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Strategic Expansion Framework for South African Listed Mobile Telecommunication Companies into Emerging Markets

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Abstract

The aim of this paper was to develop a strategic expansion framework that could be used as a reference-point and guide for South African mobile telecom companies as they expand into emerging markets. The roaming of networks ensures that tourists experience quality service delivery through seamless connectivity to various networks without breaking the connection. Two listed South African telecom firms participated in the study. The research was undertaken using a mixed methodology. A response rate of 79% and 98% was obtained from questionnaires and interviews, respectively. The quantitative and qualitative results were used to formulate the strategic expansion framework. During expansion, South Africa's (SA) English language and culture were observed to be compatible with most emerging market countries' language and culture. It was observed that resources do not induce expansion, but rather support expansion strategy. Although the expansion strategy was partially effective, further research revealed that the implementation and operations process had elements of inefficiency. The research indicated that South African telecom firms were not well acquainted with the capabilities and the impact of capabilities on business processes. South African telecom firms' competitiveness and their integration with other variables were sound. Furthermore, South African telecom firms should assess government's commitment to infrastructural development of the potential emerging market, as this has a bearing on their cost structure, ease of doing business and overall success of their expansion. It is recommended that South African telecom firms use transnational and localisation strategies and consolidation modes of entry during their expansion into emerging markets. In addition, telecom firms are also advised to have adequate resources. It is recommended that South African telecom firms use the formulated SCCapPER strategic expansion framework as a guide during expansion to enhance their chances of success.

Keywords: Capabilities, Efficiency, Profitability, Resources, Strategy
[Disclaimer: These are the opinions of the author and not of the telecom firms.]

Introduction

The paper explores the strategic expansion of South African telecom firms into emerging markets. The paper outlines the background of telecom firms in emerging markets, research aim, objectives and hypothesis. Furthermore, the literature review, research results, conclusion and recommendations are discussed. Areas for possible further research are also outlined in this paper.

Background

The strategic expansion of telecom firms into emerging markets enhances the roaming of telecom firms' networks. The globalisation of customers into emerging markets assists telecom companies in gaining more revenue through telecom roaming facilities (Gentner, 2014). Furthermore, the roaming of networks ensures tourists experience quality service delivery through seamless connectivity to network, without breaking the connection. The strategic expansion of telecom firms ensures affordable internet and calling rates to tourists when they visit various tourism destinations (Ikiara, 2008). The study revealed that roaming of networks benefits tourists as it allows sustainable seamless-user experiences in both home and visited emerging market networks and the tourists can access other services e.g. mobile banking services while travelling outside the geographical coverage area of the home network (Babic, 2017).

Furthermore, this means that a guest can "instantly" book accommodation using internet through applications like Booking Now, discover a running route in an unknown city or write a review of a restaurant right after leaving it. These and other digital channels have been important for tourism development (Erdis & Sigauke, 2018). Although some tourists would buy SIMs from local operators, most relied on (free) WiFi networks in cafes, hotels and apartments (Babic, 2017). These limitations have restricted the existing habits of using mobile telecom facilities. But through roaming of networks, tourists are able to google, and immediately call various tourism facilities and make bookings. Research done by the WorldSIM Company in 2016 has shown that 85 percent of tourists use smartphones when travelling, and 45 percent consider the lack of Internet connectivity to be extremely irritating and impractical. Thus the expansion of telecom firms into emerging markets helps alleviate these challenges, and that boosts tourist arrivals and enhances the experiences of tourists (Babic, 2017).

The availability of mobile Internet enables tourists to indulge in the familiar habits of googling tourist attractions and searching them on TripAdvisor and online travel agents. Since the tourists habit of planning the whole trip ahead are becoming old and outdated, availability of roaming facilities (calling services, internet, social media access) allows both business and leisure guests to schedule their itinerary easily whilst at the destination (Babic, 2017). For instance, Walk-in guests, (tourists wishing to get accommodation without booking it ahead, have always been important). By having telecom firms roaming facilities through resources-sharing, tourists can make their bookings anytime anywhere.

The strategic expansion of South African telecom firms, MTN, Telkom and Vodacom, within South Africa's domestic market, was enhanced by the country's good communication infrastructure, and by road, among others, whilst expansion into emerging markets had a mixed performance. This was because of limited infrastructure and resources, a different political environment and laws, as well as a different market environment which required different strategies to enhance the chances of success in emerging markets (Berg & Hamilton, 2002). During the expansion into emerging markets, Vodacom experienced changes between 2010 and 2017 in legislation, equity structures and joint venture strategic problems (Ng'wanakilala, 2017). Telkom's strategic expansion into emerging markets seemed a success at the time, but after a few years of operation, some business units closed due to inadequate resources needed to sustain the expansion, inefficiency of operations, liquidity, viability and profitability challenges (Telkom, 2010; 2012).

In Iran, MTN faced challenges in their attempt to repatriate their profits for further expansion into other emerging markets. Furthermore, MTN was fined US$3.9 billion for unregistered SIM cards in Nigeria (MTN, 2016), which impacted negatively on the company's profitability and resulted in job losses (Udo, 2017). In analysing Vodacom, Telkom and MTN's experiences in emerging markets, it was observed that all the above-mentioned could limit a company's success.

However, the positive growth potential in emerging markets prompted the scramble for operating licences and encouraged the growth and consolidation of telecom firms (Dike & Rose, 2017). Some of the international strategies employed by these telecom companies in emerging markets were successful, while others were unsuccessful. The unpredictable operating landscape stimulated research to ascertain how South African telecom firms could do business better and enhance their chances of success, looking specifically at a firm's strategy, competitiveness, capabilities, profitability efficiency, resources and institutional factors.

Research aim and objectives

The aim of the study was to develop a strategic expansion framework that could be used as a reference point and guide to South African mobile telecommunication companies as they expand into emerging markets. The research objectives of the study were:

- To examine the effectiveness of international strategies being used by South African mobile telecommunication companies as they expand into emerging markets.
- To assess the competitiveness of South African mobile telecommunication companies as they expand into emerging markets.
- To analyse the profitability, efficiencies, resources and capabilities of South African mobile telecommunication companies as they expand into emerging markets.
- To examine the impact of institutional factors as South African telecom firms expand into emerging markets.

Hypothesis

- H_0: The resources, capabilities, efficiency and strategies of a company do not influence its profitability in emerging markets.
- H_1: The resources, capabilities, efficiency and strategies of a company influence its profitability in emerging markets.

