Subsidiaries' Behavioural Responses to Volatile Local Contexts in Emerging African Markets: Evidence from Nigeria

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Abstract

Purpose: We explored subsidiaries' behavioural responses to volatile institutional pressures in the local context of the emerging Nigerian market.

Design/methodology/approach: We built on institutional and contingency theory to analyse previous literature on developed markets and apply it to African contexts. We used a context-specific *volatile local context model* to show how porous formal and strong informal institutions constitute international business (IB) as a contested terrain in the host country. We used a qualitative methodology, involving multiple actors, to investigate this phenomenon in practice.

Findings: The findings indicated different types of institutional pressures shaping volatile local contexts, which together or separately impact subsidiaries, depending on their degree of exposure. Subsidiaries behaviourally respond to cope with these pressures through inclusive negotiations involving their home and host countries' networks.

Originality/value: Previous research has imposed developed markets' norms on emerging African markets, regardless of their volatility. Since subsidiaries' responses to local contexts in emerging African markets are poorly understood, we developed a *volatile local context model*, showing how IB becomes a contested terrain in host countries, and we propose a model that differentiates between informal institutions. We highlight the impact of contextual pressures on subsidiaries, according to their levels of exposure to the local context. We conclude that *committed alignment* with a local context is necessary for presenting an effective contingent response to its volatilities.

Keywords: local context, emerging markets, multinational subsidiaries, institutional environments

Introduction

Multinational corporations' (MNCs') subsidiaries are challenged by their *local contexts*. A local context is a collection of institutions marking a distinction between domestic and international business (IB) (Meyer *et al.,* 2011). Local contexts vary across countries in their volatility, particularly in underdeveloped regions like Africa (George, 2015; Jackson, 2013; Nkomo, 2011). The African local context is unevenly volatile; it has a differentiated or mixed context, with non-volatile variations positively serving the continent across generations (Meagher, 2007). We explore variations in volatility, highlighting this mixed context.

The African local context is volatile because of the strong beliefs arising from the traditional attitudes and local norms shaping its institutional environment (Acemoglu *et al.,* 2014; Alemazung, 2010). This framework promotes unbalanced *local content* regulations across the continent (Ayentimi *et al.,* 2016). MNCs' subsidiaries in developed markets are not immune to institutional conflict (Edwards *et al.,* 2002), but those in emerging African markets are confronted by both *porous formal institutions* at the national level that engage in self-seeking manipulation and strong informal institutions, based on local ideologies, that are characterised by rigid traditions and ethnic nationalist control groups (Meouloud *et al.,* 2019; Yaprak and Karademir, 2011). These types of institutions foster antisocial environments. African informal institutions impose standards on formal institutions, making the latter a hybrid of the former. Institutional contexts normally incorporate extant laws and societal norms (Hillman and Wan, 2005), compelling subsidiaries to adjust their headquarters' policies through *re-contextualisation* (i.e. harmonisation of contexts) (Gertsen and Zølner, 2012; Mu *et al.,* 2007). Re-contextualisation in IB is driven by 'mainstream' frameworks such as those based on contingency and institutional theory, but such frameworks should be context-specific if they are to accurately measure local contexts' volatile variations, epitomised by emerging countries such as Nigeria (Plakoyiannaki *et al.,* 2017).

Few studies have explored the volatile variations of local contexts in emerging African markets. 'Mainstream' research tends to impose norms on these markets (Child and Marinova, 2014; Edwards *et al.,* 2010; Jackson, 2013), resulting in 'structural misfit' (Garri *et al.*, 2020) and overlooking local characteristics (Eweje, 2009; George, 2015). Research is required to understand how subsidiaries align with their local contexts (George, 2015; Jackson, 2013; Nkomo, 2011). IB in Africa is challenged by persistently weak institutions, political volatility, and ethnic diversity (Meouloud *et al.,* 2019), including institutional conflicts generated by local chiefs and elites (Acemoglu *et al.,* 2014). IB research focusing on how subsidiaries respond to volatile local context pressures is scarce in African countries such as Nigeria, despite the phenomenal growth of African markets (Enweremadu, 2013; George, 2015). Nigeria is both multicultural and multilingual (Enweremadu, 2013; George, 2015), as well as being the most populous country in Africa, with global economic and political importance (The Guardian, 2014; World Bank, 2018).

Nigeria is known for strong informal institutions that promote corruption and elitism, creating institutional gaps and porosity in the country's formal institutions (Areneke and Kimani, 2019; Ekanem *et al.,* 2019). Such porous national institutions have led to Nigeria's political and economic volatility (Ezedike, 2013; Omokaro-Romanus *et al.,* 2018; Udofia, 1984). Strong, often volatile, informal institutions pervade the Nigerian business environment, which business organisations, government officials, and individuals alike exploit (Rexler, 2010; Wheeler *et al.,* 2002). This results in cultural complications, ethnic nationalist control groups, regional instability, litigation, corruption, state abuse of power, and a weak infrastructure (Enweremadu, 2013; Kemedi, 2003; Onimode, 1978).

Previous local context research in Africa has neither focused on the degree of subsidiaries' exposure to the local context nor clearly shown how they should identify its volatile variations. How subsidiaries in emerging African markets behaviourally respond to cope with the local context and its volatile variations is therefore poorly understood. The local context affects subsidiaries in Nigeria when they have to align their headquarters' policies with it. Many of them struggle to justify budgets for non-market activities and lack understanding of how government activities and those of informal institutions affect strategic objectives. Strategic objectives in a volatile environment should strictly align with the local context, but MNCs in Nigeria leverage their economic strength to exploit regulatory gaps and inherent corruption in the country, often using resources in defiance of best ethical practice and/or conspiring with politicians and local elites for personal gain. Locals who feel short-changed tend to resist through violent agitation and economic sabotage, which has fostered a volatile local context and rendered IB a *contested terrain* in Nigeria—a dilemma that this paper addresses. We define a contested terrain in IB as local people or host communities and multinationals competing for dominance of the operating environment, with the former resisting the influence of the latter using both social and antisocial means, including negotiation, litigation, and the physical disruption of operations. Cultural and behavioural differences between MNCs and locals are thus responsible for IB being contested.

To address the dilemma posed by the volatile local context in Nigeria, this research considered its causal factors across MNCs, government, and the local people, based on the following research question:

How do the subsidiaries of foreign MNCs operate in a context characterised by strong informal beliefs arising from rigid traditions and ethnic nationalist control groups?

