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HOW AND WHY DO CHINESE FIRMS CHOOSE TO LOCATE IN ONE AFRICAN COUNTRY OVER ANOTHER?

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Abstract

This research investigates the motivations behind micro mechanisms underlying Chinese firms' African countries location choice. The purpose of this study is to draw on extant work on Chinese firms' internationalization theory to propose concepts unique to emerging firms' location choices into developing countries.

Using a qualitative, inductive and deductive case study based approach the study explores motivations of Chinese firms of diverse sizes, ownership and industry location choice in Africa.

We find that Chinese firms investing in Africa do not chart a clear detailed decision making process of their Africa location choice. They however engage in some form of information search either from governments, associations or groupings or acquaintances. The firms' industry determines the country chosen with firms in the same industry mimicking each other and high technology and investment firms preferring strong host government support, access to industry information and large markets. The firm's size measured by the strength of its resources is linked to the government support accorded in their location choice decision making process. Finally Chinese firms being varied in the forms of ownership, industry and size, choose to locate in diverse African countries for varied reasons.

Keywords: Location Choice, Case Study, Ownership, Industry, Firm Size, China Africa

Introduction

Background to the research

Research in strategy has increasingly explored the relationship between institutions and firms' choices that determine outcomes such as their performance and survival, arguing that the strategies chosen depend and vary across different institutional environments (Garcia -Canal, 2008; Peng, 2009; Marquis, 2015). Much of the research on firms' internationalization strategies or their Foreign Direct Investment (FDI) seeks to understand locations where firms choose to invest. In addition to the question of "where," other related questions such as "how" and "why" are also important considerations in firms' country selection strategies. The location to internationalize is one major strategic choice that any internationalizing firm must make. Theory argues that this strategic choice among others has major impact on a firm's survival and performance.

Multinational firms from developed economies remain the major investors in Africa though investors from developing economies are increasingly active. In 2015, developed economies, led by the United States, the United Kingdom and France, remained the largest investors in Africa (Unctad, 2017). However, China's FDI stock in Africa increased almost threefold between 2010 and 2015, emerging the fourth largest investor in the region. Chinese outward FDI which rose by 44 per cent to $183 billion in 2016 and drove up outflows from East Asia by almost one fourth to $291 billion, propelled the country to the position of second largest world investor for the first time, coinciding with China becoming a net outward direct investor in 2016.

The UN's third Financing for Development conference, in Addis Ababa, Ethiopia, between 13-16 July, 2015 stressed its goal is to end poverty and hunger especially in Africa and to achieve sustainable development through promoting inclusive economic growth, protecting the environment, and promoting social inclusion. Raising development finance still remains a challenge to many African countries and many are warming up to China's One Belt one Road (OBOR) Initiative and FDI from China with the hope of turning around their economies. FDI is important for developing countries not only because it is the most stable source of foreign capital but also brings a bundle of benefits including technology, managerial skills, R&D, human capital accumulation, externalities and access to new markets (Liu et al, 2014). Research on Chinese firms among other emerging economies entering other emerging markets, as conceptualized by (Wright et al, 2005), is thus increasingly presenting an opportunity for businesses and scholars alike.

The emerging markets and developing countries are characterized by institutionally weak environments and firms choosing to internationalize into these countries are faced with high levels of uncertainties and unpredictable situations emanating from political instability, macroeconomic fluctuations, cultural diversities and sometimes violence and terrorism. Developing countries thus offer less sophisticated market supporting institutions and fewer locational advantages based on created assets, such as infrastructure, technology and human capital (Hoskisson et al, 2000).

Theory expounds on the pivotal role played by multinational firms in transmitting capital, knowledge, ideas and value systems across borders (Meyer, 2004). African countries have made considerable strides in developing their institutional attractiveness to offer attractive incentive packages that entice investors with the expectation that the social benefits of inward foreign investment in the country will exceed private benefits of the investing firms, thus contribute to the economic development of African economies.

FDI literature has paid scant attention to the diversity of business strategies, such as entry strategies; location and entry mode choices (Anderson & Gatignon,1986; Hennart & Park, 1993; Bevan et al, 2004) and how they influence the type and extent of spillovers. An inner understanding of what motivates investing multinational firms to choose particular country and not others is beneficial in developing individual African countries' institutional framework and investment policies in addition to developing the nature of incentives offered to foreign firms that will eventually create positive spillovers leading to sustainable development.

