Critical perspectives on ‘manufactured’ risks arising from Eurocentric business practices in Africa

Abstract

Purpose *– this paper considers the Eurocentric conceptualisation of risk, which reinforces language, culture and business practices that are in conflict with Africa’s own traditional business methodologies”. It attempts to identify the rent-seeking methods and resource-seeking strategies that sustain the hegemony of global corporations in Africa.*

Design/methodology/approach *– the paper explores nonlinear historical narrative around the concept and construction of the idea and language of risk. It follows discourse analysis to identify how the Eurocentric concept of risk was exported and incorporated within the language of international business in non-Western business traditions. The fundamental research question driving this paper is: to what extent does the conceptualisation of risk perpetuate the African continent as risk-ridden?*

Findings *– the rent and resource-seeking strategies employed by multinational corporations (MNCs) are central to ‘manufactured’ risks, and this negatively creates impact for post-independent Africa. Whilst the state is inconsistent in its approach to dealing with this crisis, global corporations continue to do business, extract resources and expand their capital and market base in Africa.*

Originality/value *– the philosophical basis of risk and its historical foundations in the African context are presented. Neo-colonial business methods, languages, cultures and strategies are explored and consideration is given as to how African governments could address the issue of co-option, as well as how to respond to the risks arising by MNCs’ business practices. The paper adds to the theoretical narratives by arguing that when considering entry into the marketplace, MNCs must ensure they integrate African perspectives (native categories) into their operational strategies. Moreover, management practitioners might consider addressing the essential topics of language, culture, business systems and business practices using ethnomethodological lenses.*

Paper type **–** Conceptual paper

Key words*:* Eurocentric, manufactured, risk, resource-seeking and co-option

Introduction

Contemporary international business (IB) literature that explains the strategic behaviour of MNCs encompasses the resource-based view of the firm (Penrose, 1959a; Peteraf, 1993; Prahalad, 1990), internalisation (Rugman and Verbeke, 2004) and the internationalisation theories (O'Rourke and Williamson, 2001). Whilst these concepts are explicit in their consideration of political and institutional factors, little is said about the created risks that effectively frame the perception of emerging economies as risk-prone. There is currently a relatively low volume of research investigating the Eurocentric approaches that multinational corporations (MNCs) adopt in order to seek resources and gain rents within the African context. Therefore, the main objective of this paper is to explain how MNCs preserve the motives of the colonial agenda of the West, and also begins to demonstrate the fact that the introduction and integration of culture, language and educational systems were specifically crafted in order to acquire and maintain control of African resources, even after independence. The key research question is to what extent does the conceptualisation of risk perpetuate the idea of the African continent as risk-ridden? To answer this question, nonlinear historical narratives around the concept and construction of the idea and language of risk are considered. In doing so, discourse analysis is utilised in order to explore the way in which the Eurocentric concept of risk was exported and incorporated within the language of international business (IB) in non-Western business traditions including Africa (Fairclough, 2003).

In exploring the extent to which the conceptualisation of risk perpetuates the African continent as risk-ridden, this paper is organised and proceeds by, firstly, exploring the way in which the post-industrial Western European business model, fundamentally conflicts with the African concept of conducting business. Secondly, it attempts to explain how the language and methodologies of international business, inherently produces risk and uncertainties within post-independent Africa, which it continues to struggle to deal with. Thirdly, it argues that whilst inward foreign direct investment (FDI) has produced good results in other emerging markets, the resource-seeking (Dunning and Lundan, 2008) nature of MNCs operating in Africa rather develops risk, thereby creating winners and losers in the African marketplace. This is a consequence of MNCs seeking to maximise profit at the expense of supporting (native programmes such as) the Millennium Development Agenda and the Sustainable Economic Development goals of African economies (Freer, 2017). Finally, the paper concludes, by discussing the wider social policy and practical implications, and the agenda for future research. We proceed by examining how pre-and post-colonial business models have shaped the practices, language and culture of international business (IB).

The adoption of Western European business models in Africa

In order to understand the extent to which pre-and post-colonial African countries are currently experiencing neo-colonialism through inward foreign direct investment (FDI), it is important to start by looking critically at the map of the continent and carefully examining the way in which the imperialists demarcated the individual states. The identification and examination of these contextual problems are crucial because they are the rudiments that have characterised the conceptualisation of risk by MNCs operating in Africa. Most importantly, these contextual factors perpetuate the idea that African countries are risk-ridden; therefore, the way risk is assessed and managed in the African context emanate from an established view created by colonialisation.

The pre-and post-colonial map shows that, firstly, large modern cities were founded and developed for the purposes of natural resource extraction. Secondly, transport links were created to provide ease of access to ports for the enablement of foreign trade, but not for trade within Africa. Thirdly, colonialists established and maintained governments or administrations that were trained and prepared to manage these two activities for the benefit of their imperialist agenda (Ager, 2005). Moreover, the demarcation of cities and regions in Africa during the colonial era created scattered populations, whereby some cities and countries were likely to generate the resources needed to sustain a government institution, along with the social structures needed to support them, or were left for the purpose of rustic farming (Clapham, 1996).