We used mixed methods and context-specific modelling to investigate this question (Plakoyiannaki *et al.,* 2017), building on contingency theory (Lawrence and Lorsch, 1967) and institutional theory (e.g. DiMaggio and Powell, 1991; Kostova and Roth, 2002). Whereas institutional theory describes how organisations are forced to conform to existing norms, contingency theory explains how they contingently adapt to institutional norms. We applied this theoretical structure to three cases of MNCs that represented industry leaders interacting with diverse local agents (Eisenhardt, 1989; Sinkovics *et al.,* 2008), drawing on archival data, interviews, and observations. This ensured inclusive yet clear-cut insights into local context volatility in Nigeria (Carney *et al.,* 2016).

To offer new theoretical and practical insights into the interactions between MNCs, local people, and the government, we developed a *volatile local context model* and a *differentiation of informal institutions model*. The first clarifies how headquarters and local institutions position IB as a contested terrain, whereas the second highlights how subsidiaries identify both supportive and non-supportive informal institutions to facilitate their activities. These insights will help researchers and other stakeholders to develop a deeper understanding of the contextual responses of subsidiaries to institutional pressures. We expand current knowledge to help minimise the socio-economic unrest confronting subsidiaries in emerging African markets. Such knowledge is essential for MNCs engaging with local institutions and for local institutions aiming to strengthen their capabilities for interaction with MNCs. The study offers a new understanding of how subsidiaries' strategic objectives are affected by government and informal institutional spaces to help subsidiaries formulate effective responses to volatile local contexts.

The rest of this paper is organised as follows: First, we present the theoretical understanding of local contexts, drawing on developed markets' contingency and institutional theory. We then analyse emerging markets and propose a volatile local context model (based on a weak institutional context) and a differentiation of informal institutions model, both of which underpinned the research. Thereafter, we explain the research methodology and present case MNCs, together with an analysis of the findings. Finally, we discuss implications, future research, and conclusions.

Theoretical Understanding of Local Contexts

Previous research has shown that MNCs' subsidiaries operate in alien environments, characterised by different institutional norms. Subsidiaries are forced to conform to foreign institutional norms and follow local context rules, contingently balancing headquarters' governance policies and those of host countries (Meyer *et al.,* 2011; Schweizer, 2010). Put differently, subsidiaries face simultaneous pressures from non-market factors in the host country and MNC headquarters' demands for alignment. Pressures vary according to the corporate governance style, directly affecting subsidiaries' performance (Garri *et al.*, 2020). These pressures interact at a meeting point in the local context (Meyer *et al*., 2011), constituting institutional duality (ID) (Ahworegba *et al.*, 2020; Hillman and Wan, 2005; Kostova and Roth, 2002; Tempel *et al.,* 2006).

ID refers to the simultaneous pressures on MNCs' subsidiaries from both their host environments and their headquarters (Ahworegba *et al.*, 2020; Hillman and Wan, 2005; Kostova and Roth, 2002; Pant and Ramachandran, 2017). Subsidiaries conform with institutional rules by adapting to their external environment (Child and Marinova, 2014; Yang *et al.,* 2012), contingently responding to host-country institutional pressures (Ahworegba *et al.*, 2020; Negandhi and Reimann, 1972). These behavioural responses reflect their autonomy levels (Garri *et al.,* 2020), affecting their view and prediction of environmental conditions (Ahworegba *et al.*, 2020).

Unfortunately, current understanding may not support a context study in Africa because of the presence of volatile (unstable) local context factors stemming from its underdeveloped environment (George, 2015; Nkomo, 2011); therefore, a context-specific model is necessary to measure the degree of context volatility in Africa (Plakoyiannaki *et al.,* 2017).

Subsidiaries and volatile local contexts in Nigeria and Africa

African countries are underdeveloped (George, 2015), which encourages volatile local contexts to flourish (Child and Marinova, 2014; George, 2015) and shapes subsidiaries' behaviour, including cultural distancing from their headquarters (Beddi and Mayrhofer, 2013).

One volatile local context indicator is *traditional autocracy*, which is an old-fashioned dictatorial leadership style (Alemazung, 2010; Imoisili, 1978) adopted by chiefs and elites in Sub-Saharan Africa (Acemoglu *et al.,* 2014), causing local business and institutional complications because it is loosely organised (Acemoglu et al., 2014; Jackson, 2013). The autocracy of African leaders makes the continent's local context volatile due to rigid but unstable governance practices (Alemazung, 2010; Imoisili, 1978; Jackson, 2013).

In Nigeria, MNCs need to deal with 'agitated groups' (Wheeler *et al.,* 2002) through stakeholder-responsive models of corporate social responsibility (CSR). CSR focusing on employment has a positive effect in reducing local poverty and insecurity (Enweremadu, 2013; George, 2015). Considering trade unions in Nigeria, Zambia, and South Africa, we identified 'legitimacy gaps' for MNCs that create ethical dilemmas (Eweje, 2009), but MNCs support *social* *investment schemes*, such as water supply projects, in Nigeria (Nwankwo *et al.,* 2007). Since 1958, MNCs such as Shell, Total, Agip, and Exxon Mobil have contributed to poverty in Nigeria by disregarding the welfare of host communities, but they have implemented CSR programmes in recent years to reduce local unrest, thereby creating 'global friendships' (Rexler, 2010). The nature and limits of MNCs' 'global friendships' in Africa are unclear; African countries aim for economic efficiency but are constrained by MNCs' domineering attitudes (Udofia, 1984). Frynas *et al.* (2000) asserted that the Nigerian government, the populace, and industrial competitors threaten Shell's operations because of the company's alleged inappropriate stakeholder engagement. Additionally, many MNCs, including Shell and Rio Tinto, have developed stakeholder partnerships at the corporate level but have not cascaded them to the local level due to the porous, volatile institutional context. Omokaro-Romanus *et al.* (2018) highlighted difficulties in Nigeria's business environment due to institutional gaps, including weak infrastructure. This volatile local context in Nigeria fosters social unrest, youth dissatisfaction and agitation, litigation, economic sabotage, hostage taking, ethical dilemmas, legitimacy gaps, and inappropriate stakeholder partnerships.

The contest between subsidiaries and the volatile local context in Nigeria

MNCs in Nigeria operate in an inherently complex environment because of existing institutional gaps (George, 2015), and they sometimes have forceful tendencies that add further complications (Chukwuemeka *et al.,* 2011; Kemedi, 2003; Onimode, 1978; Udofia, 1984). This leads to violent agitation by ethnic groups in Nigeria's Niger Delta, which argue that oil exploration benefits only Nigeria's leaders and their 'neighbourhood' has been degraded by oil exploration without due compensation (Ezedike, 2013; Wheeler *et al.,* 2002). The World Bank (2014), in a survey of 2,676 firms in Nigeria, found that the top 10 identified obstacles due to institutional gaps included ‘political instability’, ‘corruption’ and ‘trade regulation’.