Literature review

South African telecom firms have been expanding into emerging markets; although the expansion was a success in some instances, in others, it was not. The literature review discusses firm strategies, competitiveness, capabilities, profitability, efficiency, resources and institutional factors, as these aspects often affect telecom firms during expansion into emerging markets. In addition, the OLI, Uppsala and TCA models are discussed. The three models were modified and incorporated into the SCCapPER model.

Ownership, location and internationalisation (OLI) model

The Ownership, Location and Internationalisation (OLI) paradigm seeks to evaluate factors that influence the expansion of firms into markets beyond their national borders (Masiero, Ogasavara & Risso, 2017). The OLI paradigm was based on foreign direct investment as a base for firms' internationalisation and Masiero *et al.* (2017) posit that such an expansion view is resource-ownership based, and the resource must be exploited externally. This is represented by an 'O' in the framework. The framework also considers the characteristics of the host nation or market. These characteristics are represented by 'L' for location. Furthermore, the framework looks at the firm's specific internal competences which are used by firms in markets beyond their national borders. These firms' specific internal competences are represented by 'I', which stands for internationalisation advantages (Hallgrimsdottir, 2009).

Uppsala Model

The Uppsala model was developed through a study of Swedish firms, and was based on the behavioural theory (Hallgrimsdottir, 2009). The behavioural theory describes a firm's expansion as a staged process; the expansion process increases with time. The development of the Uppsala model was influenced by psychic distance (Ghemawat, 2007; Penrose, 1995). The psychic distance is "the sum of factors preventing the flow of information to and from the market" (Penrose, 1995:33). The factors include "differences in language, education, business practices, culture and industrial development" (Water, 2004:7). Water (2004) considered these factors of importance as firms expand beyond national borders. In the Uppsala model, a firm's expansion starts with geographically and culturally close markets before expanding far afield (Hallgrimsdottir, 2009). On the other hand, Sarkar, Cavusgil & Aluakh (1999) argue that a firm's expansion pace differs from one company to another, and Gomez and Maicas (2008) contended that the order of market entry is an important determinant of market share, competitiveness and profitability in the telecom industry. The Uppsala model proposes that firms' entry mode should involve less equity at the initial stages of expansion (Louw & Venter, 2013). Use of greenfield, acquisitions and mergers is not encouraged, but non-equity investments are encouraged at the initial stages of expansion before full resource commitment into a market.

Transaction cost analysis (TCA)

The Transaction Cost Analysis (TCA) was propounded by Williamson (1975); he hypothesised that transaction costs determine an organisation's structure. That is, as firms expand into emerging markets, they choose an entry mode that leverages their long-term risks, whilst being efficient in their operations (Masiero *et al.,* 2017). In this model, Williamson (1975) considered the firm's level of control, the external uncertain business environment, internal uncertainty and free-rider potential. The TCA is aligned to the efficiency theory. North (1990) argues that the TCA approach is myopic, having failed to consider institutions and institutional changes that occur when firms expand in emerging markets. North (1990) argues that combining the TCA theory with the institutional theory allows a firm to have a holistic view of the business environment during expansion. Firms must set structures which comply with set laws and regulations. Martin (2013) argues that the TCA on its own is weak; he proposes that cultural and institutional aspects should be included when analysing transaction costs, as this has an impact on the expansion of telecom firms.

Strategy

The corporate strategy of a firm drives a firm's international and business strategy (Thompson, Strickland & Gamble, 2016; Johnson, Scholes & Whittington, 2011). According to Grant (2016), a firm's corporate strategy determines which lines of business the firm should be in, whilst the business strategy determines which markets to compete in. In support, Grant (2016) observed that, at corporate level, top business executives are involved in deciding which lines of business to enter, which countries to invest in or divest from, and what opportunities a firm can leverage on. There are different factors that impact on the selection of a firm's international strategy. Hill (2012) observes that pressure of cost reduction and pressure of local responsiveness influence the firm's strategic choice. Grant (2016), on the contrary, suggests that a firm's investment capacity, skills and market profit potential should be considered in making expansion decisions. The international strategies observed by Hill (2012) include global standardisation, localisation, transnational and international strategy. Global strategy focuses on economies of scale as a base for a firm's profitability (Grant, 2016). In pursuing localisation strategy, a firm seeks to enhance profitability by customising its products and services to its location. According to Kotler and Keller (2016) and Heshmati and Lovic (2012:4), a customer's "tastes, interests, behaviours, preferences and cultures differ from one country to another", hence it is important to meet them as this impacts the effectiveness of the strategy. The transnational strategy is applied when a company faces both localisation and unit cost of production pressure (Hill, 2012). Lastly, an international strategy is adopted by firms that have a unique product which has little or no competition across the globe (Hill, 2012).

After careful evaluation of the strategies, firms have to decide on expansion entry modes, pace of entry and entry approach. The modes of entry include joint ventures, acquisitions, take-overs, greenfield, licensing and strategic alliances (Dike & Rose, 2017; Al-Kaabi, Demirbag & Tatoglu, 2010).

Competitiveness

Porter (1990) propounded the diamond model and considered competitiveness as a strategic concept which is based on the corners of a diamond. Porter's (1990) view explores firms as competing on the international market, along with the nation's role in this process. The foundation of the argument of this modern approach is that the home nation influences the ability of its firms to succeed in particular industries. Hence, it is important to consider a telecom firm's competitiveness in emerging markets, based on different facets of the diamond model, which include firm strategy, structure and rivalry, factor endowments, demand conditions, and related and supporting industries (Porter, 1990). Hill (2012) postulated that the competitiveness of firms is based on a combination of both domestic and international factors. On the domestic front, resource endowment is critical (Cascio, 2013; Draper & Schilvin, 2012). Furthermore, as firms expand, aspects such as politics, exchange rates, and transport have a greater impact on the firm's competitiveness (Calderon, Cantu & Chuhan-Pole, 2018; Gooderham, Grogaard & Nordhaug, 2013; Grant, 1991b).

