; Yin, 2003). Because of the predominantly anecdotal, rather than empirical, evidence about MNEs in Sub-Saharan Africa, the research context qualifies as novel. Six MNEs - three emerging market multinationals (EMNEs) and three advanced economy multinationals (AMNEs) - in the electricity generation sector are selected to form five case studies, including two international joint ventures. One EMNE (Frinam) has its headquarters in South Africa and another (Pisu) in Kenya, while the last one

(Avin) is based in Uganda. Two AMNEs (Alpha and Energy Global) originate from the USA, while the third one (Prolux) has its home base in Norway. Key descriptive features of the cases are presented in Table 1. In line with the ethical foundations of the study, the names of the MNEs are pseudonyms.

-- Insert Table 1 about here --

The selection of these cases was influenced by the fact that they collectively generated approximately 85 per cent of Uganda's hydropower in the final years of the period under study (from the passing of the new Electricity Act in 1999, paving the way for pro-market reforms, up to 2018), thus reflecting the market-leading experiences in the sector. Further, they represent a rich mix of MNE (nonmarket) strategies, which are of paramount interest in the study. It was also considered important to have a case mix that would capture key experiences along the entire path of reform, as well as the immediate years prior to reform. In making the final choices, we benefitted from access to the full range of MNEs that were operational in Uganda's electricity industry during the time frame under study. Access was enabled by the Ministry of Energy and Mineral Resources. We were consequently able to identify those that complied with the criteria we set and were relatively easily accessible.

The methods of data collection were semi-structured interviews, field notes, company and institutional archives and media reports. These multiple methods translated into a triangulation that produced a bigger picture of the subject of inquiry and enhanced the validity of the results. Such triangulated approaches compensate for the limitations of individual methods and mitigate against the bias that may arise individually (Hammersley & Atkinson, 2007). The integrated data was analyzed using a grounded analysis approach supported by NVivo 10 software (Bazeley & Jackson, 2013) to manage the large volume of data, enhance

the quality of iteration, and systematically structure the coding exercise. In using this approach, we were informed by the still ongoing debates around its diversity of application and the consensus that there is a need to remain close to the data rather than imposing structures on it (e.g., Easterby-Smith et al., 2008). The need to garner a robust and valid understanding of informal institutions in the context of the study was one of the most important justifications for this methodological decision. We also benefitted from suggestions by Gioia et al. (2013) on how to infuse rigour into the process of qualitative analysis.

The interview partners were selected based on seniority and diversity of experience in the sector during the period under investigation. The almost twenty years studied constituted the evolution from the early to the relatively intermediate stage of reform as measured by MNE capability adaptations. Each interview lasted one hour on average. The interviewees generally recommended other colleagues, thus widening the target audience through a snowball effect. Following agreement with the interview partners, as guided by the ethical guidelines of the study, the interviews were recorded and transcribed for analysis.

In total, 70 interviews and over 130 archival documents were deployed in the study. As part of consolidating the strategy to make sense of the research data, a preliminary data analysis phase, after three months of fieldwork, was deployed. The findings and the insights from this preliminary phase informed the final phase of four-months of fieldwork. This approach ultimately improved the quality, the incisiveness and the relevancy of questioning during interviews. It further strengthened the effectiveness of identifying and gathering corroboratory data, especially archival documents. The research design was, not least, bolstered by a phase that necessitated revisiting the field for two more months to discuss the findings with a carefully selected sub-sample of interviewees. These were some of the most senior and experienced people we had interacted with previously. We concluded that this

background gave them a strategic vantage point that could be beneficial in helping us to validate comments and insights. Various other informants were also approached informally beyond the formal data collection phase, to discuss diverse aspects of the study. One of the researchers was also regularly in the main country of study (Uganda) during this period, to gather more observational data and to expose the findings to further validation. All of these measures consequently enhanced the quality of sense making and hence the robustness and the validity of the propositions that are derived in our discussion.

The analysis entails the extraction of in-case terms from the raw data to constitute the first-order terms (Table 2). These in-case terms are then further interrogated, including iteratively going back to the original data for verification. The interrogation here served as a basis for identifying themes that were considered common across all cases and could inform some qualitative generalizations. It is these more generalized themes that in turn informed the process of identifying and building the fundamental constructs, i.e., the bridging capabilities (Figure 1).

--Insert Figure 1 about here --

In other words, there was a coding process that led to first-order terms. After achieving as much saturation as possible, this was followed by coding for second-order themes that more directly informed the theorization around the construct of bridging capabilities, using the propositions advanced. As an example, managerial capabilities at the first-order level reflected capabilities of managers as individuals, while the conceptualization of these capabilities at the second-order level reflected co-ordination and integration within the organization to produce more cohesively and collectively defined outcomes. Saturation here means reaching the point where you can no longer extract equally incisive and new terms

and themes from the data, leading to new constructs. We confirmed when we reached this point by comparing notes between researchers/authors, and by asking for an opinion from one of the academic partners we worked with in Uganda, who is also conversant with qualitative research.

4. Findings

In this study, the subnational level is equivalent to the local government level, i.e., any level of government that is below the national. Our findings suggest that it is at this level that MNEs are most intensely challenged in their efforts to embed. Table 2 presents a summary of the key insights that emerged from studying the five research cases at this institutional level. These are also captured in Figure 1, which represents the growing levels of conceptualization that ultimately emerged from the analysis and interpretation. Some of the evidence - in the form of interview excerpts and other quotes - which served to generate our conclusions, is integrated in the sub-sections that follow. It is also presented as representative quotes in the sample excerpts section for each case in Table 2.

-- Insert Table 2 around here –

4.1.Overview of the cases

Further to the overview in Table 1, we now provide a synthesis of the cases in the study. **Alpha/Avin** was a joint venture between a US-based energy giant and one of Uganda's largest industrial conglomerates that was entering the hydropower generation business. From the start of preliminary work on the project in 1994, to the passing of Uganda's new Electricity Act in 1999, the joint venture played a leading role in articulating opinions and participating in consultations that significantly contributed to the formulation of a new,

liberalized policy in the energy sector. The project eventually became embroiled in problems that led to significant local and international protests about environmental, economic and social impact concerns, financial fraud (including a former energy minister, on the World Bank board, who was apparently bribed and opted to resign as a face-saving option), and political pressures at multiple levels. Here is how a representative of a US-based environmental protection NGO put it:

Alpha maintained that Bujagali Dam would help pull Uganda out of poverty, but in reality, it is a costly white elephant that would increase the nation's debt load and produce electricity that few Ugandans could afford. The bloated project has stifled the development of viable renewable energy options such as geothermal.

There were also wrangles with local cultural stakeholders who felt that the practice of traditional African religious rituals at the site were endangered by the new dam. Indicative of the extent of the challenges in appropriately responding to complex cultural dynamics, Alpha's country director had this to say:

We had no idea of the depth of the impediments.

The partner from the U.S. was also troubled by a global economic crisis and issues related to the Enron scandal. All this ultimately led to a decision to exit international markets in 2003, in turn leading to the collapse of the joint venture in Uganda.