MNCs have encouraged the Nigerian government to seize communal lands in their favour (Kemedi, 2003), often meaning that oil exploration pollutes adjoining lands, creeks, rivers, and the sea upon which the locals depend for living (Kemedi, 2003). Consequently, MNCs face youth restiveness, organised crime, and strong welfare demands **(**Eweje, 2009; Rexler, 2010). MNCs in Nigeria are often highly influential, leading to different forms of resistance from the locals. As Figure 1 shows, the apparently strong influence of MNCs, supported by Nigeria’s porous, volatile institutional environment, makes IB a contested terrain in the country.

INSERT FIGURE 1 AROUND HERE

Figure 1 indicates the volatile local contextual factors in Nigeria as a typical underdeveloped country (George, 2015; Jackson, 2013; Nkomo, 2011). These factors highlight how MNCs and local actors react in a manner that renders IB a contested terrain. MNCs and local people interact in a strong, porous, and volatile regulatory and informal institutional environment. The economic strength of MNCs often drives them to take advantage of porous formal (national) institutions and strong informal volatile factors to exploit resources without proper stakeholder engagement. This approach allows MNCs to dominate localities, which the locals resist with violent agitation, operational sabotage, and frequent litigation. According to the volatile local context model, MNCs operating in developed markets are hosted by stable, strong, and mature institutional environments (Collinson and Rugman, 2008; Edwards *et al.,* 2010; George, 2015; Jackson, 2013), preventing them from wielding excessive influence or exhibiting domineering behaviours. By contrast, MNCs operating in emerging markets like Nigeria are hosted by unstable, immature, and weak but volatile institutions (George, 2015; Omokaro-Romanus *et al.,* 2018; Yaprak and Karademir, 2011); therefore, they wield excessive influence and exhibit domineering behaviours. Locals therefore react violently, rendering IB a contested terrain in the host country.

Regardless of the negative institutional context rendering IB a ‘contested terrain’ in Nigeria, there are some positive, non-volatile factors in the country that have contributed to the development and governance of the region; for instance, Mazzucato and Niemeijer (2002) addressed the role of local informal institutions in Africa, including ‘land tenure systems, customs, norms, and networks’ (p.171), and how these mediate relationships between people and the environment: ‘Adaptations made to local informal institutions within the past century have enabled environmentally sustainable land use within the context of a rising population and growing scarcity of natural resources’ (p. 171). Meagher (2007) argued that there ‘has been a rising importance of non-state forms of economic development and public authority, including hometown associations, patronage networks, religious organizations, vigilante groups and traditional rulers’ (p. 406). These positive informal institutions in Africa have contributed to the development of ‘local administration, popular mobilization, service delivery, and conflict resolution’ (p. 411). Table I presents informal institutions in Nigeria and MNCs’ contingency responses.

INSERT TABLE I AROUND HERE

Table I shows MNCs’ conformity to some classes of Nigerian institutional norms, including their adaptations to ensure sustainable operations. MNCs differentiate between positive and negative informal institutional contexts by tracing and identifying their implications for efficient management, thus allowing them to operate legitimately in their host communities.

Based on our literature review, we organised the study according to the following propositions.

Study Propositions

Proposition 1. Subsidiaries deal with both supportive and non-supportive informal institutions when they enter an African market like Nigeria, and they differentiate to succeed.

Proposition 2. MNC subsidiaries in Nigeria contingently respond to strong informal beliefs arising from rigid traditional attitudes and ethnic nationalist control groups to improve relationships with their host and headquarters.

Proposition 3. Subsidiaries in Nigeria engage in negotiation, learning, and adaptation, and implement social investment schemes to ensure sustainable operations.

Proposition 4. Some supportive informal institutions in Nigeria have positively served the local people and subsidiaries across generations.

Proposition 5. Subsidiaries in Nigeria negotiate turbulence arising from non-supportive informal institutions to ensure operational success.

Methodology

We used the volatile local context model we developed to structure this qualitative research, which involved multiple actors (Sinkovics *et al.,* 2008). The qualitative approach enabled us to accommodate different paradigms and critics (Plakoyiannaki *et al.,* 2017) and choose cases that would clearly exemplify volatile local context issues in Nigeria (Eisenhardt, 1989; Sinkovics *et al.,* 2008).

We took a multiple case approach based on in-depth analysis of archival data, interviews, and observations to gain empirical insight into the volatile local context pressures confronting subsidiaries (Eisenhardt, 1989; Yin, 2014). This provided a clear and all-inclusive view of the Nigerian local context (Plakoyiannaki *et al.*, 2017).

Case selection process

MNCs' activities in Nigeria span crucial sectors of the economy (Amaeshi and Amao, 2009; Onimode, 1978). We chose three cases of actors that represented the oil and gas (Royal Dutch Shell Plc), communication (MTN Group Limited), and banking industries (Standard Chartered Bank (SCB)) and had direct contact with locals. Shell is the leader in the global oil and gas industry, MTN has the largest market share in the GSM industry in Nigeria, and SCB is a leading global bank. With a cumulative history of 150 years in Nigeria, they have rich experience of the adverse and turbulent local environment. Consequently, they provided an excellent platform for analysing the volatility of Nigeria's local context.

Data collection

We gathered data from multiple sources of relevant evidence to ensure that data collection proceeds logically and sequentially (Sinkovics *et al.,* 2008; Yin, 2014). We used personal networks to identify suitable interviewees and to foster trust in the research. We conducted three face-to-face semi-structured interviews and relied on 14 phone calls when it was not possible to meet in person. We used a semi-structured approach to ensure the free flow of explanations and to avoid saturation and nervousness (Eisenhardt, 1989; Yin, 2014). The interviews took place in Nigeria between 2014 and 2018. All interviews were conducted in English and lasted between 20 and 30 minutes. We obtained secondary data from company documents, company websites, annual reports, government institutions' reports and statistics, the public domain, and the World Bank. Table II provides details of the primary and secondary sources of information used to obtain qualitative data for the three cases.