Resources and capabilities

The resource-based view was developed to explore how resources impact a firm's performance. Grant (2016) suggested that a firm's source of sustainable competitive advantage is based on the resources which a firm owns. Kabue and Kilika (2016:98) state that "resources are often more common than rare, more homogeneous than heterogeneous and more mobile than immobile," hence, they advocate that "firms must bundle the resources in order to develop rare and difficult to imitate processes that act as a source of competitive advantage". In support, Hill (2012) mentions that what determines the influence of resources on firms' competitiveness is the level of efficiency and the firm's effectiveness in resource deployment. Kabue and Kilika (2016) argue that productivity, backed by efficient resource deployment, does not automatically translate into a firm's international success.

Capabilities

Capabilities "are complex patterns of skill used to deploy resources required to perform a task and produce a desired end result uniquely and competitively" in a firm (Johnson *et al.,* 2011:157). Hence the capabilities theory argues that resources alone cannot catapult a firm to success during international expansion (Teece, 2018). Given the resource deficiency in emerging markets, Pant and Ramachandra (2012:231) suggest that "it is better for emerging market telecom companies to venture into countries with similar institutional frameworks and insufficient economic resources similar to their own". Li and Yao (2010:145) and Whan-Seon, Myeongho & Kyung-Don (2009) postulate that by expanding "into similar economies, emerging market firms can leverage their knowledge of environments".

Eisenhardt and Martin (2000:1117) criticised the theory and mention that it "is a static concept based on slow business growth and therefore misses the link to offer any explanation on how firms can enhance their success in highly volatile environments". The dynamic business environment gave rise to the dynamic capabilities theory (Teece, Pisano & Shuen, 1997a). The dynamic capabilities theory defines a business as evolving and continuously responding to changing business needs (Teece, Pisano & Shuen, 19971b).

Profitability and efficiency

Friedman (1970) stated that a business does not exist for social responsibility purposes, but to maximise profits. Fox (2012) and Friedman (1970:6) further mention that, "the only corporate social responsibility of a business is to make profit". Various scholars studied the expansion of firms and its impact on profitability. Singla and George (2013) observed that there is no relationship between internationalisation of firms and profitability. Tallman and Li (1996) observed that there is a weak relationship between profitability and firms' expansion into emerging markets. Serrasqueiro and Nunes (2008) disagreed with this view, observing that there is a statistically significant relationship between SME performance in relation to their foreign expansion.

Chen and Hsu (2010) and Riahi-Belkaoui (1998) found that the degree of internationalisation impacted profitability and produced an S-shaped relationship based on the rate of internationalisation (Chen & Hsu, 2010; Riahi-Belkaoui, 1998:318). Radlo and Ciesielska (2015) observed that companies in Poland produced a U-shape profitability model during expansion. Rieck, Cheah, Lau & Lee (2005:4) claimed that firms which produce a U-shape have "few product portfolios that are small and these firms are non-diversified". In their research, Rieck *et al.* (2005:5) observed "that the U-incline shape comes as the company restructures the internationalised business in response to new operational challenges".

Efficiency is one of the fundamental aspects that have a direct or indirect impact on a firm's performance (Case, Fair & Oster, 2014). Johnson *et al.* (2011) state that core competences are fundamental to a firm's efficiency levels. Johnson *et al.* (2011) further suggest that core competences enable firms to operate efficiently within the business environment, whilst responding to business challenges. Grant (2016) viewed efficiency as a product of resource investment and how effectively resources are deployed. Thus, this view looked primarily at the process aspect of operations, which is fundamental to capabilities creation.

Research methodology

The research was undertaken using mixed methodology (Saunders, Lewis & Thornhill, 2016). Two listed South African telecom firms were purposively selected. The study population consisted of senior and middle managers because they are involved in the expansion strategy processes (Teece, 2018). The participants were selected using stratified sampling (Saunders *et al.,* 2016).

Results and discussion

Expansion strategy

South African telecom firms are mostly following localisation (31%) and transnational (31%) strategies in their expansion strategy process. Localisation strategy enables South African telecom firms to implement and impart a strategic thrust that is based on the parent firm's influence, as stated by Teece (2018). The adoption of these strategies enhances effectiveness as South African telecom companies expand into emerging markets. The respondents further reveal that adoption of a hybrid strategy is also an option, especially in emerging markets.

The research showed that South African telecom firms' international strategy is shaped and influenced by the firm's corporate strategy, because the corporate strategy "determines which businesses a firm should be in, while the business strategy determines how a firm competes in different markets that they are present in" (Grant, 2016:19). Further, it is the corporate strategy of a firm which drives telecom firms' business strategy, entry mode strategies, pace of entry and entry approach into a country (Dike & Rose, 2017; Al-Kaabi *et al.,* 2010). The decision on mode of entry is mainly determined by a firm's resource capacity, strategic goals and objectives, and the business environment (Johnson *et al.,* 2011). Research results have determined that South African firms initially grew through a greenfield entry strategy into emerging markets. Further scrutiny and trend analysis of the telecom industry has shown that there is a shift from greenfield investment towards consolidation (Vodacom, 2017; Ali, 2006), and interviewees echoed the same. For instance, Vodacom is pursuing the acquisition of Neotel, and recently Vodacom acquired a shareholding in Safaricom of Kenya (Vodacom, 2016), whilst Telkom acquired Multi-Links and Business Connexion (Telkom, 2016; 2007). This further demonstrates that business consolidation is becoming more prominent, as compared to the greenfield entry strategy in the telecom industry.

The actual implementation of strategies through, effective utilisation of resources and capabilities to enable efficient business operations has been a major challenge for South African telecom firms (Kabue & Kilika, 2016). International strategy integration with resources, capabilities, efficiencies, competitiveness and profitability have been good, but problems were experienced during implementation. Strategy implementation problems are a risk to the success of telecom firms during expansion into emerging markets. Grant (2016:426) posits that it is the responsibility of the corporate parent to provide oversight on the strategies of subsidiaries on "financial resources, missing skills, technological investments and managerial expertise", and this could positively impact on the strategy implementation process. Mishina, Pollock & Porac (2004) further elaborate on the stumbling blocks preventing telecom firms' smooth flow of their international strategy implementation processes.

Mishina *et al.* (2004) looked at financial resources, and observed that a firm with adequate financial resources is more competitive and sustainable when expanding, as compared to firms with inadequate financial resources. O'Brien (2003) and King and Levine (1993) also observed that firms with a good financial base internationalise much faster, are more successful, and profitable. The study observed that South African firms have inadequate resources to adequately and competitively sustain their expansion into emerging markets, while Mishina *et al.* (2004) posit that any company's growth decision has to be adequately sustained by a wide availability of resources.