To a large extent, imperialists established the territorial structures which they assumed, from their own experience, to be necessary and indispensable elements of maintaining their hegemony. In this regard, writers such as Clapham (1996) and Ayres (2012) agree that the boundaries created through colonialisation, irrespective of whether they meant anything to Africans, were critical in order to maintain and regulate future competition at the global level. In addition, education in Africa was fashioned throughout the territories to provide the skills needed to operate within a modern society for which the imperialists maintained control. The subsequent changes to the global system in the middle of the 20th century enabled several African countries to attain independence, along with a combination of domestic and international conditions. Suffice to note that the 20th century ushered in a period of new political order such as democratisation, decolonisation and nationalism. Furthermore, the discovery of new communications and transportation technology, along with space exploration, shaped the way multinational corporations (MNCs) conducted their business activities (Huntington, 1993; Hewitt, 2014; Radice, 2014).

Consequently, the newly independent nations in Africa (NINA), which projected themselves as an economic powerhouse after they won the struggle against imperialism, unfortunately did not realise that the already entrenched models of administration and languages of doing business followed the imperialist pattern as there was no alternative in Africa. In fact, the Eurocentric way of doing business (language and culture) that defined the activities of MNCs were rarely guided by any concern for the identity of indigenous states, societies and regions in Africa. Understanding these origins is important; because Africa's political, institutional, economic, financial and sociocultural structures were severely affected during European colonisation. For example, the Ubuntu philosophy, which underpins every business transaction in the African context, is influenced by communalism and human kindness. This is in direct opposition to the profit maximisation and shareholder-driven philosophy of doing business in the West (Amaeshi *et al.*, 2006; Chang, 1997; Keay and Adamopoulou, 2012; Sekerka and Stimel, 2012). In addition, Ackroyd and Murphy (2013) found that the reorganisation of the processes of capitalist production has helped the international elites to sustain their hegemony through intellectual property rights, therefore reinforcing neocolonialism and perpetuation of risk in Africa.

The concept and language of risk

The idea, concept and language of risk derive from philosophical lineages that conceive societies as internally homogeneous and externally distinctive and bounded objects. The language used in such accounts reveals the framework employed during the industrial revolution within Western Europe. Such conceptual narrative and methodological analogy, which have been the bedrock of multinational business activities, reduces societies as single nation states (Wolf, 2010). In fact, Gubrium and Holstein (2002) suggest that how the social world is experienced is partly created by language, as well as being the mechanism by which perspectives are conveyed.

The post-industrial Western European way of doing business, including language and methodologies, theories and concepts have their historical specificities. Further, these peculiarities and depositories have their ideological origins (Freeden, 1996; 2005). Considering the evolvement of globalisation, Skinner (1978; 1998; 2008) argues that these idiosyncrasies change not only to address the challenges of new circumstances and new deeds of MNCs, but also within the legacies of the past. Factors influencing inward FDI into Africa and the multi-motives of MNCs have therefore been no different (Nyuur, 2012; Jakubiak and Kudina, 2008; Grubel, 2014). The narrative and concept of risk, its method of assessment and the language to represent it within international business in Africa originated with the

European colonisation of the continent. Risk perception indexes and ratings compare European business models with Africa, indicating that bureaucracy and weak enforcement of rules create negative stereotypes which induce country and regional effects (Adams *et al*., 2014). This aspect of the Eurocentric worldview dominates the theory and practice of International Business, not only in Africa, but around the world, whereby everything is measured in terms of economic growth, inherently attributing levels of risk to the duality of progress and backwardness.

The colonial educational system, however, and the subsequent normalisation of colonial language and methodologies of doing business created the postcolonial Africa in terms of practice and production of knowledge (Chakrabarty, 2001) where indigenous ways of doing business, its language, methods, theories and strategies, were submerged within the conventional European practices. It is imperative, therefore, to incorporate, innovate and integrate African perspectives on business risk, since the rent-seeking methodologies and wider business culture of MNCs operating in Africa, do not reflect the traditional African business practice. These are some of the reasons why it has been difficult for African countries and it businesses to maintain its uniqueness, whilst assimilating it within the western European theoretical traditions of analysing risk in international business practice. This precursor may to some extent help to explain the oscillating nature of Africa’s march towards prosperity.

In examining the relationship between language and the culture of Western business methodology, from which risk and uncertainty arise and from which post-independent Africa struggles to deal with, it is possible to identify the sources of risk for the African continent, as defined within international business circles.