After the collapse of the Alpha/Avin joint venture, the Uganda-based conglomerate – **Avin**, opted to continue expanding into the renewable energy sector, but not through hydropower development. Instead, it put resources into developing the co-generation of energy using biomass refuse from its main cane sugar processing plant in the town of Jinja.

Here is how a resident of Avin's hosting community felt about the firm's generation of its own power, pointing to the local impact of the initiative:

In this area, those dealing in paraffin lamps or candles must be making losses. The streetlights are equally as bright, which enables us to trap white ants and grasshoppers for sale when the season comes.

Progressive resource and capability development eventually converted it into the market leader in this co-generation sector, even enabling Avin to become self-sufficient and have excess capacity to feed into the national grid. Substantial political lobbying was however needed for Avin to be given a license for co-generation and to feed into the grid. Ultimately, Avin developed an interest in entering neighboring markets, especially Rwanda and South Sudan, with its co-generation model. To do so, it depended heavily on its connections with key politicians in pursuing these regional expansion projects. A comment in the group's in-house magazine captures the strategic regional internationalization dimension of the new trajectory:

In 1997, the Avin Group acquired Rwanda's only sugar complex, under the government's privatisation programme. This provides the opportunity to expand in one of the group's core areas as well as a window of future entry into the lucrative markets of the eastern region of the Democratic Republic of Congo /Zaire.

Pisu/Energy Global won an intense bidding process to succeed Alpha/Avin in developing the new dam at the Source of the Nile. Its most important strategic advantage was the opportunity to learn from the mistakes of its predecessor joint venture. Among other

capabilities, it developed and deployed a more comprehensive stakeholder participatory approach, including effective engagement with communities affected by the project. A lead manager had this to say about a segment of key stakeholders deployed for social and environmental activities:

We predominantly had Ugandans because you have very many experienced Ugandans in the environmental and social fields. So that whole side was run by them and the benefit you have with that is that they understand the local people, the thinking, the culture and where the people are coming from with questions and requests.

This was an important emphasis that reflected the recognition of the criticality of local agents as a bridge or conduit to better understanding subnational dynamics. Identifying and motivating the best people to work with was important for this strategy of embeddedness.

At the time, the project was the largest private-public partnership in Sub Saharan Africa, and ultimately secured benchmark status from the World Bank and other key agencies as a reference for best practice in developing large hydropower projects in developing countries. It had its challenges though, not least that there were, and still are, questions about its cost-benefit value for Uganda, compared to similar projects elsewhere. The project's lead manager commented thus, underlining the strategy of achievement on international metrics:

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

Frinam represents a South African multinational that pursued strategic opportunities to enter markets on the African continent, following the normalization of economic and diplomatic relationships after the collapse of apartheid. By being state-owned at home, it

exploited strong linkages to the home government to secure meaningful political access in the host countries it entered. But its status as a state-owned company contradicted pro-market reforms in countries like Uganda. It in effect tried to act as a private player in these host markets, while being state-owned at home, sometimes running into credibility difficulties in this balancing act. This is how a senior manager at the firm commented:

Frinam, yes, it is a government-owned utility in South Africa, but the way it is set up is that there is autonomy and independence in its strategic objectives and direction. The ownership is more at arm's length and there is only very minimal interference from the owner, which is government.

This points to the firm's appreciation of the contradiction, but also a suggestion that it knows how to manage it. This might be easier said than done, as indicated by various incidents in the home market in which key managers and government officials have been found to be too closely aligned. But it played a useful role as an experienced reference in the early years of reform, when many issues and processes were not yet clear. The Frinam Corporate Affairs Officer made this comment:

Many times, we are asked to do more, in terms of capacity building. It is part of the mandate. 'We wanted you to come here; you have come here; share with us best practices; how it should be done '. And we can help guide the conversation as we go forward in terms of industry norms.

The comment points to the high level of expectation from the government side. At the same time, it points to the potential for challenges in setting boundaries and allowing institutional development to happen objectively. In effect, the company's ethics would be tested in the course of time.

Prolux exemplified a form of development aid policy (common in Scandinavian countries), based on close partnership between donor governments and small-to-medium-sized projects managed by the private sector. The firm's home country had played a leading role in supporting the Ugandan government to develop a reform policy in the energy sector. Prolux therefore had value as a case study in the success of the policy. One of its most important roles was in popularizing the importance of small-to-medium-sized energy projects in diversifying the country's energy portfolio. Prolux's home country Ministry of Foreign Affairs praised the project thus in a national budget proposal:

The Prolux power plant in Uganda is one project that shows that it is possible to carry out developments with a minimum of conflict and with a range of positive effects for the local community.

The Energy and Trade Attaché at the Norwegian embassy noted more broadly:

We have co-operated with Uganda in the electricity sector for so many years,' and I think Norway and Uganda's co-operation actually facilitated this electricity act.

Prolux also evolved into a benchmark in promoting local managerial stewardship and compliance with institutional rules. It was a subsidiary of a large energy provider in Norway that had significant local government stakeholders.

4.2.Understanding the uniqueness of the subnational level

It is at this level that the magnitude of localization needed, and the options for the adaptation of capabilities of embeddedness to highly informal institutional contexts, became most evident. The societal relevance of MNEs, especially in contributing to socio-economic

change at the grassroots and accommodating diverse informal institutions in the pursuit of development, was also strongly evident here. There were important differences in how the choices made by the MNEs could be sustained or revised along the path of reform, and how strategically relevant they were in addressing the host country's development challenges. Ultimately, the five cases exposed diverse levels of sophistication in engaging with key stakeholders at this micro level, and in creating strategic linkages with other levels. Since the host country was still immersed in gathering early experiences about pro-market reforms (Kuteesa et al., 1992), and the practical rules of the game (North, 1991) had yet to be clarified, a high level of adaptability and anticipation was generally required for all MNEs. In one of the cases, Prolux, the adaptation and anticipation was so successful that the project ended up becoming a nationally recognized benchmark for rules compliance in the small-to-medium-scale segment of the sector. Here is how an internationally funded study (Scott et al., 2013, p.2) commented on the project:

The project's emphasis on high standards of social and environmental performance and, in particular, its participatory and consultative approach to implementation is already being looked at as a model for other projects in Uganda.

In effect, the capabilities of local consultation and community inclusiveness became so refined that they helped overcome otherwise formidable informal institutional barriers. While individual managers and employees contributed their part in pursuing these consultations and ensuring inclusivity, it was the sum total at both managerial and overall organizational levels that translated into a dynamic relationship with the community. Managers and employees were carefully paired with community leaders and other stakeholders to pursue specific community projects. If more MNEs, discovering the region as a frontier for investment, engage with such grassroots development and increasingly reach for

higher levels of sophistication, the quality of development impact would be expected to grow. Scott et al.'s (2013) study is an example of how the net direct, indirect and induced employment effects of a dam project, for example, can act as a basis for assessing the broader development relevance of an MNE in a new frontier economy like Uganda.