Considerable attention has been focused on the internationalization of Chinese firms into mainly the developed countries argued as strong institutions mainly for resource exploitation and resource augmentation (Cui & Jiang, 2010). Even so, many a firms from China, and increasingly so, have chosen to internationalize into Africa. The African continent has 54 countries, experientially and historically different and very institutionally diverse in terms of culture, macroeconomic progress, rule of law, language, religion and availability of specialized intermediaries that can intuitively analyze market information, facilitate transactions and provide signals of credibility (Khanna , 1997). Despite this, very little research attention has focused on Chinese firms' internationalization into Africa, with much more research focused on China Aid to Africa. China and the African countries have increasingly harnessed the FOCAC, Forum for China Africa Cooperation multilateral and individual country relations to encourage more Chinese firms to invest in Africa. China's OBOR massive infrastructure program presents a mixture of challenges and opportunities to a many African countries warming up to participate for their economic development. Literature has however not clearly explained how a Chinese firm intending to invest into an institutionally diverse Africa makes the choice to invest in one country over another and the motivations behind this choice.

The aim of this paper is to explore the motives and decision-making processes behind the internationalization of Chinese firms into Africa.

Research Issues and Objectives

Internationalization of Chinese firms into developing countries and more so into Africa is a sparsely researched topic with prior publications such as (Kaplinsky & Morris, 2009; ChinaDaily, 2015; Sun et al, 2017) being more descriptive on the nature of investments and lacking a theoretical perspective.

Existing literature uses prominent internationalizations of Chinese firms into Africa as descriptive examples; barely any comparability of the firms has been done. (Wang et l, 2012; Lu et al, 2014) suggests that there are differences in internationalization motivations between SOE's owned by Central government, their provincial branches or those owned by local governments and the private firms. However, no study has attempted to show these differences in terms of how ownership nature of Chinese firms affects their choices to set up their business in one African country over another. Literature also suggests that the industry of the firm also influences the choice of one country over another. Institutional advancement in the host country has also been known to affect the choice of location. Using case study methodology, this study knits together insights, cues and explanations to offer theoretical perspective to the initial location choice of emerging Chinese firms into developing African countries to enrich insights of existing arguments, and in this way extend theory. Our study proposes the following research issues;

- Diverse firms from China are influenced by diverse factors in choosing to locate in Africa.

- The ownership of Chinese firms and their subsidiaries investing in Africa greatly influences the country of their initial investment.
- Different factors will influence firms from different industries to invest in particular countries.
- Some firms go through a detailed process in making the choice of which country to invest while others make an ad hoc decision.

This study thus uses the China and Africa context to;

- Explore and clearly identify the factors influencing/motivating Chinese firms' location choice into Africa
- Deepen the theoretical background in terms of Chinese firms Ownership and how this impacts on Location choice.
- Bring out comparability at industry level as it influences how firms choose one African country over another.
- Outline and characterize (fully explain) the decision making process of Chinese firms' Africa Location choice
- Validate the existing theory on institutional forces influencing Chinese firms Location choice into developing countries/Africa

Justification for the research

FDI locations are chosen by individual firms, and aggregate design data in empirical studies scarcely give us insights into the micro mechanisms underlying firms' choices. This study thus aims at the depth of insights on Chinese firms' Africa location choice motivations and the decision making process given the firm ownership, firm size and industry to understand why they choose to invest in one country over the other. The subject of our investigation is thus the firms' Africa internationalization process, and specifically the location choice.

This understanding is beneficial to the China government as they encourage outward investment of Chinese firms for growth and learning, as national champions and ambassadors and in utilization of industrial excess capacity; to the investors in understanding aspects to consider in internationalization and investment country analysis criteria and to the African governments in developing investment policies and industrial location positioning for the dire needed foreign direct investment to aid in economic growth and development.

Outline of the paper

The study introduces China Africa context and a discusses the need to understand Chinese firms' first internationalization decisions by the academia, the firms and policy decision makers both in China and the African governments. The introduction also identifies the research gaps and the objectives of this study. The literature review chapter introduces International Business (IB) literature focused on location choice strategies, the strengths and limitations of these theories when applied to emerging market firms entering developing countries culminating with the research issues that set the basis of the study. The use of prior theory to come up with the research issues, the research code and data collection protocols allows our methodology to be deductive and ensures we do not re-invent existing theory. The research design and methodology chapter outlines why this case study methodology is well suited for this study and discusses further the process of our study. The data analysis chapter uses the replication approach to examine, categorize, tabulate, test and combine quantitative and qualitative evidence from the multiple case studies to address the propositions of our study. The differences in contexts of the multiple case studies provide for expanded generalizability. We use pattern matching, explanation building and logic models coupled with cross case synthesis to make inferences about the data. Finally we discuss theoretical insights emerging from the study and their implications to researchers and practitioners.