Theoretical and conceptual trends to identify risk

During the 1990s, the language and concept of risk broadened its scope by moving beyond technical consideration of the engineers and the natural scientists (Krimsky and Golding, 1992). Early 1990s research around risk was dominated by the Risk and Culture approach of Douglas and Wildavsky (1982) as well as the Risk Society approach of Beck (1986, 1992). Both approaches used to define risk were based on the etymological distinction between risk and uncertainty, which led to the growth of research on the culture of risk**.** In this regard, Lash (2000) introduced systemic risk, whereas Japp (1996) promulgated the significance of scientific risk assessment. Subsequently, Aven (2016) introduced the strategy for the efficient management of risk in international business. It is interesting to note that the scientific approaches to risk assessment and management are technocratic and reductionist in nature because they effectively disregard the diversities and complexities of the African marketplace. In addition, the conceptual and etymological distinction between risk and uncertainty is meaningless, because risk contributes to uncertainty, which inevitably contributes to risk; the two concepts move together. The assessment and management of risk needs, therefore, to be studied together and any attempt to study these two concepts separately, under western European tradition, is reductionist. These theoretical approaches and challenges continue to dominate different debates around the concept of risk in international business (Miller, 1992; Beck, 1998; Aven, 2016).

These theoretical trends in the conceptualisation of risk in different forms are expressions of certain culturally specific national circumstances within Western Europe (Dingwall, 1999). The risk society thesis is based on Giddens' concept of reflexive modernisation. Giddens (1990:38) defined reflexivity as *social practices that are constantly examined and reformed in the light of incoming information.* It is also interesting to note that Lizardo and Strand (2009) agree that recent globalisation scholars seem to have interchanged the concept of risk with the notion of *fortuna* whereby international business activities are predetermined by an order established by traditional cosmologies of modern capitalism. Such conceptualisation has exposed African societies to risks without any kind of insurance by the multinational corporations, whose primary motive of entering the continent is resource-seeking.

Warren (1999) and Löfstedt (2009) conceptualised the idea of risk as an absence of trust in élites and institutions. The absence of trust, therefore, creates both institutional and reputational risk (Hood *et al*., 2001; Power, 2004, 2007). The reality of institutional and reputational risks propagates distrustful, individualised and dis-embedded citizens, which accelerate crises of legitimacy, credibility, accountability and sustainability of states and governments (Lyons, Lowery and De Hoog, 1992). It is important, therefore, to measure the management of risk and uncertainty based on communicative action (Habermas, 1972). The statistical and scientific methods which were developed to calculate risk have, therefore, presented the African marketplace as risky and unsafe to do business (Aven, 2016). Such classifications, which actually sought to assess the level of risk on the African continent, have in reality reduced its potential to a natural resource-rich continent. Consequently, Africa has become known primarily for resource-seeking FDI and the recent trends of Chinese investments in Africa only re-affirms the picture the imperialist have carefully created.

This paper argues that uncertainties are lived experiences of people within a social, political, economic, cultural and religious context. Tulloch and Lupton (2003) argue that the individual experiences of the social processes of risk perception may lead people to adopt a broad range of unclear or contradictory views about the magnitude of risk. All studies and advances in the scientific approach to risk assessment and its management as outlined in the work of Aven (2016) remain, therefore, exclusive to the African society, as well as its uniqueness and concerns. These studies do not seem to engage with the complexities of African society and business culture. Any attempt to mask the complexity of the social experience of risk perception in rigid conceptual abstractions may lead us further away, rather than towards a more intimate understanding of how risk conceptualisation perpetuates Africa's difficulty in its walk towards prosperity. In a related study, Koukpaki (2014), categorised uncertainty and risk factors in the African context. He argued that uncertainties are influenced by unknown outcomes, missing data and information as well as ambiguities in the marketplace. These factors are pertinent because the way MNCs assess and predict risk is often based on the language of ambiguity. Consequently, MNCs seem to be key contributors of the reputational and commercial risks confronting Africa in the 21st century (Koukpaki, 2014).

In the UK, for example, small and medium scale enterprises (SMEs) amounted to 99.3% of all private sector businesses in 2016. Total employment in the SME sector stood at 15.7 million, accounting for 60% of all private sector employment. Moreover, the combined annual turnover of SMEs hovered around £1.8 trillion, which represents 47% of the entire UK's private sector turnover in 2016 (ONS, 2016). In another example, Muenjohn and McMurray (2016) indicated that SMEs accounted for 99% of all business institutions, 75% of total employment and 40% of Thailand's GDP. The questions, therefore, are why is Africa so dependent upon multinational corporations to provide jobs (see Ahiakpor, 2010; Smith, 2013; Assié-Lumumba, 2006)? To what extent does the conceptualisation of risk perpetuate the African continent as risk-ridden? And how do we objectively determine risk and develop methods to manage uncertainties? Answers to these questions will undoubtedly enhance our understanding and appreciation of Eurocentric methods of risk and uncertainties within international business.