On this grassroots engagement by an MNE, the local CEO of Prolux commented:

There were the big groups (from the seven affected villages); and then we had a small group which they had selected that I meet every second week. And that was very good because a lot of people could bring their problems to this group; and they were interested, and we had discussions (P1b).

4.3.Bridging capabilities and their attributes

As summarized in Table 2 and Figure 1, the data analysis process resulted in an ever-growing sophistication of theorization from first order terms to second-order themes and finally to the associated theoretical constructs, i.e., the bridging capabilities. These underlying characteristics were further interpreted to reflect the most important MNE capabilities that were needed for successful embeddedness and which we named the bridging capabilities. These are the capabilities that the bridging agents operating between the MNEs and the informal institutions deployed to enable them to make strategically useful interpretations for the MNE managers, especially the foreign managers. The attributes of these bridging capabilities ultimately informed the design of the model in Figure 2. The model proposes that, initially, MNEs prioritize exploratory or exploitative capabilities, depending on the extent of their ignorance about the informal institutions in question. In which case, they have to explore and discover what works, or they have to ascertain that their experience with such institutions

is robust enough, resulting in the exploitation of existing capabilities. MNEs can, however, gain an advantage relative to competitors by being able to alternate between exploratory and exploitative bridging. The flexibility to respond according to the market circumstances is what underlies this advantage. This is what Prolux did, as can be deduced from the earlier quote from the international study. While it relied on a fully local human resource team, who were experientially conversant with the idiosyncrasies of local informal institutions, it needed to enter new territory that would make it stand out in its work through exploratory approaches. It is the dynamic combination of experiential and exploratory approaches that significantly contributed to achieving benchmark status on compliance with rules in the small to medium segment of the sector.

4.3.1. Customized bridging capabilities

Ultimately, some bridging capabilities were only applicable to the local hosting context and were therefore customized. An example is the capability to deal with the specific traditional beliefs and practices in the sub region. Since the rich details of these vary from one African tribe to another, the capability to effectively address them cannot be transferred wholesale to other sub regions. There was instead a need to dig deeper into unique meaning and importance to customize approaches accordingly. One of the respondents (a culture expert in the country) commented:

Traditionally, community spirits are not supposed to be transferred. What we're doing is appeasing the spirits (P/EG 1).

These capabilities were continuously refined and adapted or customized to ensure they were more effective in achieving MNE local embeddedness and micro-societal impact in the associated hosting communities. This is perhaps most evident in the qualitatively greater sophistication that emerges when Pisu/Energy Global's engagement is compared with the

predecessor project of Alpha/Avin. The predecessor's challenges were most succinctly captured by the CEO in an interview: '*We had no idea of the depth of the impediments.'* In contrast, the enhanced engagement of Pisu/Energy Global can be traced back to a deeper stakeholder engagement, providing it with more avenues to understand issues and respond more effectively. Our conclusions were, not least, informed by the narrative that the project provided in its social and environmental impact assessment report, which is publicly available (Burnside International, 2006, pp. 406-9). In the report, cultural property management, including local beliefs in spirits, was one of fourteen issues that were identified as key issues that needed a careful strategy of engagement, supported by intense local consultation. Bridging agents played a critical role in facilitating such consultations.

4.3.2. Transferable bridging capabilities

Other bridging capabilities were more generalizable, and applicable at different institutional levels and in other sub regions. They therefore had a macro-societal relevance. We refer to these capabilities as transferable bridging capabilities, to underline this cross-over effect. As an example, approaches to the multiplicity of local government stakeholders were not fundamentally different, given the same basic configuration of local government across the entire country. The issues inherent in the comment below by a manager in the Pisu/Energy Global project were therefore common and required transferable capabilities:

One thing that made it rather complicated there (local government) is that there were so many stakeholders to deal with, from LC (Local Council) 1 level right up to the district (P/EG 2).

In mastering how to deal with the diversity of local stakeholders, not least in developing the most appropriate pairing between managers and community bridging agents, the lead managers ultimately put themselves in a position to approach new projects much

more efficiently and with a significant reduction in risk. It is this strategic learning that later contributed to the local adaptation of a new project in a more volatile part of the East and Central African region on the River Ruzizi (Ketchum, 2013). The importance of nurturing capabilities that were transferable is most vividly captured in the following project review report by a key international funder of Pisu/Energy Global:

Any capacity to be developed within Ugandan institutions for dealing with or monitoring environmental impacts of the project should be transferable, such that it can be used in relation to other projects or plans; and, where appropriate, institutional strengthening should be integrated with existing programs being planned or implemented by the local institutions themselves, or by national or international organizations such as NGOs, lenders and aid agencies (P/EG 3).

In effect, there was a requirement to contribute to the transferability of institutional best practice and to support local institutional development initiatives. This included capabilities of relating with informal institutions. While many of the contributions could be made by individual managers, the most impactful contributions were a result of the combined effect of managers working in a coordinated way. This enhanced demonstration of capability forms a critical aspect of the second level order in the process of theorization.

But as evidence of some of the challenges around institutional engagement, the project review report mentioned above noted the following about the project:

The project has been assessed as satisfactorily implementing the diverse community engagement and development projects. However, there will be challenges over the longer term. The most significant will be strengthening local governance at the district and community levels to operate the programs (P/EG 4).

A key challenge in achieving good governance was that its local interpretation was heavily associated with informal institutional dimensions that were not always easy for foreign managers to grasp. It was here that the bridging agency of local managers and other local stakeholders was most needed. As an example, it is common in most African cultures to give gifts, even as part of business interactions. It can therefore be difficult to delineate between what is culturally acceptable and what constitutes bribery (e.g., Graycar & Jancsics, 2017).

We recognize a three-stage bridging process that includes a preliminary phase, an initiation phase and a consolidation phase, as depicted in Figure 2. The level of advantage that the MNEs acquire appears to be enhanced by the cumulative effectiveness of the three stages in the bridging process. A key reference for deciding that three main stages were involved was our competence in using observational data, an important tool in qualitative research, especially when using a grounded theoretic approach. The accuracy of observation is associated with the level of immersion that takes place and the amount of time spent in the field. We contend that the amount of time we spent in the field (detailed in the methodology section) equipped us to make observations that ultimately complemented the interview narratives and the archival documents. A particularly important validation for our conclusions was the input from local stakeholders. As an example, local respondents reported intensified activity as all cases prepared the ground for their projects through preliminary activities. Pisu/Energy Global, as a case in point, held multiple public hearings and interacted with communities at rates that reflected the need to gather foundational insights and build relationships. The other two phases similarly had features that informed our inductively determined conclusions. Ultimately, we recognized a logic in the model that was consistent with efforts to accommodate the informal institutional complexities involved.

-- Insert Figure 2 about here --

4.4. The challenges of large MNE projects and the utility of stakeholder approaches

The two JV cases - Alpha/Avin and Pisu/Energy Global - were particularly illustrative of the challenges that large MNEs encounter when entering new frontier markets like Uganda. They also reflected the implications of these challenges for higher institutional levels, not least the global level, where regulators and funders for such projects were located. Of interest and salience were the issues emerging from African traditional religious beliefs and their tribal contexts, all of which became evident in the new dam project. In Alpha/Avin's case, generally unsatisfactory local engagement played no small role in the widely publicized eventual challenges of the project and in its ultimate termination. The magnitude of the challenges the project faced is captured, not least, in this comment by a key local analyst as well as in a comment by Bosshard (2002) that follows, as extracted from *The Guardian* newspaper:

Culture evolves over generations and you can't buy it. This company is exploiting people's poverty by buying them off.