Competitiveness

Though South African telecom firms showed that they lagged behind in terms of technology competitiveness, they stand better in terms of market competitiveness, as compared to developed market telecom firms. Though a firm might be strong on technology which is a resource-based strategy (Kabue & Kilika, 2016), it is important to ensure that adequate market analysis and strategy formulation are also sound and relevant to telecom firms' different markets, as stated by Grant (1991b). Furthermore, research pointed out that firms that expand into markets similar to their own markets are more competitive and stand a better chance of success, as compared to companies that have developed into markets different from their point of origin (Barnard, 2010). Li and Yao (2010:145) postulated that by expanding "into similar economies, emerging market firms can competitively leverage their knowledge of environments". This study observed that emerging markets into which South African telecom firms expanded generally have similar characteristics and culture to that of SA. To a larger extent, this enabled South African telecom firms to succeed, with the exception of a few instances where failure was reported.

In the independent assessment of developed and emerging markets, it was however, observed that developed markets are rated as more competitive than emerging markets. This is attributed to technology advancement, ease of access and fair distribution of information in developed markets, as compared to developing markets (Kotler & Keller, 2016). Further, it is attributed to an almost equal distribution of income and better economic performance in developed countries, as compared to emerging market countries (Case *et al*., 2014). These disparities and characteristics hinder developed market telecom firms from quickly catching up with South African firms when competing in emerging markets (Pant & Ramachandra, 2012). The learning economies in developed telecom firms operating in emerging markets will come with time, but in the meanwhile, South African telecom firms have a competitive advantage (Case *et al.,* 2014; Whan-Seon *et al.,* 2009). To build on the competitive position of South African telecom firms in emerging markets, South African firms adopted a defensive strategy (39%) and an attacking strategy (35%). It can be implied that the defensive strategy stance is against developed market telecom firms penetrating into emerging markets. At the same time, the attacking strategy is against local telecom firms, which enjoyed first-mover advantage because of arriving in the markets first (Ghemawat, 1986). This enhanced the market share of South African telecom firms.

In further emphasising the similarity between the South African market and emerging markets, the majority of participants indicated that South African market characteristics resemble emerging market characteristics. Interview participants highlighted that SA's language and culture are compatible in emerging markets. Whan-Seon *et al.* (2009) also claimed that firms should expand into markets that share similar culture and language to their domestic market to enhance their competitiveness and chances of success. Furthermore, the research observed that three main key factors which sustain this success are innovation (19%), strategy (18%) and capabilities (16%). Efficiency, resources, profitability and 'others' came last, with a score of 15%, 13%, 10% and 10%, respectively. This means that efficiency, profitability and capability are after-effects; hence, they are output factors in international growth by South African telecom firms.

Resources

The resource research results clearly pointed out that firms do not expand because they have a strong resource base; it is their strategies which nurture their growth into international markets. This is contrary to what Lee and Lieberm (2010) observed. However, telecom practice in South Africa supports the research results obtained. MTN expanded more into emerging markets as compared to Vodacom (Maketa, 2009). Vodacom had stable resources compared to MTN. It can be argued that resources are not a propeller for expansion, but they facilitate expansion of telecom firms. Their presence does not induce international expansion, but their absence restrains international expansion of telecom firms (Hersey, Blanchard & Johnson, 2008). In further supporting the research results of this study, it can be argued that Vodacom could have expanded more, based on their resource strength, but they could not. In addition, Telkom's inability to adequately finance their operations in Nigeria resulted in the failure of their strategic move with Multi-Links. This means that, resources support international expansion and their absence results in failure of international expansion ventures. Furthermore, participants highlighted that resource-sharing strategies such as roaming of networks are good in supporting internationalisation, and this positively supports tourism and the profitability of telecom firms.

In terms of human resource management strategy, the study showed that South African telecom firms lack the ability to attract and retain adequately trained and skilled human resources in emerging markets (Sparrow, Farndale, & Scullion, 2013). Cascio (2013) and Meyer (2012) argue that it is important for a telecom firm to assess whether the company has adequate human capital, and the capacity to attract and retain human resources in emerging markets. One of the underpinning factors which spur international firms to success is their human resources. Meyer (2012) mentioned that human resources are fundamental to the implementation of a company's strategy on new grounds. This is because human resources are the cornerstone of strategy implementation processes (Cascio, 2013). However, the competitiveness of South African telecom firms' human resources strategy scored low. This shows that a sound competitive HR strategy has to be formulated and should be continuously revisited as South African telecom firms expand into emerging markets (Beamond, Farndale & Hartel, 2016; Hill, 2012). Furthermore, Tan and Mahoney (2005) observed that firms which expand at a faster pace in a short space of time often face human resource problems. It is important for telecom firms to ensure that their HR strategy is well thought out when expanding into emerging markets, so as to avoid HR challenges.

Capabilities and efficiencies

Operations and capabilities are the engine which drives a firm's success or failure as they operate in emerging markets. Operations involve the actual day-to-day strategy implementation activities (Heizer & Render, 2014). Such operations are fundamental in the formation of a firm's capabilities (Hill, 2012). Capabilities are distinctive competitive facets which ensure that telecom firms are competitive in their markets of operation (Teece, 2018). The institution of capabilities in any company rests on its resource base. A good resource base, if fully utilised, can enable the development of sound and inimitable capabilities which drive a company towards success (Kabue & Kilika, 2016).

In ensuring a smooth flow of operations, research has indicated that South African telecom firms have low expertise and that impacts on the firm's efficiencies (Cascio, 2013; Meyer, 2012). The research results show that human resources management has gaps. For instance, irrespective of retrenchments by Telkom and MTN, the firms are still delivering the same service levels and making better profits (Udo, 2017; Telkom, 2013). This demonstrates initial inefficiencies of operations within their value chain (Heizer & Render, 2014). Furthermore, it shows that telecom firms were unable to fully utilise human resources.

The technology competitiveness of telecom firms has greater impact on their performance and capability development, especially in technology industries like telecom (Barnard, 2010). In the research results it was observed that the competitiveness of South African telecom firms is low compared to advanced market firms. The interviewees also stated that South African telecom firms lag behind advanced markets in terms of telecom technology. Wang, Huang & Lin (2007) looked at efficiency and observed that advanced technology in advanced markets has a positive impact on the efficiency of firms as they expand. This position negatively affects South African telecom firms' competitive position in emerging markets, as developed market firms are making inroads into emerging markets (Maketa, 2009).