International business is not only about demand, supply, and pricing but also about the conditions in which production, distribution, and consumption take place. It is about understanding these conditions under which the market operates both as a process and as an organisation. It is central to understanding these conditions to be able to unpack the specificities of risks in the African marketplace and develop a strategy to sidestep it. The Eurocentric approach developed by Beck (classifying some societies as risk-prone) has therefore failed to adequately define the relations and interplay between institutional dynamism and social reflexes on the one hand and self-referentiality and critical reflection on the other (Elliott, 2002). The Eurocentric approach to risk analysis is a limited and self-serving myopia that creates different forms of conflict due to its resource and rent-seeking strategy of doing business in the peripheries of Africa. Faria (2014) argues for a trans-modern pluriversal perspective that would allow for many worlds and many bodies of knowledge to co-exist to reflect the actual realities of today within the context of historical experience. The rent-seeking business strategies create risk both in the short-term and long-term objectives of international businesses within Africa. To understand the extent to which Africa has been described as a risk-ridden continent, the next section explicates how MNCs manufacture risk as they seek to utilise their core competencies and resource capabilities.

Associated risks of rent and resource-seeking strategies of MNCs

Rent-seeking approaches consist in the use of MNCs' resources to maximise economic gain from their activities (Tollison, 1982). Whilst rents are a perfectly good profit maximisation concept, global corporations have utilised their competitive advantage to seek excessive rents by creating entry barriers into industries in order to sustain their hegemony (Dunning and Lundan, 2008). Examples of MNCs that lobby governments to provide remarkably long tenure operational licenses and tariff protection are prevalent in Africa (Kolk and Lenfant, 2010). Resource-seeking MNCs, on the other hand, are usually prompted to invest abroad to acquire specific resources of a higher quality at a lower cost than could be obtained in their home country. There are three main types of resource-seeking MNCs. Firstly, those seeking physical resources. Secondly, those seeking plentiful supplies of cheap and well-motivated unskilled or semi-skilled labour, and finally, those prompted by the need to acquire technological capabilities (Dunning and Lundan, 2008). To understand the associated risk of rent and the resource-seeking strategy of MNCs in Africa, we present a review of three time periods. Firstly, the period of 1880s to the 1890s; secondly from the 1890s to the 21st century and thirdly, the dawn of the 21st century.

The period 1880s to 1890s witnessed European nations such as Belgium, Britain, France and Germany turn Africa into colonies following a formal partition at the Berlin conference. The Act provided these Western nations with the legitimacy to govern Africa economically, politically and militarily, based on their spheres of control, allowing them to gain full access to Africa's natural resources. During this period, the core functional activities, such as human expertise, capital and technology needed to produce goods and services were provided by western companies (Frynas and Paulo, 2006). FDI was not particularly important as most activities of MNCs were based around the importation of raw materials and exportation of finished products.

The increased activities of MNCs in Africa, following the independence of most African states, were motivated by the acquisition of strategic assets which were monopolised for the ultimate advancement of the West as Headquarters of the MNCs became the principal actors of global influence (Ciabuschi *et al.*, 2012). For example, Frynas and Paulo (2006) confirmed that in Anglophone Africa, a Shell-BP venture was given an effective monopoly on oil exploration and production in Nigeria, and a colonial ordinance stipulated that only British oil companies were permitted to obtain oil licenses. This allowed Shell-BP to establish and maintain their dominance, leading to their subsequent multi-nationalisation in oil production. Moreover, in Francophone Africa, French oil production dominated the oil industry even after independence. The Gabonese and Algerian governments were forced to sign a guarantee that French oil companies would receive preferential treatment, granting them concessions for several years (Frynas and Paulo, 2006).

Having recounted the past, it is clear that the contemporary picture of MNC activities in the 21st century in Africa was focused on seeking rents and resources and they consequently behaved as *classic Gerschenkronian latecomers,* whereby Gerschenkron (1962) explained the strategic decisions of German and American MNCs that rapidly employed their core competencies to maximise their fortunes. These giant corporations, according to Vernon (1971) were responsible for striding across national borders and reducing nation states into subservient entities. Driven primarily by market forces, pitiable corporate social responsibility practices and corporate failures ranging from labour rights, environmental neglect, coupled with severe and deadly community oppositions have earmarked the operational credentials of MNCs operating in Africa. Radical economists such as Lall and Streeten (1977) also shared the view that MNCs were used by colonial powers as instruments of economic exploitation, political instability in sub-Saharan Africa (SSA) and the primary cause of environmental damage, mainly due to their motives for profit maximisation. In addition, there are many empirically observed forms of tax avoidance by MNCs operating in Africa and other emerging markets (Gravelle, 2009).

In a related study, Sikka (2003) confirms that UK and US MNCs engage in income-shifting strategies in an attempt to maximise revenues whilst minimising taxes. MNCs operating in Africa overprice their imports to avoid corporate taxes and under-price their exported goods and services in order to allocate profits to the various parts within their own group of companies. Consequently, by the end of the decade, the majority of African countries would celebrate their 50th independence anniversary whilst simultaneously dealing with the risks manufactured by MNCs operating in their countries.