The most important project contract, the so-called Power Purchase Agreement, has never been made public. The World Bank's internal investigation found that it is unfavorable to Uganda in important aspects, and not always consistent with "international best practice".

This was a far-reaching perception and reflected the desperate informal institutional measures - including ignoring international best practice - the associated MNEs had resorted to in trying to win local support. More broadly, it encapsulates the potential that MNEs have to negatively affect society by undermining the emergence of functioning regulatory institutions (Chonghaile, 2016). This, therefore, moderates the positive effects that have been

raised elsewhere, and suggests the need to regularly assess MNEs to make sure they are making a net positive contribution to the development of a host country.

To succeed, the new developer, Pisu/Energy Global, had to carefully learn from its predecessor's mistakes. A comprehensive remapping of all local stakeholders, including trustees of traditional beliefs linked to the site of the project, was one of the key outcomes of this learning review. The essential tool of improvement was the quality of bridging between MNEs and informal institutions. Such bridging was deployed as a CPA mechanism (often integrated with CSR projects), manifesting as exploration and exploitation initially, followed by customization and transference.

Since there were no clear formal rules to follow and yet pressure was high, both locally and internationally, to respond appropriately before dam construction could commence, the managers involved were challenged to find answers to many questions. The bridging agents they identified were therefore of the utmost importance in helping to find the answers. An important observation was that many of these agents were recruited from the associated Ministry of Energy and Minerals. They hence had a very good understanding of national policy guidelines. Many returned to the ministry after their contracts ended, thus consolidating the capability transfer dimensions highlighted in this study. They consequently also acted as agents for deeper alignment between informal institutions at the sub level and the emerging formal institutions at the national level. This alignment was a political process that also involved negotiations and consultations with political stakeholders from the hosting sub region, as well as with cultural leaders. It would be reasonable to display some skepticism about the arrangements, since there was room for subtle abuse to return favors and to undermine the autonomy of institutional oversight. Given the complexity of the project and the fact that ministry employees needed to acquire a deeper understanding of such projects for

more effective future policy and regulation, there was justification for the measure. The alternative would have been to import external workers, who would ultimately leave the country at project end, resulting in limited local content development.

5. Discussion

5.1.Political embeddedness at the subnational level

While there is work on how MNEs become embedded in national institutions and the strategic implications of this embeddedness (e.g., Alimadadi & Pahlberg, 2014; Liu & Halliday, 2011; Sun et al., 2010), the subnational level remains largely under-researched. But it is here that the issues reflecting both the challenges and the opportunities of multiple embeddedness in new frontier markets manifest most clearly. A key underlying reason is that informal institutions such as traditional religious beliefs and tribal norms tend to become concentrated at this level, especially in African tribal settings (Kamoche & Harvey, 2006). This is compounded by multiple stakeholders whose interests need to be considered (Mbalyohere and Lawton, 2018).

MNEs are therefore most reliant on effective bridging support to manage this multiple stakeholdership. Consequently, both Alpha/Avin and Pisu/Energy Global, as the largest and most complicated cases in the study, chose proactive approaches to try to respond appropriately. They were also responsive to global calls for MNE strategies that were more accommodating of the extreme social and environmental vulnerabilities of the hosting communities (e.g., Kolk and Elephant, 2010). Comparatively, the former case was less successful, not least because of a relative prioritization of the national over the subnational level. Benefitting from a careful study of the predecessor project, Pisu/Energy Global

deployed capabilities that transformed it into a pilot case for new international guidelines on social and environmental impact performance by MNEs, spearheaded by the World Bank.

The refined capabilities that Pisu/Energy Global developed to address the complex situation included carefully selecting, training and embedding senior project managers in the everyday life of the hosting communities, in an effort to break down social, cultural and psychological barriers. These managers had an opportunity to interact with the diverse informal institutions in the hosting communities, closely supported by local managers, consultants, community leaders and NGO members who acted as bridging agents. This interaction was particularly important at the preliminary stages of the project, as key decisions were made about the relocation of centuries-old traditional religious assets. For example, the home of a local god that would otherwise be permanently submerged by the new dam reservoir. In turn, these managers could re-interpret the implications for their most senior managers at headquarters in home countries.

In effect, there was an iterative chain of bridging: the local managers, consultants, community leaders and NGOs bridged for the expatriate managers, and these in turn bridged for their headquarters. Flawed bridging would hence have major implications in producing inaccurate analyses and therefore conclusions. This appeared to be one of the most important causes of the failure of Alpha/Avin's pioneering project at the source of the Nile. The quality of bridging became cumulatively distanced from the informal institutional reality of the project.

Building on Dunning & Lundan's (2008) suggestion that there are informal institutional influences both within the organization and between the organization and the environment in which it operates, we note that MNEs that are more competent at responding to the internal influences will be better positioned to confront the external challenge. Yet this

is arguably limited by the institutional contexts where any transferable capabilities of response have been cultivated. Institutional distance – the extent of difference between home and host institutions (e.g., Xu and Shenkar, 2002) - as well as emerging market experiences, may therefore play a significant role in enabling the derivation of the benefits by MNEs (Sartor & Beamish, 2014; van Hoorn & Maseland, 2016). Pisu/Energy Global appeared to have understood the criticality of this institutional dynamic, as evident in its commitment to the cross-border transferability of capabilities and the strengthening of institutions in the main social and environment assessment report. By choosing a JV partner (Pisu) that was at home in the region, Energy Global ensured that the actual institutional distance was relatively low.

To a large extent, the previous project by Alpha/Avin also helped to provide important references and orientation. The commitment to support existing institutional initiatives rather than impose something completely new was also fundamentally important for acceptance and legitimacy. But as demonstrated by the Frinam case, there are limitations to benefiting from low institutional distance (e.g., Sartor & Beamish, 2014; van Hoorn & Maseland, 2016) and having significant experience in emerging markets (e.g., Peng et al., 2008). The MNE almost had its contract terminated for failing to realize that it had reached this limit when at least two parliamentary enquiries into its contestable influence in the nascent sector were commissioned. Its consequent commitment to partnership with the host government to address extremely low rural electrification and a potential engagement with multiple sets of informal institutions in different parts of the country, signaled a recognition of the fundamentality of subnational embeddedness, even for an MNE with close ties to central government.

An important reason, under these circumstances, is that governments in such developing contexts are limited in making effective service delivery, especially at the

grassroots in rural areas (London & Hart, 2004). Consequently, the engagement of large MNEs, that are increasingly discovering these base of the pyramid markets, contains a strategic perspective that is critical to the future development of host markets like Uganda. By integrating the informal institutional considerations that reflect the values of the communities affected into the services and products provided, the MNEs are contributing to opening up these final frontiers of the global economy. With time, the quality of anticipatory capabilities, (Oliver & Holzinger, 2008) that are also highlighted, will play an increasingly important role in achieving improved integration.