Literature review

Initial theoretical frameworks on Location Choice

With the rise of multinationals from emerging economies, research is increasingly directed toward understanding the internationalization patterns and strategic choices of these companies and whether extant internationalization theories are sufficient to explain this new category of multinational firms from emerging markets (Cuervo-Cazurra, 2008).

Three schools of thought dominate research on firm's location choice;

Eclectic paradigm or OLI (Ownership, Location, and Internalization) framework highlights importance of transaction cost and ownership advantage (Dunning, 1988) and advances the reason for a firm's existence and internationalization as its quest for ownership advantage, combined with location and internalization advantage. The search for location advantage stipulates where these subsidiaries should be established in order to better achieve ownership advantage. In shaping the nature of these initial ownership advantages of developing country firms, home country characteristics play an important role (Cantwell, 2008) such as government involvement in provision of financial and knowledge resources, policy guidelines and creating large market to hone economies of scope (Chittoor, 2009; Cuervo-Cazurra, 2007).

Uppsala process stage identifies a firm's internationalization stages (Johanson, 1977) and treats firms as learners (Contractor, 2003) knowledge acquirers (Kogut & Zander, 1993) and market power accumulators (Kogut, 1985)

The accelerated internationalization approach grounded in the study of strategic entrepreneurship concerns seeking opportunities – which, in combination with the resources in a firm's possession, allows the firm to convert the opportunity into an advantage through firms' dynamic capabilities (Mathews & Zander, 2007).

Four main motivations underlie firms' FDI: market-seeking, efficiency-seeking, resource-seeking, and strategic asset-seeking (Dunning, 1993). While market-seeking and efficiency-seeking motives dominated emerging multinationals' early internationalization patterns, firms are increasingly shifting their focus from simply accessing local markets and natural resources to accessing knowledge intensive assets and other types of strategic assets that may be location specific (Deng, 2009).

While the conventional mainstream models remain valid, they are more relevant for multinational firms' early-movers than latecomers, and more applicable for the "old" issues of minimizing risk and cost than the "new" issues of maximizing opportunity and value as demonstrated by emerging multinationals.

While there is agreement in the literature that multinational latecomers tend to differ from multinationals from more advanced countries, especially at the early stages of firm internationalization (Mathews, 2006b; Narula & Dunning, 2000), studies showing the differences in the early internationalization steps for example the location choice decisions remain scant. Literature also shows there are differences in terms of internationalization of emerging markets firms into developed and developing countries (Lu et al, 2011; Lu et al, 2014).

Home Country Institutions and location choice;

(Cui & Jiang, 2012; Luo & Tung, 2007; Wang, 2013) shows the role of homecountry government support in facilitating internationalization providing access to resources and facilitating firm's capability to take risks in foreign countries even for those without international experience. (Luo & Tung, 2007; Lu et al, 2014) also finds that home FDI support policies play a strong substitutive role with regard to prior experience when firms choose to enter developing countries.

Host Country Institutions and location choice;

Prior location theory has studied features of the different locations and factors that make them more or less attractive, such as, Country risks, host country's policies, economic and technologic environments;

Country Risks: All situations being equal, risks in much of sub-Saharan African countries are expected to reduce FDI inflows. Politically risky countries that have had history in expropriating FDI, rampant corruption, ethnic unrest, dictatorial governments, recurrent coups d'état and generally attract low FDI flows. Countries also tend to be economically risky if they experience very high rates of inflation or currency exchange rate shocks, if they are highly indebted and record repeated fiscal crises.

Host Country policies: Some countries have restrictions on FDI such as not allowing wholly owned subsidiaries but joint ventures, requiring technology transfer, limiting the repatriation of profits, and demanding a certain proportion of added value be done within the host country. Corporate tax requirements, degree of unionization of the labor market, protection of property rights and intellectual property, strong institutions for contract enforcement and capital market governance, environmental regulation, and trade policy such as allowing exports only but no local sales may also affect a foreign firm's location choices (Javorcik & Spatareanu, 2005). All other aspects being constant, countries with more restrictive policies toward FDI tend to be less attractive investment locations.