At the dawn of the 21st century, MNCs became more closely associated with the concept of globalisation, which highlighted how connected the world has become for businesses that have developed the resources needed to exploit opportunities. Some MNCs had whole or partial ownership of companies abroad, whilst others entered overseas markets by procuring existing companies or setting up new international business ventures. African governments hoped to benefit from this process to sustain economic growth and development. Following the dwindling economic growth in Africa at the turn of the century, host governments projected their countries as an attractive FDI location due to the supposed benefits. In fact, some governments relinquished revenues that could have been extracted from corporate taxes and duties with the belief that employment generation, diffusion of an entrepreneurial culture and other forms of benefits borne out of innovation and international competitiveness would be realised. The economic reform programmes and structural adjustments handouts which were given by the Breton Woods Institutions, to be implemented by several African countries, in most cases also failed to account for local contexts (Aryeetey *et al*., 2005).

Historically, the bulk of foreign direct investment has originated from industrialised economies. Since MNCs from the US invested in Europe before 1939, and Japanese MNCs began to locate to advanced economies in the 1980s (Ferner *et al*., 2004), their mode of operation became the fulcrum upon which the development of the theories of multinational corporations depended. New models and philosophies of FDI in the 21st century were partly fuelled by the resource-based protagonists (Penrose, 1959a; Peteraf, 1993) which focused on its benefits without much consideration of the impact. In a related study, Rugman and Verbeke (2004) supported the Penrosian ideology and further extended it by arguing that the key actors in the globalisation process primarily consisted of the largest MNCs from the Triad countries, and that it was home to most innovations in several industries and markets. The operations of these corporations also included the three largest markets in the world for new products. In examining the extension of the RBV theory, the factors that underpin the successful expansion of MNCs includes their international network, knowledge intensity, efficiency and scale, economic gains and the increasing scope for tax reduction through transfer pricing. In fact, Buckley and Casson (1976); Johnson, (1970); Rugman and Verbeke (2003) concur that internalisation occurs only to the point where the benefits equal the costs. However, industry-specific factors, regional-specific factors, nation-specific factors and firm-specific factors, with a focus on the ability of the management to organise an internal market remain the key parameters relevant to the internalisation decision.

Recent thinking on theories of the multinational corporation have recommended new explanations of the dragon multinationals, whose aim and motive of internationalisation differs from the traditional MNCs. This category of businesses is the most enterprising yet profitable MNCs from fast developing economies such as China, India, Brazil and Mexico. In this theory, Matthews (2005) argues that firms that internationalise rapidly engage clever adaptation of multiple connections created within the global economy. The dragon multinationals help to expose the weaknesses and limitations of the traditional accounts of MNCs, and the existing theories and frameworks that sought to validate their activities in Africa and other emerging economies. In the same vein, the multiple motives of the dragon multinational and Chinese investors in Africa, and the development implications, need critical examination. The phenomenon has been a source of both optimism and concern, since their characteristics are quite dissimilar from those of the traditional FDI countries. Whilst it is not disputed that MNCs (whether from America, Europe or Asia) exist in order to maximise revenue, and that every transnational activity would therefore be based on that, the more positive publicity that it has enjoyed to date should be presented alongside the arising risks created by MNCs as a result of their resource-seeking behaviour which effectively perpetuates the neo-colonial agenda in Africa.

Vercellone (2008) argues that the rent-seeking approaches of MNCs operating in Africa emphasise the solution searched for by the capital investments of MNCs, which is to advance rights to intellectual property in order to collect monopoly rents. Technically, core competencies transferred would ultimately lead to rent-seeking behaviour in intra-firm contexts as well as transactions with external organisations as proposed by the transaction cost advocates. Rent-seeking activity is governed by self-interest, and leads to the ultimate utilisation of MNC's bargaining power in order to influence market actors to gain and then reinforce their market position. In a somewhat neglected but representative article, Penrose (1959b), in her expanded work, concluded that MNCs make excess profits on their FDI in poorer countries. This is an observation which has received no further empirical attention by the internalisation researchers. This observation which has been echoed by the leading thinkers of Penrose's theory, such as Rugman and Verbeke (2002), who ignite attention and interest because much of the RBV debate has predominantly focused on how firms gain and sustain competitive advantage as argued by Gerschenkron (1962).