Reflecting on these developments, it was the potential for Frinam to act as a conduit for improved service delivery and hence societal relevance, however constrained, that was a key host government motivator for not insisting on revised license terms. This presumes that host governments are confident that such players will appropriately handle the complexities of informal institutions at the grassroots, and responsibly manage their societal relevance. The Alpha/Avin case and later developments around Frinam, especially in its home market where it got embroiled in a high-level corruption scandal, suggests that this confidence carries a significant risk. Ultimately, it is a dilemma for host governments: whilst they are under pressure to embrace more pro-market reforms and open up to FDI, they potentially face anger and pushback from grassroots communities and other stakeholders if things go wrong (see for example Mbalyohere & Lawton, 2018, and Cuervo-Cazurra et al., 2019).

Initially, Frinam was predominantly oriented toward national actors and was relatively passive about extensive subnational engagement. This worked well in the early phase of the reforms, where national institutional actors set it as a benchmark in the development of the national regulatory framework, not least because of its market leadership on the African continent (McDonald, 2009). But demands along the path of reform meant that adjustments in

strategy were needed to support more complementarity with, rather than substitution of - let alone competition with - emerging formal institutions (e.g., Helmke & Levitisky, 2004). The unpredictability and the uncertainty surrounding the emergence of such formal institutions poses a challenge to the strategy adjustment process. This could entail an enhanced level of strategy process reviews in such markets, in comparison to demands in institutionally more stable contexts.

The bridging that Frinam and similar MNEs would need in multiple subnational locations would have to become even more sophisticated, not least because informal institutions in African countries vary according to hosting tribe(s) (Kamoche & Harvey, 2006). The type, scale and scope of bridging needed takes on a horizontal multiplicity and complexity that calls for particularly refined MNE capabilities to manage it. This horizontal perspective at the subnational level might be more challenging than the propositions in extant literatures based on the allocation of resources to vertically oriented multiple levels (e.g., Walzenbach, 2006; Windsor, 2007). A key reason is that MNEs might be particularly challenged to adapt their strategies to the multiple subnational contexts they face. In effect, the multiple contexts might necessitate MNE capabilities that contingently substitute, complement, accommodate or compete with the informal institutions that co-evolve with emerging formal institutions. The co-evolution that extant literatures mention (e.g., Cantwell et al., 2010) is consequently a much more engaging affair. This calls for a differentiated understanding of these markets of the future by MNEs.

Avin had enjoyed the longest and deepest engagement at the subnational level due to its historical presence in the country, dating back to early colonial times. It had effectively internally institutionalized (Dunning & Lundan, 2008) an understanding of informal institutions in the region. Its challenges, in joint venture partnership with Alpha, reflected the

complexity of informal institutions, and illustrated that continuous adaptation is needed (e.g., Kingsley et al., 2012), even after a long presence in a market. In this case, Avin appeared to have underestimated the scale and scope of bridging needed to support its external partner. It eventually proved that there were other options to pursue. Consequently, Avin led the way in the development of cogenerated power as an environmentally friendly by-product of its core sugar-processing activities, eventually becoming the market leader in the region. In effect, it was exemplary in demonstrating how exploitation of old and exploration of new capabilities (see Figure 2) can be integrated to establish competitiveness in new markets. It also demonstrated that failure can in fact pave the way to success, if the adequate organizational and strategic reflection and learning is carried out.

Prolux represented a swift realization that one of the most effective mechanisms of bridging was the comprehensive involvement of local talent at all levels of management. The case ultimately saw all staff being local, and led by a female CEO, something that was still rare in the region. The bridging, in the end, involved fully local managers explaining the informal institutional issues to managers at headquarters in Norway, who had confidence in the locally empowered managers leading and managing appropriately. This underlines the importance of relatively flexible and adaptable headquarters-subsidiary relationships in enabling an appropriate response to the informal institutional contingencies with which subsidiaries contend (e.g., Kostova et al., 2016; Rabbiosi & Santagelo, 2019). The considerations thus far translate into the following first proposition:

Proposition 1: *In Sub-Saharan African countries at early stages of pro-market reforms, the bridging facilitated by local agents between MNEs and informal institutions is essential to subnational embeddedness.*

While some of the bridging capabilities that the managers acquired were customized to the hosting communities, others were transferable to various governance levels, both horizontally and vertically. A prominent example of customized bridging was the capabilities of responding to tribally based traditional religious practices, which richly differed from one subnational context to another. Transferable bridging, on the other hand, was exemplified by responses to informal networks of locally based corruption. Responses here could be strengthened, for example using anti-corruption training and ethical sensitization. What was customizable or transferable needed to go through several feedback iterations between the organization and its environment, as well as within the organization (Dunning & Lundan, 2008), before it became fit for purpose. The level of customization needed was exemplified by the contrasting demands and the specificity of social norms represented by the two tribes (the Basoga and the Baganda) living on opposite sides of the river.

Transferable capabilities, on the other hand, eventually informed national level institutions, which in turn passed on improved policy guidelines to various subnational levels in the country (see Figure 2). The transfer occurred, not least, through managers and consultants who had been recruited by the MNEs from national institutions and who eventually returned to these institutions after serving out their contracts. It further occurred through regular reviews that brought the managers and the national and international institutional actors together. At a broader level, some experiences were shared at a supranational level as part of an emerging regional and Pan-African connected electricity network. These further comments lead to our second proposition:

Proposition 2: *In Sub-Saharan African countries at early stages of pro-market reforms, the successful embedding of MNEs in subnational informal institutions is characterized by both horizontal and vertical transference of bridging capabilities.*

The commitment of individual senior managers to interact closely with the hosting communities and, by implication, the informal institutions in these communities, appears to have exceeded what extant literatures suggest (Blumentritt & Nigh, 2002; Blumentritt, 2003; Hillman et al., 2004). But it was when they acted jointly and harmonized their interventions that the most perceptible impact was achieved. Such a personal and managerially oriented approach to CPA might derive its success from being empathetically attuned to the local African culture where person-to-person and informal communal relationships generally matter more than formal institutional arrangements (e.g., Acquaah, 2007). It is, in part, this phenomenon that some researchers have identified as *Ubuntu* (e.g., Mangaliso, 2001), or togetherness and communalism, and around which future theorization can take place to identify the implications for MNE capabilities in the region.

NGOs have emerged as important actors that fill the gaps that governments and MNEs fail to satisfactorily occupy (e.g., Boddewyn & Doh, 2011; Luiz & Ruplal, 2013; Zhao et al., 2013). They thereby also act as bridging agents and are often the most informed, given highly refined capabilities that enable them to reach the deepest levels at the grassroots. But in engaging NGOs as agents, MNEs have to refine their CPA in such a way that it does not undermine the legitimacy and reputation of these NGOs, let alone the credibility of institutionalization processes. This is especially important due to the fact that the interaction between business and civil society, while growing in importance, is largely unregulated (Baur & Arenas, 2014).