INSERT TABLE II AROUND HERE

Data analysis

We used thematic analysis (Braun and Clarke, 2006) because of its recognised trustworthiness for qualitative research (Eisenhardt, 1989), analysing our data through text organisation, coding, modelling, and interpretation (Sinkovics *et al.,* 2008). This helped us to collate relevant sections, content, themes, and concepts in a refined way (Braun and Clarke, 2006). The findings are based on the interviews, observations, and all other secondary data used (Yin, 2014).

Presentation of cases

Table III shows the historical and operational outlooks of the case MNCs.

INSERT TABLE III AROUND HERE

Case 1: Royal Dutch Shell Plc. (oil and gas industry)

Shell is a British–Dutch oil & gas company operating in over 70 countries, with a presence in Nigeria since 1937. It has four subsidiaries in Nigeria, of which Shell Nigeria is the largest, with the largest local footprint of all international oil and gas companies. The company was a pioneer in onshore, shallow-, and deep-water exploration and production and is currently involved in a joint venture with the Nigerian National Petroleum Corporation (NNPC), Total, and Agip. It holds offshore licences for the Bonga field and Nigeria Liquefied Natural Gas (NLNG), exporting LNG worldwide. Shell Nigeria employs 4,000 people and has contributed to the development of tens of thousands of jobs, directly or indirectly.

Case 2: MTN Group Limited (GSM telecommunications industry)

MTN is a South African GSM telecommunications company with a presence in over 20 countries. It operates the most extensive wireless phone network in Nigeria, which generates a third of its annual global sales and constitutes about 35% of its market share. MTN entered Nigeria in 2001 (MTN, 2016, 2017). It employs over 1,800 people locally (Nigeria Television Authority, 2017; Premium Times, 2017), providing services in 223 cities and towns and in over 10,000 villages in Nigeria (MTN, 2016, 2017).

Case 3: Standard Chartered Bank-SCB (banking industry)

SCB is a British multinational bank operating in over 70 countries. In 1965, it acquired a Nigerian Bank established in 1894. The end of Nigeria's civil war in 1970 catalysed major economic recovery; hence, SCB's investment in Nigeria was reduced to 38% in 1979. Renamed the First Bank of Nigeria, it divested its shares in 1996 (SCB, 2015) but re-entered Nigeria in 1999. Today, it offers a wide range of products and services and employs over 900 staff. It operates about 40 branches in Nigeria (SCB, 2015).

Analysis of the Findings

Table IV provides details of the interview findings; Table V summarises the thematic analysis results, including frequently used expressions and responses; and Table VI indicates the extent to which MNCs were exposed to the impact of shared and case-specific local context pressures.

INSERT TABLES IV–VI AROUND HERE

Local context pressures on Shell

Shell faces pressures from institutional crises, including social and civil unrest, disruption by non-governmental and cultural organisations, acts of economic terrorism, maritime piracy, sabotage, the theft of oil and equipment, and the consequent insecurity of employees (Table VI) (Premium Times, 2014, 2018; Shell, 2016; Vanguard, 2018). These local risks have adverse consequences for Shell's earnings (Shell, 2016), exacerbated by contractual obligations and relevant legislation that increase the costs of Shell's operations; for instance, local communities have litigated against Shell regarding various environmental and contractual disputes, and the company has been indicted for violations (FCPA; Financial Times, 2017; Shell, 2016). Violations of anti-bribery and corruption (ABC) and anti-money-laundering legislation (AML) have threatened Shell's reputation (Shell, 2016).

Local context pressures on MTN

2016 was the worst year for the MTN global group's performance because of the regulatory and socio-cultural challenges it experienced, especially in Nigeria (MTN, 2016, 2017). MTN Nigeria was fined $5.2 billion (USD) in 2015 by the Nigerian Communications Commission (NCC) for not meeting the deadline for mobile network operators (MNOs) to disconnect inappropriately registered subscriber identification modules (SIMs). This resulted in resignations of its top executives, who were accused of collusion (MTN, 2016, 2017; Reuters, 2016; Vanguard, 2015, 2016). Similarly, in 2016, the Central Bank of Nigeria (CBN) instructed banks in Nigeria to suspend the remittance of dividends by MTN because of the alleged illegal repatriation of funds to South Africa, which MTN denied (MTN, 2016, 2017; The Guardian, 2016). Additionally, indigenous people and landowners have demanded operational fees of varying amounts from the company, which risks forced relocation from suitable sites or property destruction if it does not pay (as Table VI indicates).

Local context pressures on SCB

SCB faces both regulatory and sociocultural pressures (Table VI). Local instability, including the civil war that ended in 1970, seriously affected SCB, leading to the forced sale of its shares to indigenous banks. It divested these shares in 1996, but re-entered the market in 1999 (SCB, 2015). In 2012, SCB and other institutions faced pressure to apply the Treasury Single Account (TSA) policy in Nigeria. The TSA is used worldwide because of its benefits for governments, but it eroded

SCB's capital base because governments could no longer 'fix-deposit' huge sums of money (SCB, 2015). SCB was accused by CBN (Central Bank of Nigeria) of deliberate violation of exchange rate rules and was asked to refund #1.7 billion naira (NGN—Nigerian currency) in excess profits from a Forex sale of $48.6 million (USD) above the inter-bank exchange rate. However, SCB claims compliance with the rules (Premium Times, 2016).

Subsidiaries' responses to volatile local context pressures

Table VII shows a cross analysis of the interview findings and the responses of MNC subsidiaries to volatile local context pressures.

INSERT TABLE VII AROUND HERE

Strategic negotiation responses. Subsidiaries in Nigeria negotiate with local and international stakeholders and follow existing regulations, filing defences in courts of law when necessary. Shell, for example, abides by international regulations such as the FCPA and AML. Shell had agreed to the Deferred Prosecution Agreement (DPA) imposed by the US Department of Justice following 2010 alleged violations of the FCPA in connection with freight-forwarding 'sharp practices'. The charges were dismissed in 2013 following fulfilment of the DPA terms. Shell received an out-of-court settlement for some oil blocks in Nigeria after an interim order against the company issued by Nigeria's High Court was dismissed on constitutional and procedural grounds. Some Shell interviewees noted:

> We face massive challenges from host communities, such as threats of shutting down our facilities, kidnapping of our workers, illegal oil bunkering, and so forth (Shell, Interviewee 1). We pay compensation for oil spills, which mostly result from pipeline vandal attacks

> but still drag us into courts. We maintain harmony by settling disputes out-of-court (Shell, Interviewee 8). The government strictly regulates our industry because it generates the highest revenue for the country. You see, we face enormous problems, both regulatory and non-regulatory (Shell, Interviewee 4).