Profitability

Vodacom's financial results have showed positive profits since the company's inception. Vodacom's entry into emerging markets further contributed in building the company's profits. The consolidated financial results of Vodacom demonstrate a linear consistent positive profit and revenue growth. This is in line with what Serrasqueiro and Nunes (2008) observed. Revenue and operating profit have been growing at 5% compounded growth, between 2012 and 2016. EBITDA has been growing at a compounded growth rate of 7.5%, portraying a linear curve (Vodacom, 2016). In 2015, though there was consistent revenue growth, the operating profit growth rate was slightly negatively impacted by an increase in operating costs. This could be attributed to inefficiencies in anticipating the volatile business environment in emerging markets. However, overall, the consistent management of costs and efficiency levels in Vodacom assisted the firm during its expansion into emerging markets.

Telkom's financial performance showed a U-shape, both in revenue and profitability. This is in line with their convergence strategy and what Rieck *et al*. (2005) observed. Telkom emphasises cost management, as it works towards improving its profits. In 2007, Telkom recorded a total revenue of R51 million, though from 2008, the revenue dropped to R38 million and to R36 million in 2009. The downward revenue trend continued until 2016, when the figures again started to grow. After the Multi-Links consolidation, operating profit started to drop. The biggest drop of 60% was realised between 2008 and 2009. Between 2012 and 2013, operating profit dropped into a negative R11 million from a positive R2 million in 2012. After the introduction of the convergence turnaround strategy, operating profit turned positive again in 2014. The group's revenue showed an upward trend from 2014 to 2015 and EBITDA switched to positive from 2014.

Institutional factors

Doing business in emerging markets is governed by certain institutions, factors and frameworks (Rexhepi, Ramadani, Rahdari & Anggadwita, 2017). The institutions, factors and frameworks impact on telecom firms' success in one way or another. According to George (2014) and Berg and Hamilton (2002), governments are still one of the main stakeholders which influence businesses in emerging markets. Further, the government in most emerging markets is the biggest spender in the economy (Fainshmidt, Judge, Aguilera & Smith, 2018). The government might not have a direct say in the operations of an industry, but they do have great influence through shareholding, board of director seats, laws and regulations and economic controls (Ali, 2006). The interviews also noted that governments in emerging markets support telecom firms in various ways which include funding and buying telecom products and services.

In this research, the results indicate that, to a certain extent, government has control over who enters into the telecom market and who leaves, and Berg and Hamilton (2002) noted the same. The results illustrate that government control is now minimal. This is because there are different communication authorities and boards that are now present in many emerging countries. This, to a larger extent, enables a continued deregulation process in the telecom industry. However, incidents such as the Econet Wireless licence issue in Zimbabwe, Econet Wireless' ousting in Nigeria, the MTN licence fine in Nigeria (Econet Wireless, 2017a; MTN, 2015), MTN profit repatriation in Nigeria (Udo, 2017), and Vodacom equity issuing to locals in Tanzania (Ng'wanakilala, 2017), indicate that emerging market governments control telecom businesses to a certain extent. Such a government position has influence on both the failure and success of South African telecom companies' expansion into emerging markets. Proper and careful consideration of the government's involvement in different markets is important for South African telecom firms. In addition, it is important for telecom firms to engage with emerging markets' government from time to time. This will enable smooth and sound business operations in emerging markets. As posited by Tite (2006), the deregulation process in the telecom industry paved the way for the development of telecom authorities in different countries. But due to government influence and corporate governance (CG) gaps in some instances (Kneal, 2016), the telecom industry's complete deregulation is non-existent and the complete independence of these institutions is in question in some emerging market countries (Fred, 2018). However, it has to be noted that the research results indicate that telecom boards are 73% independent. This 27% leaves room for external stakeholders' influence in the process, but on a low note.

In further analysing the influence of institutional frameworks, the research results indicated a "high" rating of 39% and a "low" rating of 42%. Medium was on 11%. This illustrates that there is movement towards less influence by institutional frameworks in the telecom industry, in line with the deregulation process in the industry as posited by Tite (2006). Furthermore, the research used Porter's five forces model in analysing the influence of different institutions (Porter, 2001). Communications authorities came first, underlining movement towards a market-based economy in the telecom industry (Case *et al.,* 2014). Competitors and buyers scored 25% and 24%, respectively. This shows that these two stakeholders are the main determinants of the success of South African telecom companies in emerging markets.

An assessment of the economic problems in emerging markets indicated that infrastructural development (Calderon *et al.,* 2018), inflation and high labour costs (Vodacom, 2016) are the main problems that South African telecom firms face as they expand into emerging markets. According to Calderon *et al.* (2018), infrastructure development is the mandate of government, and South African telecom firms have to assess government's commitment to infrastructure development when assessing future potential markets of entry in emerging markets, as this has a bearing on their cost structure, ease of doing business and overall success in these markets. Inderst and Stewart (2014) also acknowledge that infrastructure challenges are the biggest hurdle for companies that want to invest in emerging markets. Inflation negatively influenced profitability from the supply side of telecom firms' business, which negatively impacted the profit margins. Further, high labour operating costs in emerging markets impacted on South African telecom firms' profitability (Vodacom, 2016; Case *et al.,* 2014).

Statistical analysis

Multiple linear regression was used in analysing the expansion variables under study. Multiple linear regression is defined as "a statistical method for obtaining a formula to predict values of one variable from another where there is a casual relationship between two or more variables" (Siegel, 2016:105). In any business, strategy, efficiency, competitiveness and how capable a firm is in running its business, is measured through profits. In the regression analysis, profitability was taken as a dependent variable and the other variables were taken as independent variables. According to Anderson, Sweeney & Williams (2011), multiple linear regression has several key assumptions. These assumptions were tested on SPSS. The linearity and normality assumptions were met. The third assumption states that there should be no or little multicollinearity in the data, and that multicollinearity occurs when the independent (predictor) variables are highly correlated with each other (Pawlicz & Napierala, 2017; Saunders *et al.,* 2016). According to Pawlicz and Napierala (2017) and Chen and Rothschild (2010), if a correlation coefficient critical value is higher than 0.80, one of the correlated independent variables should be removed. Competitiveness and efficiency had a correlation coefficient of 0.945. Further, competitiveness had a VIF value above 10. Hence, competitiveness was removed. The following hypothesis was tested and the regression equation was formulated.