It is also observed that the RBV, internalisation, internationalisation and convergence theories have obscured the real risks that MNCs create, because of their divide and rule strategies in emerging markets. These strategies have been highlighted in many studies that decry financialisation and coupon pool capitalism along with benevolent distortions (Froud, Haslam, Johal and Williams, 2001; Zargarzadeh and Loroy, 2013; Calvano, 2007, amongst others). Whilst the culmination of the internalisation theory pulls academic interest away from the impact of internationalisation (see Prahalad, 1990, Birkinshaw, 2000; Rugman and Verbeke, 2005), less and less attention has been drawn to the real institutional, political, economic and regional risks that these MNCs create as they seek to utilise their rare, valuable, inimitable and non-substitutable resources. Recent theories suggest that these real risks are in fact mitigated by the fact that MNCs are also motivated to do good and become good citizens of the planet. Factors influencing this have ranged from corporate social responsibility theories and ethicality of business decisions (Payne, Raiborn and Askvik, 1997; Millar, Choi and Chen, 2004; Abugre and Nyuur, 2015).

Additionally, the problem with the internalisation view, as expressed by authors such as Rugman and Verbeke (2002), Penrose (1959a); Prahalad and Hamel (1990), is that it fails to acknowledge the non-remediable issues discussed in modern theories of the MNC. The fact remains that the implementation of MNCs' business culture and methodologies of business practice, and their resource-seeking methodologies, have yielded the Africa we see today. In addition, these theories portray MNCs as fully rational in their motives of transnational operations. Further, the minimalistic nature of human cognition and subjective utility, as reinforced by the theory of bounded rationality, enshrines new perspectives on the manufactured risks of doing business in Africa. Combining the resource-based theory of the firm in line with the bounded rationality theory, we argue that although the presence of MNCs in Africa and the whole network of their operations in Africa appear beneficial, by the very strategic nature of their rent-seeking and resource-seeking approaches, they aim to maximise profits and improve shareholders' wealth in order to gain economic and political power, thereby preserving the neo-colonial agenda of the West (Lizardo and Strand, 2009).

It is significant that there is currently no research being carried out that aims to enhance our understanding of how and why MNCs manufacture risk in Africa, and how MNCs could perceive every culture and language as a resource, based on the native categorisation concept introduced by Buckley and Chapman (1997). In this concept, the authors proposed the adoption of polycentrism in the conceptualisation and implementation of MNC strategy. Understanding the local context as perceived through a Western lens is not enough, but rather the appreciation and reconfiguration of IB strategy based on the emic-etic approach as well as native language and culture. In their work, Kottak (2002) and Adler (1983) define emic as meanings specific to a particular language and culture whereas etic features are classified as being similar to all languages and culture.

Conceptualising the risks arising out of business practice in Africa

In examining the degree to which MNCs support the global perception of the African continent as risk-ridden, we can consider different types of risks that MNCs create whilst conducting business in different parts of the world. According to Moles *et al*., (2011), the main risk they create is operational, which emerges from the execution of a company's business functions. Market risk is also created when the actions of resource-seeking MNCs produce a change in the value of the market factors. Although there are different ways of conceptualising risks, Manuj and Mentzer (2008) mentioned that the combination of supply, process, demand and security risk force market actors to behave differently, which determines the overall risk level in certain industries, markets and regions. In a related study, L'Hermitte *et al*., (2016) cite that there are challenges in ensuring a clear categorisation of risks in the supply chain of MNCs, simply because of the nature of their operations. Risks can be defined from three angles: firstly, from a rational economic perspective; secondly, from the psychological perspective; and thirdly, from the social construction of risk.

From the rationalist view, risk is underpinned by the theory of utility as presented by Krugman (1979). He enshrined the factors that influence monopolistic competition, increasing returns and the global entry behaviour of multinational firms. The theory suggests that MNCs are consistently risk-averse, and in deciding to do business in Africa and will often do their best to avoid losses to the detriment of the continent.

From a psychological perspective, the argument is based on the prospect theory, which also suggests that MNCs operating in Africa adopt a combination of risk and loss aversion strategies at the expense of fundamental corporate socially-responsible practices, as noted by Kahneman and Taversky (1979). From the psychological perspective, there are two components of risk that might influence the MNCs' perceptions: the first is (a) fear factor, which indicates how much the MNCs deal with the potential outcomes of doing business in

Africa and (b) the control factor, the extent to which the MNCs are in control of the outcomes of doing business in Africa. Applying this theory in the context of Africa, Shapira (1995) also argued that MNCs often discount risks on the basis that they could control these risks by utilising their efficiencies and core capabilities without much ethical consideration.

The social construction of risk, on the other hand, is underpinned by the way in which social groups can develop shared cognitive schema which is defined as core ideas about how the industry works, cause-and-effect relationships and what constitutes a reasonable conduct of business. The extent of agreement about the meaning that is shared can be ephemeral or profound in shaping attitude. Sociologists refer to these shared meanings as institutions. Thus, an institution is a persistently reproduced social pattern that is relatively self-sustaining. Social institutions affect which actions are seen as legitimate. In the world of risk management, MNCs' decision-making processes, therefore, are determined by what is socially determined in the West, which legitimises the risks manufactured in Africa. This is often based on shared cognitive schema, For instance, in the year 2007, the entire African economy declined by 15% (Hillier, 2007). The Central African region, with its inherent human rights violations, inequality, poverty and human suffering, are also hosts to some of the giant MNCs in the history of current economic globalisation. Yet, these corporations continue to announce annual increases in their profits, whilst local economic activities continue to decline. In fact, with regards to the manufactured risks arising as a result of MNCs operating in these parts of Africa, Kolk and Lenfant (2010) state that MNCs have dilemmas about the contribution they can and cannot make in Africa given the different foreign setting. It seems that the more the resource endowment, the more conflict-prone the country becomes (Kolk and Lenfant, 2010; Calvano, 2007; Gu, 2009).