MTN negotiated with the governments of Nigeria and South Africa to reduce the 2015 fine of $5.2 billion to $3.2 billion with the possibility of further reductions and other benefits. The 2016 CBN instruction to various banks in Nigeria to suspend remittance of dividends by MTN to its home country was lifted in 2017 through concerted defence and negotiation. Some MTN interviewees explained:

> We never planned to short-change the government and Nigerians on SIM disconnection issues, which brought about the fine of $5.2 billion; nor did we really engage in criminal remittance of funds to our home country, but we decided to follow the negotiation path, which paid off substantially by bringing the issues to a logical end. (MTN, Interviewee 1). We cope with host communities and landowners' fees, including demands for compulsory contracts and the employment of certain indigenes (MTN, Interviewees 2 and 3).

SCB, on being accused of exchange rate violations and imposing cultural pressure, stated:

> We always comply with CBN rules, and our strategy is to negotiate with concerned authorities to settle regulatory misunderstandings in a friendly manner (SCB, Interviewee 2). We similarly satisfy our immediate host environment's employment requests and pay some 'development' fees (SCB, Interviewee 2).

Social investment responses. Social investment is a key means of managing local context pressure in Nigeria due to the poverty of the locals. MNCs see that poverty leads to hunger, poor education, and health-system failure, which create volatile local environments. MNCs' subsidiaries contribute to local communities through initiatives that link their core activities with the issues these communities face (Garri, 2021). Shell, MTN, and SCB have at various times initiated social investment programmes, including community enterprise development, education, and health solutions (Garri, 2021); for example, Shell (2016) claimed that Nigeria has the largest concentration of social investment in its parent's company, with $93.6 million (USD) contributed to Nigeria's Niger Delta Development Commission (NDDC) in 2014. Shell, MTN, and SCB variously claimed:

> We have been at the forefront of supporting the Nigerian government in meeting its citizens' living condition needs. We set aside funds and allocate special budgets for community-based projects as a way of creating global friendships with host communities, thereby avoiding disputes and litigation. Community leaders and government officials attend our events as special guests. This is one of the best ways of reducing instability in our operating neighbourhoods (Shell, Interviewees 2 and 5; MTN, Interviewees 3 and 4; SCB, Interviewee 3).

Portfolio assessment responses. MNCs under review claim to execute regular portfolio assessments of Nigeria's economic growth and integration in terms of domestic and international benefits. According to interviewees:

> We closely follow government policies and contribute to Nigeria's global competitiveness, and not just through tax revenue generation; we make sure our internal policies support the functionality of Nigerian projects. This process has given us closer ties with Nigeria and its people (Table VII) (Shell, Interviewee 4; MTN, Interview 4).

Divestment responses. In rare instances, MNCs in Nigeria have divested all or part of their investments as a response to volatile local context pressures. Until 2016, Shell made local divestments in highly volatile locations because of economic terrorism, including kidnappings, sabotage, and crude oil theft in the Niger Delta. SCB made international divestments by winding down its activities in 1996, although it re-invested in Nigeria in 1999.

According to a Shell group interviewee:

> We were forced by prolonged hostility from the locals to sell off some of our oil facilities in parts of the Niger Delta. Our continuous presence after several failed peace initiatives was likely to aggravate the criminality against us, so we partly relocated to a safer environment (Shell, Interviewees 2 and 3).

In the case of SCB:

> We maintained unstable operations in Nigeria because of regulatory challenges until recently. We now strategise better, regarding external pressure management (SCB, Interviewee 1).

Learning and adaptation responses. MNCs use cultural integration or diffusion to adapt their activities (Garri, 2021); however, learning the local culture in Nigeria is challenging due to the diversity of cultures, which explains the constant disagreements between MNCs and their host local communities:

> We encourage local adaptation to solve environmental problems. We have a high number of indigenous employees who lead our process of learning how 'things' are done locally. This process has helped in dealing with certain issues of local importance, thus enabling us not to be trapped by avoidable environmental pressures from both the government and local communities (Table VII) (Shell, Interviewee 6; MTN, Interviewee 6)**.**

Implications and Discussion

This study advances insights into IB regarding the Nigerian local context by focusing on its status as an emerging African market. It does so by showing how subsidiaries behaviourally respond to or cope with volatile institutional pressures arising from the local context (Table IV; VI; VII). We developed context-specific models for Africa and Nigeria: a volatile local context model (Figure 1) and a differentiation of informal institutions model (Table I). The first indicates how a pressurised environment stemming simultaneously from porous national/strong informal institutional contexts and MNC headquarters makes IB a contested terrain in the host country. The second identifies positive and non-positive institutional norms in the host country, allowing MNCs and other stakeholders to harness their benefits; it highlights MNC strategies for institutional conformity and contingent adaptation processes to accelerate harmony with the host environment. These theoretical insights can help subsidiaries and other stakeholders to respond 'contingently' or 'contextually' to volatile and non-volatile institutional pressures in their host locations.

Empirically, we have shown the relative impact of volatile local context pressures on subsidiaries across contexts and how subsidiaries differ or vary in their exposure; for example, we have identified contexts with similar backgrounds, including the protocols of host governments (porous national institutions) and host communities (rigid cultures and ethnic nationalist control groups), as well as specific varying contexts (i.e. regional instability, litigation, and regulatory disputes; see Table VI). We have explained how similar, specific contexts shape subsidiaries' behavioural responses in their host countries (Table IV; VI). These findings constitute a new understanding of how formal and informal institutional spaces connect with subsidiaries' strategic objectives, helping subsidiaries to effectively manage institutional pressures arising from volatile local contexts in their host countries.

Previous research in emerging African markets has not focused on local contexts or clearly explored how subsidiaries identify volatile local context factors for easy management. Scholars generally argue that emerging African markets' are turbulent and make business activities difficult, without necessarily detailing their nature or suggesting management approaches (Areneke and Kimani, 2019; Child and Marinova, 2014; Ekanem *et al.,* 2019; George, 2015; Ibeh *et al.,* 2012; Jackson, 2013; Meouloud *et al.,* 2019; Omokaro-Romanus *et al.,* 2018). We have clearly identified volatile local context pressures in Nigeria and shown how MNC subsidiaries interact with local institutions to manage them. Subsidiaries in Nigeria behaviourally respond to formal and informal (regulatory and non-regulatory) pressures by networking effectively across regional and international governments, as well as local stakeholders. Shell, for example, settles cases brought against it by local people in both domestic and foreign courts of law by providing compensation payments, including 'unjustified' ones. MNC subsidiaries generally respond to variations in pressures through negotiation and the provision of social investment programmes for locals, helping the Nigerian government to harness its economic potential and local knowledge. These insights are important for MNCs, governments, local institutions, and policymakers that seek to create sustainable global friendships.