7.7.1 Hypothesis testing

H_0: $\beta = 0$ (There is no association between profitability (dependent variable) and strategy, resources, capabilities and efficiency (independent variables) in emerging markets).

H_1: $\beta = 0$ (There is an association between profitability (dependent variable) and strategy, resources, capabilities and efficiency (independent variables) in emerging markets).

Table 1: *Model summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.947[a]	.897	.890	.299	.897	123.861	4	57	.000

a. Predictors: (Constant), Capabilities, Resources, Strategy, Efficiency
b. Dependent Variable: Profitability

Table 1 indicates that the multiple correlation (R) is 0.947, which demonstrates a high degree of correlation. It was observed that there is a strong relationship between profitability and the independent predictor variables (strategy, resources, capabilities and efficiency). Hence, these variables can be explained with certainty using the regression model. According to Siegel (2016) and Black (2010), R^2 is interpreted as the proportion of variance which can be explained by the independent variables, and it shows how close the data is to the regression line. In this study, the multiple correlation (R^2) is 0.897, which indicates that profitability (dependent) can be accounted for through the combined linear effect of the predictor variables by 89.7% of the variation in profitability.

Table 2: *ANOVA table for the regression output*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.335	4	11.084	123.861	.000[b]
	Residual	5.101	57	.089		
	Total	49.435	61			

a. Dependent Variable: Profitability
b. Predictors: (Constant), Capabilities, Resources, Strategy, Efficiency

Using the ANOVA for regression analysis, it was observed that the overall equation is statistically significant (F = 123.861, p<0.001) as shown in Table 2. The p-value is 0.000 which is alpha (α) < 0.05. This indicates that overall, the regression model applied is statistically significant which is good enough in predicting the outcome variable, namely profitability.

Table 3: *Coefficients*

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.266	.219		1.215	.229
	Strategy	.143	.044	.164	3.256	.002
	Resources	.019	.049	.018	.390	.008
	Efficiency	.501	.072	.625	6.985	.000
	Capabilities	.357	.093	.362	3.836	.000

a. Dependent Variable: Profitability

The multiple regression model analysis equation for profitability is illustrated as follows:

Profitability = 0.266+0.143(strategy)+0.019(resources)+0.501(efficiency)+0.357(capabilities)

From the regression model equation, (coefficient table) of multiple linear regression, the values of the variables are: Capabilities (β_1 = 0.362, p = 0.000), Resources (β_2 = 0.018, p = 0.008), Strategy (β_3 = -0.164, p = 0.002) and Efficiency (β_4 = 0.625, p = 0.000). The independent variables show that the value of p is alpha (α) < 0.05. This means we reject the null hypothesis. There is an association between profitability and the other variables (capabilities, resources, strategy and efficiency) in emerging markets. All the variables are statistically significant to the prediction, $\alpha < 0.05$. In addition, this means that the variables namely: capabilities, resources, strategy and efficiency, have a significant impact on profitability as telecom firms expand into emerging markets. It was observed that for South African telecom firms to ensure that they are profitable, they need to craft their strategies carefully, whilst ensuring that the firm has adequate resources once they are established in emerging markets. In addition, South African telecom firms need to make sure that they transfer their capabilities and operate efficiently in emerging markets so as to increases their chances of being profitable and remaining operational. Each independent variable in the regression equation impacts on profitability such that if one is lacking, a firm's profit is reduced. The regression model highlights that the variables under study have to be well-integrated for South African telecom firms to realise a greater chance of success in their expansion strategies. Therefore we reject the null hypothesis (H_0) and do not reject the alternative hypothesis (H_1), which states that:

H_1: $\beta = 0$ (There is an association between profitability (dependent variable) and strategy, resources, capabilities and efficiency (independent variables) in emerging markets).

Strategic expansion framework

The strategic expansion framework was formulated using the data collected and analysed. These were integrated into the SCCapPER framework through the use of the quantitative and qualitative data and modification of earlier models: the OLI, Uppsala and TCA. The weaknesses of these models were turned into strengths so as to guide South African telecom firms as they expand into emerging markets. The qualitative and quantitative data show that the corporate and business strategies of South African telecom firms work hand-in-hand as firms expand (Grant, 2016; Louw & Venter, 2013). The study found that corporate strategy goals affect South African telecom firms' expansion into emerging markets. Through the corporate strategy, international strategies in South African telecom firms are conceived. In this study, it was observed that when executing the strategic expansion into emerging markets, South African telecom firms should use localisation and transnational strategies (Louw & Venter, 2013; Heshmati & Lovic, 2012; Hill, 2012). At the same time, the telecom business is trending towards consolidation and South African telecom firms are following the trend. South African telecom firms should utilise opportunities for greenfield expansion if available, and embrace licence bidding opportunities if they present themselves (Masiero *et al.,* 2017; Al-kaabi *et al.,* 2010). Figure 1 illustrates the facets that impact on South African telecom firms' strategic expansion in emerging markets. It is important for telecom firms to embrace the strategic pathway to ensure greater chances of success in their expansion.

In considering or conceiving international strategies, telecom firms should take into consideration the local government laws on indigenisation and local shared-ownership (Fred, 2018; Ng'wanakilala, 2017). This has an impact in terms of their choice of entry mode and pace of entry (Dike & Rose, 2017). The entry mode can be through 100% wholly-owned ownership, shared-equity ownership arrangement or joint venture strategy, among others (Louw & Venter, 2013). If there is greater culture and language compatibility with the local environment, 100% ownership is encouraged. However, the general trend in emerging markets has shown that it is better to enter through joint venture with a local partner (Tseng & Lee, 2010). This eliminates future equity and strategy challenges due to changes in indigenous laws in emerging markets regarding foreign company ownership (Fred, 2018; Ng'wanakilala, 2017).

Having conceived the strategy which has been proven to be a success in telecom expansion, it is important to consider resources as a support variable to the firm's strategic expansion position (Mishina *et al.,* 2004). The resources, as observed in the study, do not propel international expansion, but they support international growth. Hence, they are central to the growth of telecom firms into emerging markets. The presence of adequate resources does not guarantee success in international market operations, but their absence does influence the success of operations in emerging markets (Hersey *et al.,* 2008).