The manager-oriented local embeddedness highlighted above had been critical to Avin's historical success in the hosting region, based on its wider projects and investments. It was also pivotal to the emergence of Prolux as the new benchmark for institutional compliance in the small-to-medium sub-sector of the reformed industry, based on the

deployment of a strongly empowered local HR team. Prolux went ahead and set new local standards in the sub-sector by partnering in a research project to understand and tap into the broader implications of the project for local job creation and emerging entrepreneurship patterns (Scott et al., 2013). This deeper enquiry into the impact of the project on the local community, including the implications from the informal institutions, is critical for long-term sustainability and for a sense of enhanced local stakeholdership in the project.

Consequently, success at the subnational level emerges as a case of on-going hybridized bridging to build trust, identify mutual value, remove misunderstanding and mitigate the risk of local hostility (e.g., Eduardsen & Marinova, 2020; Corredoira & McDermott, 2014). To do this effectively requires the agency and bridging of staff who understand both sides and can bridge differing positions, if necessary. It also needs the support of wider actors like national and international NGOs, local community leaders and learning agents. At the early stages of pro-market reforms, these agents naturally also first need to go through an adaptation phase where they learn how best to bridge. It is hence a case of co-learning by the MNEs and their selected bridging agents (e.g., Mezias & Scandura, 2005), to develop the most effective bridging capabilities.

One of the most important capabilities that such agents need is the negotiation of a suitable balance between formal and informal institutions (e.g., Meyer et al., 2011). In effect, such actors emerge as institutional bridging agents capable of contributing toward a clearer transposition (Regnér & Edman, 2014) of informal onto formal institutions and an improved embeddedness of MNEs into the local institutional settings. Further, the hybridized bridging that takes place constitutes a social construction of shared expectations, as proposed by Helmke & Levitisky (2004).

Because of a proactive approach to CPA, prioritizing close relationships with national political actors, Frinam appears to have placed less importance on subnational embeddedness in the early years. But political environmental developments in later years obliged the company to review this approach and adapt appropriately. Frinam subsequently financed more local development projects, in partnership with the local area's member of parliament. Further, it invited senior managers from home country headquarters to get involved in strengthening the commitment to the local community capabilities. But this headquarters-subsidiary linkage can evolve into a double-edged sword. A high-profile example involving Frinam occurred when the company became embroiled in a corruption scandal (generally also seen as an informal institution in extant literatures, e.g., Estrin & Prevezer, 2011) in its home market, which ultimately contributed to the demise of the country's president. The issues involved, masterminded by three investors from India - commonly called the Gupta brothers - were so serious that they have since been widely interpreted as a form of state capture (Pilling, 2017).[1] Under such circumstances, the heavy use of managers from headquarters might not be constructive, suggesting a need for greater subsidiary autonomy (e.g., Johnston & Menguc, 2007; Taggart, 1997) to protect it from contagion.

Most importantly, Frinam identified a strategic opportunity to partner with the Ugandan government in seeking to improve rural electrification, which is one of the lowest in Africa.[2] This emerges as an example of using anticipatory capabilities to respond to changing political environmental pressures and to redefine a political market (Kingsley et al., 2012; Mbalyohere & Lawton, 2018; Oliver & Holzinger, 2008). By offering to leverage its experiences in its home market, where there is an 86 percent rural electrification rate, Frinam was now effectively exploring how its Africa strategy could be made more relevant for the

[1] State capture is where powerful individuals, institutions, companies or groups within or outside a country use corruption to shape a nation's policies, legal environment and economy to benefit their own private interests (Source: Transparency International).
[2] UGANDA, Power Africa fact sheet. Available at: www.usaid.gov/powerafrica/uganda, Accessed date: August 13, 2018.

overwhelming majority of Africans still living in rural areas. The scale and scope of bridging needed for this new market situation would be significantly different from what had been deployed thus far. This translates into the third proposition:

Proposition 3: *In Sub-Saharan African countries at early stages of pro-market reforms, the bridging between MNEs and informal institutions at subnational level must be supported by anticipatory capabilities at multiple levels to enhance long-term success.*

Because Prolux's home government was also strengthening its partnership with the Ugandan government, through the Rural Electrification Agency, there was evidence of growing competitive pressures for strategic engagement at the local level. This effectively meant that there was an opportunity for the best models that targeted subnational levels to emerge using competitive forces. Competition appeared to be first taking shape at a nonmarket level prior to a full-blown market level, reflecting a departure from expectations.

6. Conclusions

This study suggests that MNEs adapt their CPA to subnational levels, and it offers insights into MNE strategic decisions in Sub-Saharan Africa that concentrate scarce political resources at subnational institutional levels. The most important capabilities that enable a competitive deployment of these resources emerge from mechanisms of bridging between MNEs and informal institutions. The bridging results initially in an alternation between exploration and exploitation. This is followed by a differentiation between some capabilities that are customized to the specific subnational context, and others that are transferable to other contexts, both horizontally and vertically. The subnational level can hence contribute to strengthening the emerging and broader institutional system in the host market. MNEs design their CPA around this bridging, which is more dynamic than evident in extant literatures, and

its implications for resource allocation. In deciding whether to prioritize substitutive, complementary, accommodative or competitive bridging capabilities, MNEs ultimately influence the mix between formal and informal institutions along the path of reform, and therefore the success of reforms. They further emerge as important vehicles for positive developmental change by integrating highly valued informal institutions at the base of the pyramid in these developing markets into the value propositions for consumers there. This can contribute to strategies to accelerate rates of socio-economic development in these markets.

Ultimately, the study contributes to research seeking to understand CPA in an increasingly multipolar global system (Lawton et al., 2013a; McGuire et al., 2012; Windsor, 2007). It does so by identifying and explaining the heterogeneity depicted by MNEs in embedding at the subnational institutional level (e.g., Meyer & Nguyen, 2005; Meyer et al., 2011; Sun et al., 2010), with a specific consideration of evolving Sub-Saharan African conditions, defined by tribal multi-ethnicity and sensitive traditional religious history. Not least, it encapsulates a co-evolutionary relationship between MNE embeddedness and emerging institutional pressures, exposing a variety of strategic responses. The focus on responses to informal institutions illuminates these at the interface between new institutional and multilevel governance studies, where explanations of such responses have remained largely anecdotal to date. There are however questions about the extent to which the informal institution of corruption and bribery plays a role in the underlying dynamics, and how MNEs can be more forceful in pushing back against corruption and bribery, and taken to task when they fail to do so. The issues involved are complex, not least because corruption does not have a universal definition.

Uganda is not unique, but as an early mover in (African) utilities market reform, our study provides key lessons for other countries pursuing a pro-market reform path, especially on the African continent. Two of the projects detailed in this study in fact ended up becoming

benchmarks for the World Bank and other development aid agencies on how such projects can be approached. The project at the Source of the Nile was, in many respects, a turning point for the World Bank regarding large dam projects in the developing world. The environmental and social impact assessment report by the Pisu/Energy Global case that we have referenced is regularly referred to for lessons, both positive and negative. Therefore, some points have the potential to be generalized, while others are rooted in the particular circumstances of Uganda. This is why, in part, we differentiate between transferable and customizable capabilities (pp. 24-29).