We acknowledge the heterogeneous contexts of African informal institutions. While there are many negative aspects, such as corruption and elitism, there are also many positive aspects, including cohesive institutional traditions; kingship/kingdoms; sociocultural groups that emphasise human dignity, rights, and responsibilities; community leaders who forge memorandums of understanding (MOUs) with MNCs; traditional policing and security systems; and indigenous socio-economic groups that promote self-reliance. These informal institutions have positively served Nigeria and other African countries, as well as MNCs, for generations.

Clearly, our five propositional statements were supported by our findings. We have shown that MNCs' subsidiaries in Nigeria operate in a context characterised by strong informal institutions, rigid traditional attitudes, and ethnic nationalist control groups. We have also shown that subsidiaries experience both supportive and non-supportive informal institutions in African markets like Nigeria, and they succeed by differentiating between institutions; offering contingent responses to institutional beliefs through negotiation, learning, and adaptation; and implementing social investment schemes to build a sustainable society. The evidence clearly indicates that supportive, positive informal institutions in the Nigerian environment have served local people and MNCs across generations in building a sustainable environment. Subsidiaries leverage these supportive informal institutions to succeed in volatile and non-supportive contexts.

Future research perspectives

Future research should deeply explore mixed, heterogenous, or differentiated informal institutions in Nigeria or Africa to clearly show which should be improved or discouraged. Future research could compare Nigeria's local context with huge, resource-rich emerging markets such as China, India, or Russia. Future research could examine how positive and negative informal institutions in Nigeria/Africa differ, or how contexts differ across culturally diverse, naturally endowed host countries. Investigating these issues is of great importance for policymakers in building international relationships.

Conclusion

Committed alignment with the local context is paramount for effective contingent responses to country volatilities. This is important for MNCs operating within emerging African markets because of their porous national institutions and strong traditional beliefs. The presence of porosity and gaps in African institutions, such as those in Nigeria, prompts MNCs' subsidiaries to adopt domineering attitudes, which locals usually resist either through genuine local and international litigation processes or anti-social behaviours such as political and economic terrorism. Such conflict between MNCs and the local context in a porous institutional framework renders IB a contested terrain in Nigeria. Our findings have shown that subsidiaries respond to volatile local contexts by using a combination of their resources and home/host countries' connections to settle disputes. This study offers new theoretical insights by extending knowledge about the frontiers of both developed and emerging markets' institutions. These insights encourage harmonious relationships between MNCs and local stakeholders seeking to engage effectively.

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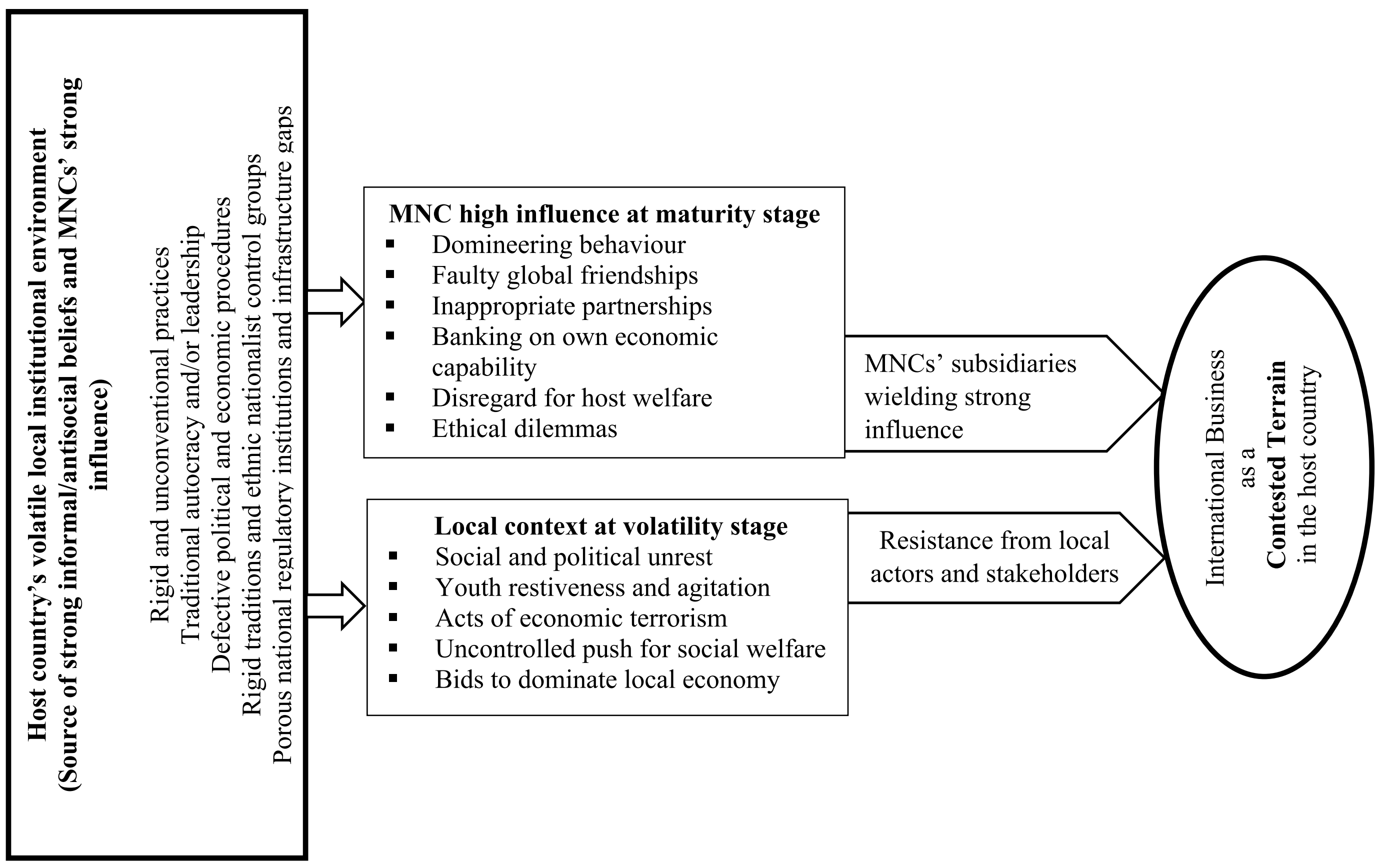
Figure 1: The volatile local context model