In this research, it was observed that human resources, as part of the resource bundle, are central in the implementation of the conceived expansion strategy into emerging markets. In addition, human resources are fundamental in ensuring that a company builds capabilities through the application of technology and human expert skills (Teece, 2018; Cascio, 2013). The translation of these capabilities into operations enables sound and efficient business operations, which allow services and products to be competitive in the market, as demonstrated in Figure 1. Based on the learning economies of scale concept, it is valuable for South African telecom firms to impart already built capabilities into new emerging markets (Case *et al.,* 2014). Though there is a scholarly debate on the transferability of capabilities into new markets, in this research, the results have indicated that there is little know-how of the capabilities concept. These capabilities, whether dynamic or static, need to be transferred and imparted into emerging market operations (Chao, 2011). The capabilities form the base of the firms' competitiveness in the market and they enable operational efficiencies in a firm.

Good efficiency levels, as was highlighted in the research, result in good profit margins and this translates into business profitability and success, as illustrated in the SCCapPER and regression models. In addition, higher operational efficiency levels in telecom firms during expansion results in a firm's competitiveness in the market from a cost perspective (Masiero *et al.,* 2017; Hill, 2012; Williamson, 1975). This gives South African telecom firms a better footing in profit margins, and allows telecom firms more flexibility in competitively pricing their products and services in emerging markets. In telecom business, the high investment level must be complemented by a strong well-disciplined cost management structure in the entire value chain (Louw & Venter, 2013). This is from the supply side until the customer consumes the final product or service and is satisfied (Heizer & Render, 2014). Central to managing the cost structure is the ability of human resource expertise in identifying opportunities to reduce costs, enhancing flow of operations, and building competences and capabilities in the telecom firm. This will have an add-on-effect on the firm's profitability in emerging markets, hence, the overall success of the expansion strategy.

The international strategy success of telecom businesses in emerging markets does not occur in a vacuum, but it occurs in a sphere of a business environment which demands ways and means of doing business in emerging markets. It is important for South African telecom firms to first assess the different institutional frameworks in emerging markets (Calderon *et al.,* 2018; Ali, 2006; Tite, 2006; Berg & Hamilton, 2002), looking specifically at the government's role, because the government is the major influential stakeholder in the industry. It was also observed that the government is the major developer of infrastructure (Calderon *et al.,* 2018). It is important that government takes the lead role as their participation influences investment in emerging markets (Draper & Scholvin, 2012). Other institutional factors such as competitors, substitute products, communication regulatory authorities, customers and suppliers (Grant, 2016; Porter, 2001), are central to South African firms' success in emerging markets. It is important to carry out an individualised analysis of these factors and their impact on the business, mitigate the negatives and take advantage of the positives.

South African telecom firms have to consider CG in emerging markets (Kneal, 2016) because SA's telecom investment in emerging markets and its success is affected by the presence of other industries in emerging markets (Grant, 2016; Hill, 2012). Before taking any step in formulating an actual entry strategy into emerging markets, it was observed that South African telecom firms have to assess the compatibility of their business and corporate strategies, culture and language against ways and means of doing business in a specific emerging market. If there is compatibility, then formulation of the international strategies to expand into these markets begins. In addition, there should be introspection of resources, their availability and strength, whilst considering capabilities and the actual operations and efficiencies which influence competitiveness and a firm's profitability in the market. These findings, as discussed above, were further tested through multiple linear regression analysis. The multi linear regression analysis demonstrated that there is an association between profitability, strategy resources, capabilities and efficiency during expansion into emerging markets.

Based on the quantitative and qualitative data obtained, the strategic expansion framework is the universal set composed of elements show in Figure 1.

- ξ = {Strategy integration, corporate and business strategy, mode of entry, strategy, resources, capabilities, efficiency, competitiveness, profitability and doing business in emerging markets}.

Universal set (ξ), comprises sets (A) and (B) and variables that are outside of 'A' and 'B' as illustrated below:

- Base set variables (A) = Strategy, resources and capabilities.
- Output set variables (B) = Efficiency, competitiveness, profitability and capabilities.

The capabilities in this framework are the ones that interlink the Base set (A) and the Output (B) set of variables, that is A ∩ B = Capabilities. This led to the formulation of the strategic expansion framework as illustrated in Figure 1.

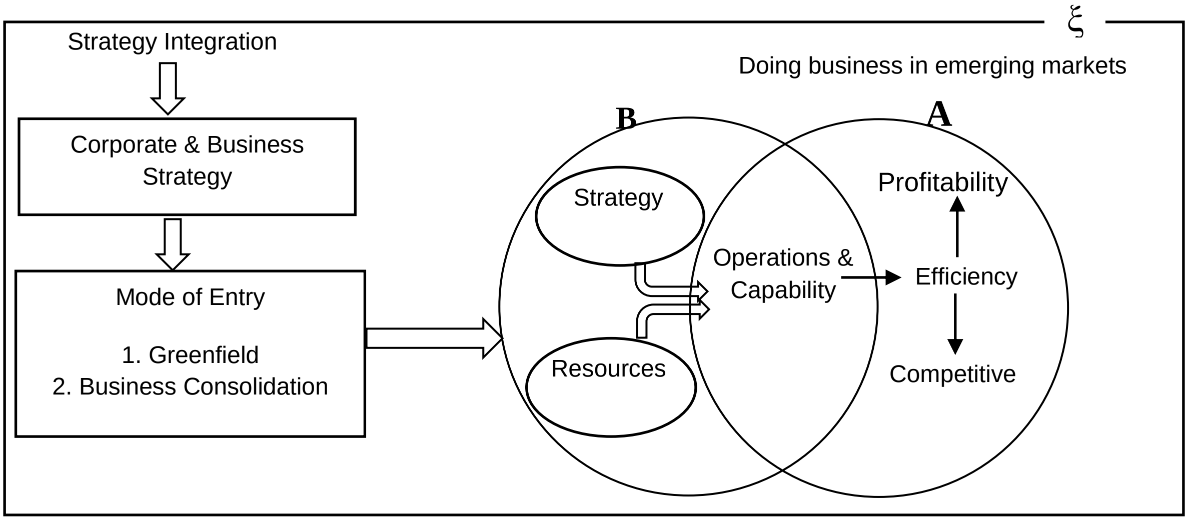

Figure 1: *SCCapPER strategic expansion framework*

The SCCapPER framework explores the ownership of telecom firms during expansion into emerging markets. The model suggests that ownership options should be well-integrated with the telecom firms' business and corporate strategy. Furthermore, the ownership options must be compatible with the proposed markets. The SCCapPER framework encourages telecom firms to expand into markets which share similar settings to their domestic market. According to Hallgrimsdottir (2009), the Ownership, Location and Internationalisation (OLI) paradigm sought to evaluate factors that influence the expansion of firms. Unlike the OLI model, which did not explore opportunities for the development and evolution of capabilities over time (Mathews, 2006), the SCCapPER framework considers capabilities. Capabilities were viewed as an intermediary dynamic variable which inter-links variables in set A and B in the SCCapPER framework. Because capabilities are dynamic, South African telecom firms are encouraged to continuously monitor their business environment, and respond accordingly to enhance chances of success during expansion.