MNCs rely mostly on their government actions to put, broadly speaking, three kinds of social pressure on African governments: coercive, mimetic and normative. The coercive pressures put on African governments come from socio-cultural endorsements that can be applied if these governments act in legitimate ways according to the Western concept of civilisation. Weak African governments end up succumbing to poor business deals. This is explained by Boone (1994), Van de Walle (1994), Lewis (1996), Koukpaki (2013) who contend that Africa's decline or stagnation is because African leaders, having inherited artificial policies from colonialism, resort to neo-patrimonial strategies to foster their power and prevent the dislocation of their peasant societies. These neo-patrimonial policies, essentially redistributive in nature, use the resources of the state to pursue their political and personal ambitions of power maximisation.

Clearly, the notion of risk management and control in this sort of setting are non-existent. The MNCs' investments are welcome without any due diligence on the risks. The mimetic pressures are often based on imitating others as to how they allow MNCs to do business, risk-free in other countries, then sell it to other countries by hiding the real risks. We believe that these mimetic pressures have established roots in the education systems, where the lack of effective educational systems led to non-risk management culture. Akam and Ducasse (2002) confirm this by arguing that education in Africa is confronted with diverse problems: the mimetic western consumerism, low rate of primary education, inadequate education policies, politico-economic crises, lack of educational infrastructure, plethoric student numbers, lack of research, without mentioning the pressure from the West which has characterised many parts of the African continent. To compensate for these deficiencies in the lack of education system, local elites believe that accepting the deals of MNCs could increase employment opportunities, particularly for younger generations.

Normative pressures are underpinned by values and the broader social values which MNCs subscribe to in conducting business in Africa. Normative pressures come from Western governments who often aim to support their strategic industries. Due to the resource-dependent nature of MNCs, African countries have become vulnerable to such normative pressures, which increase the degree of risk in the region (Asiedu, 2002; Adams *et al*., 2014). The basic assumption is that organisations need to acquire their resources by exchanging with others in their environment, and this creates the dependencies. According to Sporn (1999), the scarcity of resources determines the degree of dependency. Assié-Lumumba (2006) takes this one step further, expressing the view that this dependency is to the detriment of African universities who are unable to produce capable elites who have been trained in their own language and culture to negotiate risks as brought up by large MNCs.

Associated risks of co-option

During the colonial period from 1880 to 1960, MNCs extracted resources to benefit their colonial industries (Schneider, 2003). The resource-seeking activities of these corporations were primarily focused on natural resources such as gold, diamond and bauxite. Whilst resource extraction was ongoing, colonial governments engaged in market-facilitating and welfare-enhancing activities, including the building of roads and railway infrastructure, in order to facilitate the movement of extracted natural resources, but not necessarily to link countries or businesses for the development of the local economy (Ayres, 2012; Clapham, 1996). Apart from the pre-colonial and post-colonial practices, evidence does tend to support the fact that MNCs manufacture risk in Africa in the 21st century. By nature of their strategic motivations, they seek to assimilate and win over the existing cultures with new products and services. Ager (2005) cites an example from France, stating that the French managed to keep a system of relationships to maintain their supremacy over their ex-colonies. France's aim was to maintain privileged relations with its former colonies by ensuring that the French language was used, that education was provided in and through French, and that cultural activities through the medium of French were available. It is, therefore, almost impossible for an ex- French colony to reject any business deal from an MNC which has a predominantly French interest, based on any risk assessment.

The historical relationship was designed to ensure domination of the colonies for their projected intention and gains. This is evident in the type of administrative and leadership style, and legacies and development programmes provided by the colonialists in Africa. In addition, Iheriohanma and Oguoma (2010) indicated that the development structures and policies by the colonialists never allowed space for the emergent leaders in Africa to revolt against the structures, or worse still, that these leaders did not realise it was necessary to reform the inherited development structures to the needs of Africa and Africans. Furthermore, non-transparent resource management is part of the infrastructure required for efficient neo-colonial exploitation, whereby the economic and commercial interests of rich countries take precedence over effective financial control (Blaut, 1973; Verschave, 1998). Duruigbo (2005, 2014), in his extensive research work, confirms that MNCs have been the beneficiaries of the risks that they create and that the only losers are the small businesses and the citizens of these countries. As a result of the issues enumerated above, the current claims that Africa is rising must also be considered alongside the rising levels of debt, as documented by the *Financial Times* (2017). Consequently, the perpetuation of risk negatively impacts on Africa's ability to improve its financial status.