Source: the authors

Table I: Differentiation of informal institutions and MNCs' contingency responses

MNC strategy to institutional conformation and contingent adaptation			
Differentiated informal institutional contexts →	**MNCs' conformity to institutional contexts** →	**Contingent adaptation to institutional contexts** →	**Expected strategic outcome**
Positive norms/contexts ▪ Kingship/kingdoms ▪ Socio-cultural groups ▪ Community leadership ▪ Positive ethnic nationalist control groups ▪ Traditional policing and security ▪ Economic self-reliance groups	▪ Building on existing institutions and promoting their ideologies for harmonisation.	▪ Strengthening value systems, human dignity, rights, and responsibilities through sustainable developmental strategies for host communities. ▪ Provision of social welfare and collaborating with existing institutions via support projects, including infrastructure projects, to strengthen existing institutions.	▪ Operational efficiency and legitimacy
Negative norms/contexts ▪ Traditional autocracy ▪ Corruption and elitism ▪ Rigid traditions ▪ Cultural gerontocracy ▪ Self-seeking ethnic nationalist control groups ▪ Social unrest and youth dissatisfaction ▪ Economic sabotage and hostage-taking ▪ Regional instability and local political volatility	▪ Converting local threats into opportunities through localisation of experience and closing inherent gaps in institutional orientations	▪ Strengthening internal friendships via policies that expose the danger inherent in corruption and elitist practices, etc. ▪ In-depth experience of informal activities in the host country to convert threats into opportunities in host communities, and autonomously favouring them, to achieve operational legitimacy or recognition.	▪ Operational efficiency and legitimacy

Source: the authors

Table II: Research data

Source	Details	Number
Interviews*	Company Managers	17
Annual Reports	(Shell, 2016)	1
	(MTN, 2016, 2017)	2
	(SCB, 2015)	1
Websites	Shell, MTN, SCB	3
News Items:		
Shell	(Premium Times, 2014; Financial Times, 2017; Premium Times, 2018; Vanguard, 2018)	4 articles
MTN	(Vanguard, 2015, 2016; Reuters, 2016; The Guardian-Nigeria, 2016; Premium Times, 2017; Nigeria Television Authority, 2017)	6 articles
SCB	(Premium Times, 2016)	1 article
General Economy	(BBC News, 2014; The Guardian-UK, 2014)	2 articles
World Bank	(World Bank Group Enterprise Survey, Nigeria, 2014); others, 2018	2
McKinsey Global Institute	(Economic Report, 2014)	1
Prior Research	Local context and institutional environment pressures (includes research method items)	78 articles

Interviews by Function*	Shell Plc	MTN LTD	SCB Bank	Total
Operations and procurement	2	1	1	4
Research and development	1	1	1	3
Corporate/external affairs	1	-	-	1
Environmental management	1	1	-	2
Communications and PR	1	1	1	3
Sales and distribution	1	1	-	2
Production management	1	1	-	2
Total number of interviewees	8	6	3	17

Source: the authors

Table III: Outlooks of the Case MNCs

Case Companies	Royal Dutch Shell Plc.	MTN Group LTD	Standard Chartered Bank
Company Profile:			
Origin	UK and Netherlands	S. Africa	UK
Industry	Oil & gas	GSM	Banking
Year of entry/re-entry into Nigeria	1937	2001	1965/1999
Employees	>4,000 direct and others (10s of 1000s)	>1,800	>900
Market Presence	>70	>20	>70
Operating locations in Nigeria	Niger Delta focus	Across Nigeria	Abuja, Lagos, Port Harcourt
Industry position	Leader	Leader	Among the first
Divestment and reinvestment	Divisional divestment	N/A	Both

Source: the authors

Table IV: Interview flow and key findings

Interviews by Function*	Shell Plc	MTN LTD	SCB Bank	Total
Operations and procurement	(2) (1) There are demands from various groups, including self-seeking ethnic groups or leaders, for compensation for land use and forced employment. We constantly fear that our employees will be kidnapped. We forge ahead via negotiation. (2) Our operations have been sabotaged several times, and we face forced relocations, shutdowns, and kidnapping, although the leadership of Bonny Kingdom has tried to show us how we can develop effective public relations via community projects.	(1) (1) We face regulatory issues. We were accused of short-changing the government and Nigerians on SIM disconnection issues, which brought about a fine of $5.2 billion; we did not really engage in criminal remittance of funds to our home country. We followed the negotiation path, which paid off substantially by bringing the issues to a logical end.	(1) (1) Because of environment risks and regulatory challenges, we maintained unstable operations in Nigeria. We now strategise better regarding external pressure management.	4
Research and development	(1) (3) We face several issues resulting from rigid local processes. Prolonged hostility from the locals made us sell off some of our oil facilities. Our continuous presence after several failed peace initiatives was likely to aggravate the criminality against us. We relocated to a safer environment.	(1) (2) We face issues from several unauthorised bodies claiming development levies and land access ownership. We settled out of court to reach agreement and progress our project.	(1) (2) There are always environment issues. We comply with regulators. We support the environment through social investment.	3
Corporate/external affairs	(1) (4) We have to pay unnecessary compensation due to traditional attitudes, but they still drag us into courts. We maintain harmony by settling disputes out of court. The government strictly regulates our industry because it generates the highest revenue for the country. We set aside funds and allocate special budgets for community-based projects. We are very supportive of a sustainable environment.	(-)	(-)	1
Environmental management	(1) (5) Massive challenges from the host communities: a very volatile situation, mostly in the creeks, and threats of shutting down our facilities or kidnapping our workers. We built a vocational college with affiliated institutions like City and Guilds London, financed and run by Shell. The indigenes established an employment bureau that checks and ensures that citizens are not marginalised, and ensures that those trained at college have access to Shell internship training and are employable anywhere.	(1) (3) We negotiate with landowners and pay development fees to locals as a government requirement. We support the Nigerian Government in meeting its citizens' living condition needs as a way of creating global friendships with host communities.	(-)	2
Communications and public relations	(1) (6) We face serious obstacles such as rigid traditions and difficult communal laws, youth dissatisfaction, and irregular government policies and monitoring. We use intercultural understanding, learning from the environment and understanding how things are done locally. There are some positive aspects of host communities (i.e. effective and agreeable local leadership).	(1) (4) The country is volatile, but we maintain stability by following government policies and contributing to Nigeria's global competitiveness through tax revenues and by promoting social investment, including health and education.	(1) (3) There are security issues, but we make sure our internal policies support the functionality of Nigerian projects. This process has given us closer ties with Nigeria and its people.	3
Sales and distribution	(1) (7) We face regulatory and non-regulatory problems, especially communal issues that are often turbulent, including forced shutting down of our activities and irregular sales. We count losses when youth is restive.	(1) (5) We have steady sales growth despite regulatory challenges. Local people have not negatively affected our distribution channels.	(-)	2
Production management	(1) (8) We maintain a sustainable environment, but we face attacks, illegal oil bunkering, pipeline vandalism, and courts cases. We compensate for oil spills, which mostly result from pipeline attacks.	(1) (6) We work with the government and local people to ensure local capacity building for the local citizens, to avoid disputes and litigation.	(-)	2
Total number of interviewees	8	6	3	17