The Uppsala model proposed that internationalisation of firms should involve less equity at the initial stages of expansion (Louw & Venter, 2013). The use of greenfield, acquisitions, and mergers was not encouraged, but non-equity investments were encouraged at the initial stages of expansion, before full resource commitment in the market. Lee (1991) criticised this model and argued that first-mover advantages are compromised if a firm uses the Uppsala model. In support, Luo (2001) regarded the Uppsala model as weak in securing first-mover advantages. Wagner (2009) also criticised the model, and argued that it did not consider today's advanced technology and complex environments. Furthermore, Hollensen (2004) criticises the model and observes that it does not consider suppliers, customers, and competitors, as firms internationalise. Porter (1980) observes that suppliers, customers, competitors and substitutes are important and propounded a five forces model of analysis. Furthermore, Yaprak and Karademir (2010:249) and Hollensen (2004), highlight that "formal institutional arrangements such as government policies and informal institutional ingredients such as norms and values that govern nature and pace of exchange, can influence both inward and outward flow of international trade and investment," but these were not covered in the Uppsala model.

The SCCapPER model mitigates the criticism of the Uppsala model and suggests that South African telecom firms should be sensitive to market trends, and the dynamic business environment. The framework calls for flexibility when making expansion decisions. Furthermore, the framework suggests that telecom firms should align their expansion strategies with their corporate strategies. In line with Rexhepi *et al.* (2017) and Johanson and Mattsson (1989), the SCCapPER framework recognises that business does not exist in a semi-vacuum environment, but must be networked to suppliers, contractors and government, among others. Hence consideration of all institutional factors which influence telecom firms as they expand into emerging markets, is important.

TCA hypothesised that firms should choose an entry mode that leverages their long-term risks, whilst being efficient in their operations (Masiero *et al.,* 2017). Dike and Rose (2017) and Williamson (1975) observe that firms choose their expansion entry mode based on the level of control targets, whilst minimising transaction costs, and maximising economies of scale and scope. In addition, Aulakh (2007:237) observes that the asset exploration approach is "motivated by learning objectives that allow firms to overcome initial hurdles arising due to technological gaps, and late-mover disadvantages in international markets". North (1990) argued that the TCA approach is myopic as it failed to consider institutions and institutional changes that occur when firms expand in emerging markets. North (1990) argues that combining the TCA theory with the institutional theory allows a firm to have a holistic view during expansion in emerging markets.

The SCCapPER model considered institutional frameworks and proposes that telecom firms should take a holistic view and consider all institutional factors which have an impact on their operations in emerging markets. In addition to the transaction costs, the SCCapPER and regression models considered that telecom firms' processes should be as efficient as possible as this has an impact on the firm's profits. Furthermore, the SCCapPER framework looks at telecom firms' expansion from an integrated perspective, that is, the corporate strategy, business strategies, mode of entry strategies, international strategies, resources, capabilities, efficiencies, competitiveness, profitability and aspects that impact telecom firms when doing business in emerging markets. This framework has a holistic view, different from earlier expansion models which only look at one aspect of the business, whilst ignoring others. South African telecom firms are encouraged to use the SCCapPER strategic expansion framework as a guide to enhance chances of success during expansion into emerging markets.

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Conclusions

The expansion of telecom firms into emerging markets benefits tourism by ensuring that tourists can communicate easily in their respective tourism destinations. The seamless connectivity to internet assists tourists to book and engage various tourism online channels. This assist in ensuring quality experiences for guest in their various tourism and hospitality destinations. It was observed that the strategic expansion of South African telecom firms into emerging markets was successful to a certain extent. However, there is potential to increase the success by using the SCCapPER strategic expansion framework guideline. The international expansion strategies that were fundamental in this expansion success process were mostly localisation and transnational strategies. Further, it was observed that in the telecom industry, there was a rapid shift from greenfield investment towards consolidation.

In driving strategy, it was observed that there are gaps in the strategy implementation process and resources were identified as an inhibiting factor. Although SA as a country is endowed with a variety of human resource skills, the exploitation of resources and their full utilisation as telecom firms expand beyond borders has been minimal. It is important for South African telecom firms to mould and build this arm of their business. It was observed that although resources are not an inducing variable towards international expansion, their absence presents more challenges in the growth process. Furthermore, roaming networks were encouraged as they impact on tourism growth, gross domestic product and the profit of telecom firms.

The proper implementation of the expansion process was observed to be of paramount importance in ensuring efficiencies which are based on sound business capabilities. The proper synchronisation of capabilities and efficiencies has a positive influence on the firms' profits. What was a major challenge for South African firms was the implementation of strategies. The research observed that South African firms are very competitive in emerging markets which enhances their chances of success. Emerging markets are different and require a different approach to business. Close observation of institutional factors is important.

Capabilities are important to the systems and structures of telecom firms during expansion. Though capabilities are well integrated with other variables in enhancing international growth, it is their usefulness and full utilisation which is not well conceived by telecom firms. In a technology business environment such as telecom, a firm's capabilities are fundamental in ensuring a firm's competitiveness. Hence, it is important for South African telecom firms to learn this concept and fully apply it to their business.

Recommendations

- The formulated SCCapPER strategic expansion framework is recommended as a guide to South African telecom firms, to enhance their chances of success.
- South African telecom firms should continue to use localisation and transnational strategies as they expand into emerging markets.
- South African telecom firms should have adequate resources and a sound HR strategy to enhance successful expansion.
- Telecom firms should expand more into markets that have little government intervention in company operations, good infrastructure, and into countries with similar characteristics to SA to allow ease of operations.

Suggested areas of further study

A study to assess human resource competences and their impact on the development of the capabilities of telecom firms during expansion in emerging markets should be conducted so that telecom firms could be more efficient and competitive in their processes.

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