Conclusion and implications

This paper has critically explored the contextual factors in the pre-colonial and post-colonial eras that affect the ways MNCs conduct business in Africa. Drawing on the methodological approaches of nonlinear historical narrative, this paper maintains that the language, culture, and educational system have shaped the language of risk used by MNCs doing business. These antecedents produce risk and uncertainty for which post-independent Africa struggles to deal with effectively. The theory and conceptual trends of risk in IB have been reviewed, and it is clear that risk and uncertainty are lived experiences of people within a social, political, economic and religious context. In addition, in conceptualising the manufactured risks arising from business practice in Africa, this paper argues that there is associated risk of co-option at play. A combination of trans-modern and pluriversal perspective within African societies and knowledge which reflect the realities of today within the context of the historical experiences of the African countries.

In view of the issues identified, there are political implications for the nation-states as MNCs utilise the instabilities and weaknesses of governments on the continent to seek and exploit resources to maintain their competitive advantage at a global level. In terms of economic implications, weaker governments cannot have an effective development programme for their countries, thereby perpetuating a cycle of uncertainty and unemployment, particularly within younger generations. Economic instability leads to social unrest, whereby governments are continuously held accountable for the inadequacies in social inequality.

On the theoretical side, given the potential increase of emerging market multinational activities at the current time, the emic-etic approach and native categorisation could become the cornerstone of strategic decision-making employed by multinationals operating within Africa (Buckley and Chapman, 1997; Adams *et al*., 2017; Buckley, Chapman and Gajewska-De, 2014). In international business circles, emic is used in the context of being cross-culturally incomparable, by highlighting the differences between nation states. The etic, on the other hand, is used as being cross-culturally comparable which reinforces the convergence argument that business language, cultures and policies around the world are converging. In this method, the understanding of how local people think, perceive and classify their world, their rules for behaviour, how they imagine and interpret their world and the things that surround them should form the basis of the operational strategy for MNCs entering the African marketplace. Whilst most international business research involves cross-cultural data, the conclusions drawn from the analysis have focused on interpreting local languages and culture, attitudinal and behavioural phenomena using Western lenses rather than anthropological and ethnomethodological lenses (Doz, 2011, Sinkovics, Peng and Ghauri, 2008).

Understanding these underlying factors could have profound implications for the future direction of cross-cultural and international business research. Additionally, the polarity of the investment direction is reversed, making this research timely as IB research begins to grapple with the current ethical challenges facing emerging market multinationals operating in other emerging markets. In dealing with risks manufactured by MNCs, the advantages of treating the emic approach as equally beneficial would undoubtedly lead to future research that focuses more on *native categories* of the African marketplace as suggested by Sinkovics *et al*., (2008); Buckley and Chapman (1997).

This paper extends the current debate on reinventing entry strategies into emerging markets (London and Hart, 2004; Cuervo-Cazurra, 2012) by arguing that the understanding of the native categories within the African context by MNCs could enhance new ways of conceptualising risk. In this sense, the starting point of any theoretical analysis on the risks arising out of conducting business in Africa must acknowledge the specificities of the African context in terms of local ideas, knowledge, history, language and methods of business practice which are different from those in the West. It could mean that MNCs need to see the African culture, language and philosophy of doing business as a resource, rather than a risk in itself. In addition, following critical analysis of the internalisation and RBV theories, the benefit-attention that FDI has enjoyed to date should be presented alongside the manufactured risks arising from MNCs as a result of their rent and resource-seeking approaches on the African continent. In relation to this, the classical populist economic development strategy in African countries, whereby governments remove taxes, provide subsidies, legitimise and encourage inward FDI when faced with a crisis, frequently produces economic and political problems as domestic economic interests are usually crowded out in favour or large MNCs.

On a practical level, it is imperative for African governments to implement a nationalist-modernising strategy whereby the levels of export from local businesses could initially be proportioned to the levels of MNCs' resource-seeking activities. This approach would ensure the proliferation of local business groups that could gain access to local and international capital in order to maximise local production. In this sense, the government would not have to deal with the consequences of risk and the associated challenges that emanate from the flight of capital.

Future research

This paper has explored the rational, psychological and social constructions of risk. It would be advantageous in future research to explore the pressure put upon African governments to integrate these manufactured risks in the way business is conducted. In addition, a full empirical and theoretical enquiry to examine the nature of manufactured risk from an African perspective on the discursive psychological methodology to investigate how African leaders report on risk, as risk theories in Western-based theories are likely to be exaggerated and discursively shaped by their own ideals, which do not necessarily apply to the contextual realities in Africa. The Eurocentric theories and approaches to conceptualising risk in Africa, its assessment and management methods are limited and subsequently create different forms of conflict due to MNCs' resource and rent-seeking approaches to conducting business in Africa.

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