Source: the authors

Table V: Thematic analysis of the data

Thematic basis	Frequent expressions/phrases	Frequency range	No of interviewees	Illustrative quote	Subsidiary's response
Local Context:					
Nature of operating environment	▪ Volatile environments ▪ Porous/weak government control ▪ Multiple unregulated groups ▪ Political/economic instability ▪ Peculiar/unusual environment	3–10	17	'The Niger Delta is extremely volatile, and businesses are constrained by this'	▪ Learning and adaptation ▪ Strategic negotiation and alliances
Environmental pressures encountered	▪ Cultural and communal complications ▪ Overbearing traditional institutions ▪ Sabotage of operating facilities ▪ Weak and inefficient formal institutions ▪ Unregulated bodies seeking control ▪ Social and political unrest ▪ Bribery and corruption ▪ High demand for welfare ▪ Kidnappings of workers ▪ Communal and youth restiveness	2–8	17	'One key challenge is the activities of unregulated or host community bodies seeking to control our activities, causing conflict and sabotaging our facilities'.	▪ Learning and adaptation ▪ Strategic negotiation and alliances ▪ Providing social welfare investment for host communities ▪ Redesigning portfolio to favour host economy ▪ Divestment of interests
Demands of host communities/government	▪ Rigid communal laws, youth restiveness, irregular government policies and monitoring	4–7	17	'Operators must fulfil requests from both formal and informal bodies'	Strategic negotiation and alliances
Institutional Contexts:					
Impact of headquarters (HQ) and host environments	▪ Low autonomy and independence ▪ Dual nature of control sanctions	5–8	17	'Facing the dilemma of conflicting authorities is tormenting'	Strategic negotiation and alliances
Observing HQ and host regulations	▪ Fear of losing HQ's attention ▪ Threats from host environments	6–9	17	,,	,,
HQ and host simultaneous standards	▪ Difficulty in meeting set standards ▪ Fighting to minimise dilemmas	5–8	17	,,	,,
HQ and host requirement challenges	▪ Tendency to favour host environments	4–6	17	,,	,,
Contextual Change:					
Strategies to manage contextual change	▪ Environmental adaptation ▪ Strategy reformulation	5–9	17	'Cultural change is a serious challenge to our operations'	▪ Learning and adaptation ▪ Strategic negotiation and alliances
Cultural change adaptation	▪ Blending of cultures ▪ Restructuring own culture ▪ Environmental awareness	6–7	17	,,	,,
Environmental change management	▪ Restructuring own culture ▪ Environmental awareness ▪ Learning new culture	6–7	17	,,	,,
Management of cultural differences	▪ Blending of cultures ▪ Environmental awareness ▪ Learning new culture	6–7 times	17	,,	,,

Source: the authors

Table VI: Similar and specific contexts across MNCs

Case Companies	Shell Plc.	MTN Group LTD	Standard Chartered Bank
Host government pressures (porous national institutions)	Very high	Very high	Very high
Host community pressures (rigid traditions, ethnic nationalist control groups, etc.)	,,	Moderate	Low
Company-Specific contextual pressures:			
Regional instability	Very high	Moderate	Moderate
Litigation and regulatory disputes	,,	High	High
Local and international arbitration	,,	Moderate	Moderate
Social and civil unrest	,,	,,	N/A
Political and economic terrorism	,,	N/A	N/A
Sabotage, maritime piracy, and theft of oil and equipment	,,	N/A	N/A
Threats of militancy, insecurity, and kidnapping of workers	,,	N/A	N/A

N/A = not applicable

Source: the authors/research data

Table VII: Cross analysis of MNCs' responses to the volatile local context

Pressure Management Process	Royal Dutch Shell Plc.	MTN Group Limited	Standard Chartered Bank
Strategic negotiation and alliances	▪ Diplomacy between home and host governments. ▪ Diligent defence of corporate policies, and litigation. ▪ Out-of-court settlements and compensation payments. ▪ Consulting stakeholders in Nigeria and HQ/home country. ▪ Forming local and communal alliances.	▪ Diplomatic negotiation between home and host countries. ▪ High-level negotiation and defence. ▪ Consulting stakeholders in Nigeria and HQ/home country.	▪ Negotiating with government agencies. ▪ Diligent defence of corporate policies and against institutional allegations. ▪ Tolerance and implementation of government policies.
Social investment initiatives	▪ Strong local supply chain network, local content, community and enterprise development, and education and health projects. ▪ Largest concentration of social investment in the Shell group.	▪ Science and technology laboratories ▪ Scholarship programmes and learning support materials and initiatives. ▪ Medical interventions and orphanage support initiatives. ▪ Trade skill and community development support.	▪ Various community health initiatives for tackling blindness and HIV/AIDS. ▪ Empowerment of adolescent girls in rural communities, with over 65,000 young girls in the programme since 2011.
Portfolio assessment	▪ Efficiency improvement and functional and domestic benefits of Nigeria's oil and gas industry. Legislative development and monitoring. ▪ Monitoring of security, promoting peace and safe operations. ▪ On-ground surveillance, including pipeline network and anti-theft protection mechanisms. ▪ Oil spill transparent reporting, response capability, and technology ▪ Maintenance strategy for sustainable equipment and reliability. ▪ Compensating people and communities impacted by oil spills. ▪ Collaborating with a range of stakeholders in the Niger Delta to build trust and create awareness of the negative impact of crude oil theft and illegal refining.	▪ Keying into Nigerian projects through stakeholder engagement participation and processes.	▪ Improvement of the local economy. ▪ Creating networks and regularly keying into government initiatives.
Divestment	Sale of oil fields in extremely volatile locations.		Gradual/total sale of investment.
Learning and development, local knowledge acquisition and cultural diffusion	Yes	Yes	Yes

Source: The authors/research data elaboration