6.1.Limitations and future research

Despite the new insights advanced in this study, there are also limitations. These limitations can form the basis for future research. Firstly, the study was based on one industry – the electricity industry. It would strengthen the case for generalization if similar studies were conducted in other industries that have also experienced pro-market reform in Sub-Sahara Africa. Secondly, the study focused on the subnational level. It would be useful to perform studies that link the subnational more clearly to other levels, especially the national, the regional, and the global. Some preliminary evidence of connectedness identified in this study, for example through transferable bridging capabilities, could be a potential starting point for broader studies. Finally, while the MNEs deployed in the study have offered important in-depth, exploratory insights, there is a need to extend the investigation to a larger sample encompassing even wider country-of-origin and host-country perspectives.

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Table 1: Summary of the case profiles in the study

Parameters	Research case				
	Alpha/Avin	Pisu/Energy Global	Frinam	Prolux	Avin
Market entry mode	Joint venture	Joint venture	Greenfield	License acquisition	Local diversification
Year of entry	1994	2005	2003 (pre-entry 1999)	2007	2003
Home country	USA/Uganda	Kenya/USA	Republic of South Africa	Norway	Uganda
Number of core employees in power unit	About 45 (projected average of 1000 during construction)	About 50 (about 500 at peak of construction)	About 35	About 25	About 15
Electricity generation capacity (MW)	290 (proposed prior to exit)	250	380	13	50
Other electricity projects in Africa	South Africa, Cameron, Nigeria	Ruzizi dam (DRC/Rwanda/ Burundi/Tanzania border	Multiple projects in Southern Africa	Project at the Uganda/Tanzania border	Projects in South Sudan and Rwanda that can be progressed to cogeneration

Table 2: Embeddedness at the subnational level

	Alpha/Avin	P/EG	Frinam	Prolux	Avin
Sample excerpts	Humanity is waking up to the realities of cultural, ecological, and environmental disruption by huge hydro–power dam projects [D00E1] Nothing has been said again about (the minister) having got a bribe from Alpha/Avin. I am not sure whether anybody is investigating the matter, or whether the man was dropped simply to be saved from a possible investigation [IEE2] It has been established that the dwelling places of a number of spirits will require relocation either before construction commences or before the reservoir area is inundated. [IEE2b].	Information to the communities has been disclosed in a culturally appropriate manner, e.g., engagement of local community leaders to assist in the meetings. [D005, p.279]. We predominantly had Ugandans because you have very many experienced Ugandans in the environmental and social fields. … they understand the local people, the thinking, the culture…[I005] I have been involved with some projects in the other countries like DRC. You go some good distance with the people involved and then there is a sudden change at the Ministry of Energy. So that was critical here as Sam has been in the Ministry for many years and James as well [I005]	We are in a community where we are making a product that maybe only 15% are consuming. Then you have to find a way to cover the other 85%, through benefit and … good neighborliness. [I010] The people of Busoga should be proud of this company for standing with us whenever we reach out to them. [IE1] We formed what we called Electricity Generators and Distributors Association of Uganda (EGADAU). And it is through EGADAU that we intend to carry out most of the hard-nosed stakeholder interfaces and engagements. [I011]	We made it clear right from the beginning, I remember in 2008, we don't want people who want to deal with the project with political motives. [I015] We have a liaison committee which also was existing during the implementation of the project. [IE3] Prolux was (and is) co-operating closely with the Local District Government in Kasese and the local communities. A community development program was prepared .... Particular attention has been given to programs which benefit women and children. [DO 17]	We wrote to the president through the local government in Jinja. We have full support. [I017, I018] Avin is what has catapulted Jinja into the 21st Century. One was either employed by Avin or government, period … Every investment and business that has come up in Jinja is influenced by Avin. …[IE9] As the first and only major hydro IPP, Avin International actively assisted in developing Uganda's energy policy to accommodate the generation and distribution of private electricity. It was instrumental in shaping the new energy sector, advising and discussing the needs of all the countries in the region. [D031]
First-order Themes[3]	Individual managers (1) dealing with multiple resistance and complexities as they see fit from their experience (4) (cultural,	Intense interaction with community leaders and diverse local stakeholders by individual managers (1), followed by collective	Explicit dependence on formal and informal relationships (3) with national political actors, spearheaded by individual	Careful selection and empowerment of local individual HR (1) at all managerial levels, who developed a strong	Integration of historical local relationships (3) with new capabilities (5) for an evolving local context; Leveraging of experience

[3] Derived from in-case analyses; not yet assessed at a broader, cohesive level.

	social, environmental and political), followed by feedback to the managerial team for synthesis of organizational collective positions (2); challenges of being a first-mover by exploring informal relationships (3) at various levels; responding to the fluidity of corruption as an informal institution; limitations of local managers acting individually, but lacking benchmarks and hence resorting to exploratory approaches (5).	managerial positions (2) – building new relationships and reconfiguring others (3); Careful selection and training of local managers and their expatriate counterparts, based on experience (4) from other projects, followed by harmonization of management-wide positions; Emergence as a global benchmark for local social and environmental impact assessments (5)	managers (1), who fed back to inform common team positions (2); Pressure to get more locally and socially engaged at later stages of reform, hence needing to learn (5); dealing with evolving institutional contexts; Key experienced (4) managers leading the way in developing a portfolio of relationships at the highest government levels	managerial team (2); Strong local community buy-in using emerging relationships (3) with experienced (4) managers at all levels, especially through projects affecting vulnerable segments of community; Emergence as a national benchmark for compliance to rules (5), including local engagement	(4) as a key stakeholder in a widely acclaimed co-operative partnership with local sugar cane out-growers; individual managers (1) playing key lead roles in relating with informal institutional stakeholders, for example in the local kingdom; collation of these relationships for harmonized, collective positions (2); Experimenting with cross-border dimensions of informal institutions by entering neighboring markets, e.g., Rwanda and South Sudan.
Second-order Themes [4] Collective and coordinated managerial activities as a critical enabler of embeddedness (1+2), reflected in adaptational and anticipatory decision making to bridge between the project and the environment; general dependence on relationship-based activities, spearheaded by these managers (3), particularly for responding to institutional uncertainty and fragility in the market and developing bridges to success; developing a common understanding of capabilities crystalizing out of the activities and the resources needed for further development (2), especially adaptation to the now and anticipation of the future; strategic pairing of and collaboration between local managers and informal institutional specialists and their expatriate counterparts (3) to bridge views; adaptations along the path of reform derived from experiences of the managers (4); reconfiguring capabilities to reflect new learning (5); mixing exploration and experience (inductive conclusion by researchers)					
Emerging concept(s) Adaptive/customized bridging; anticipatory bridging; uncertainty- and fragility-based bridging; experience-based bridging; exploration-based bridging **Bridging capabilities**					

[4] Derived from cross-case analyses; more generalized reflecting observations across all cases; emerging patterns of cohesiveness and capability specification

Figure 1: Theorizing from raw data to high-order concepts on bridging capabilities

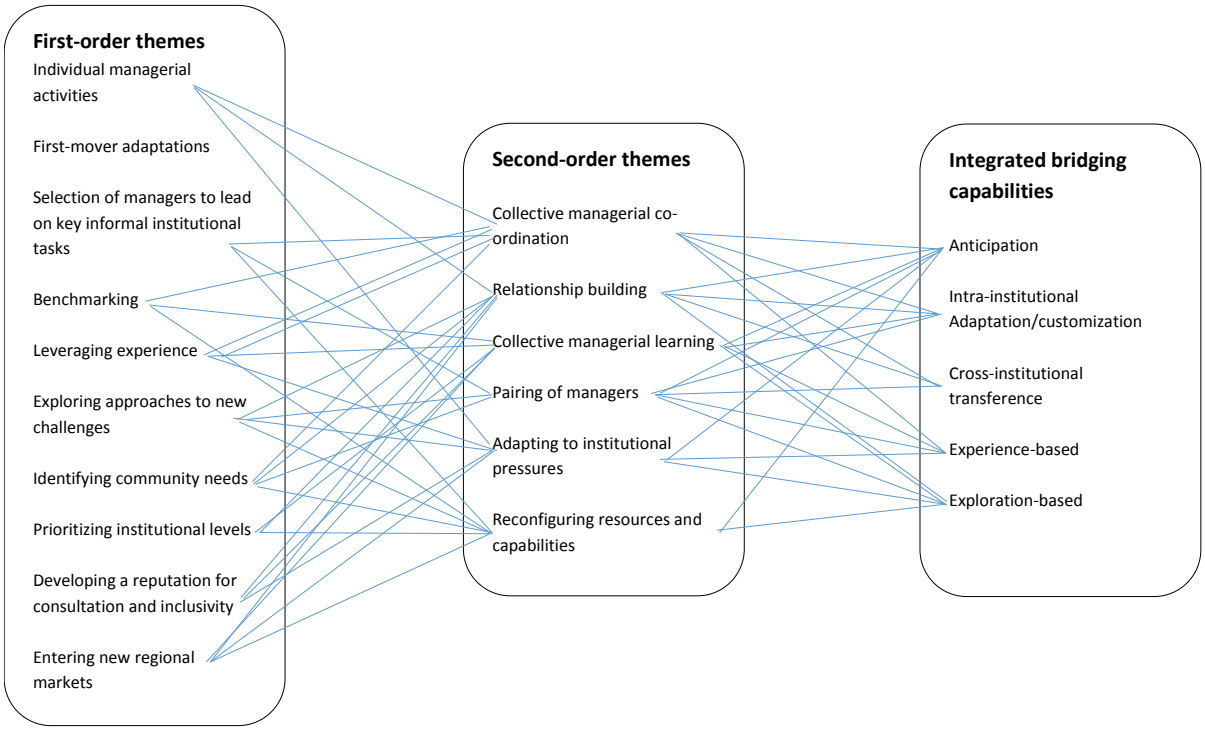
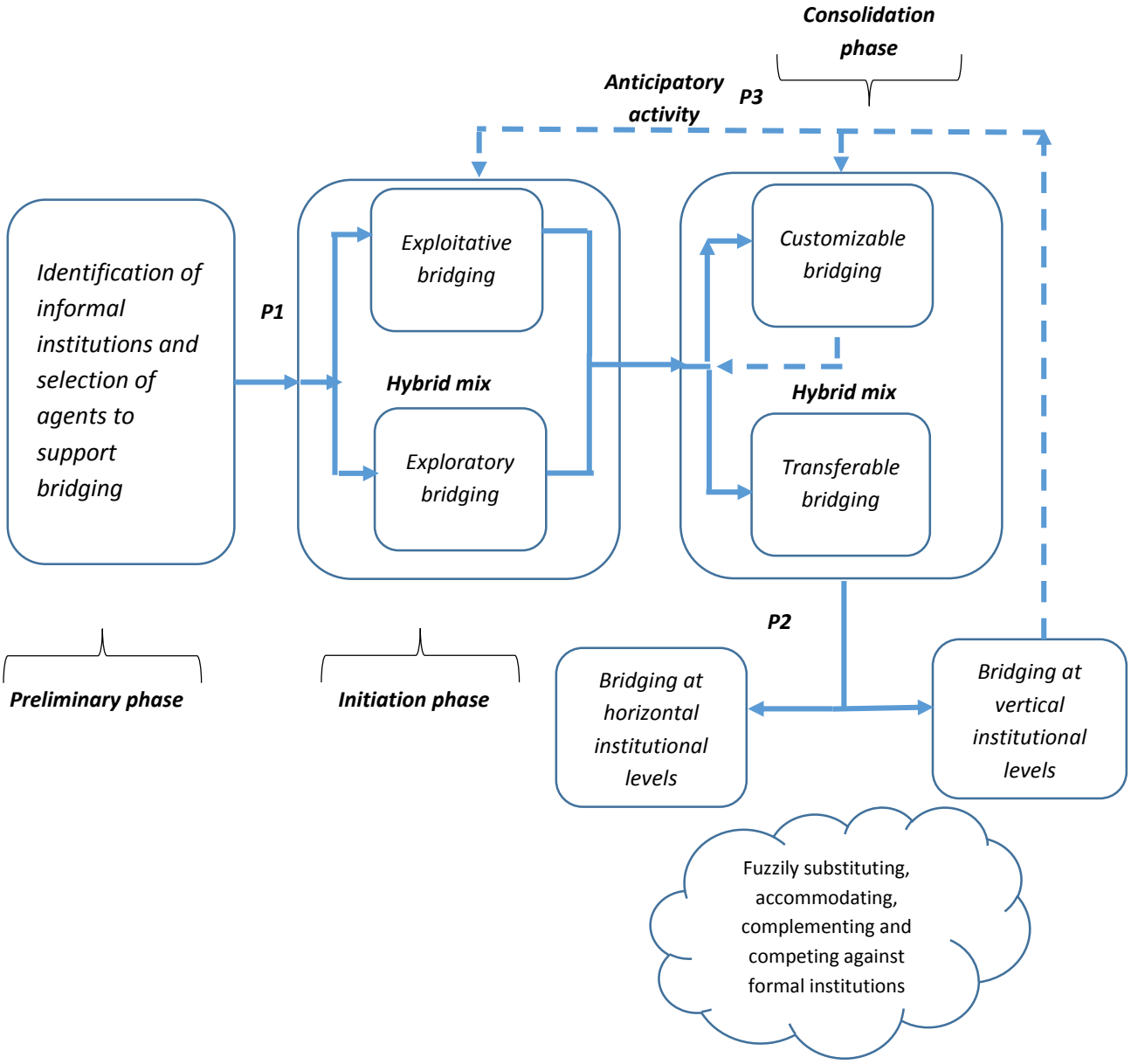
Figure 2: MNE bridging mechanisms to engage with informal institutions at the sub-national level