Economic Environment: Capital, human and natural resource endowments and size of a country's economy also influence a firm's location decisions. Market size can be viewed as an indirect measure of transportation costs, since it reflects the ability of a firm to reach many consumers at a relatively low cost. The attractiveness of large countries is particularly true when an economy is both large in terms of absolute size (GDP) and wealthy in terms of GDP per capita. (Brainard, 1997) shows that proximity to customers is an important factor in a firm's location choice.

Technology/Agglomeration/clusters: Several types of benefits can arise when firms collocate including creating a specialized pool of skilled labor hence lowering a firm's search and training costs. Labor mobility and social networks can aid firms gain knowledge about the proprietary technology and processes of their competitors. Specialized suppliers in the clusters benefit from reduced costs and increased choices in make-or-buy decisions. In clusters, firms and states often make significant investments in infrastructure development such as building roads, upgrading airports and improving local universities and training institutions. These features of industrial clusters create an environment where firms can potentially reap benefits larger than their direct costs.

(Kolstad & Wiig, 2012) doing an econometric analysis of the host country determinants of Chinese outward FDI in the period 2003–2006 finds that Chinese outward FDI is attracted to large markets, and to countries with a combination of large natural resources and poor institutions. (Buckley et al, 2007) finds Chinese outward direct investment to be associated with high levels of political risk in, and cultural proximity to, host countries throughout, and with host market size and geographic proximity and host natural resources endowments.

Firm aspects and location choice;

Africa has 54 diverse countries in terms of macro-economic diversity, host country support policies, language and religion among others. Yet multinational firms from one home country, China with the exposure to similar home support policies choose to invest in one African country and not another. We propose 3 key firm level differentiating aspects that motivate diverse location choice for Chinese firms investing in Africa namely; industry of the firm, type of ownership of the firm and the firm size.

Firm ownership; Studying international location decisions made by public listed Chinese firms during the period 2006–2008, (Ramasamy et al, 2012) finds that state-controlled firms are attracted to countries with large sources of natural resources and risky political environments while private firms are more market seekers. (Duanmu, 2012), finds that state-owned firms, compared to their peers are less concerned about political risk of the host country, but more responsive to favorable exchange rate between Chinese currency and the host currency.

Firm industry; (Devereux, 2007) finds that a region's existing industrial structure has an effect on the location of new entrants; grants do have a small effect in attracting plants to specific geographic areas, but importantly, firms are less responsive to government subsidies in areas where there are fewer existing plants in their industry. (Duanmu, 2012) finds that strategic intent of Chinese firms affects their location choice in a way that manufacturing oriented investment, compared to trading subsidiaries, are more attracted to countries with large market size and more deterred by high cost structure of the host country.

Firm size; Existing theory suggests that a Chinese firms engage in FDI due to macro business environment as well as firms level dynamics such as firm size, performance, age, resource capability (Lu et al, 2011; Wang et al, 2012). The size of the firms is construed from the firm's registered capital which shows its resource commitment and risk-taking ability of the firm.

Methodology

The research adopted an exploratory inductive and deductive Case study methodology which is particularly useful for exploring implicit assumptions and examining new relationships, abstract concepts and operational definitions (Eisenhardt, 1989; Yin, 1994; Gibbert & Ruigrok, 2010). This research explores novel and contemporary phenomenon of emerging firms from China internationalization to diverse institutional and developing African context, and addresses the "how" and "why" questions (Yin, 1994, 2012). (Miles & Huberman, 1994) explains that induction and deduction are linked research approaches which allow for the expansion and generalization of theories through the combination of existing theoretical knowledge with the new empirical insight. (Richards, 1993) suggests that both (prior theory and theory emerging from the data) are always involved, often simultaneously and that "it is impossible to go into any study theory-free". Prior theory played a pivotal function in the design of our case study and analysis of its data. Pure induction might have prevented our research from benefiting from existing theory, just as pure deduction might have prevented the development of new and useful theory.

This methodology is well suited for our research as the boundaries between the Chinese firms' internationalization first decisions and the China Africa institutional context are not clearly evident. Furthermore, research into emerging markets firms especially those investing in developing countries as compared to developed countries is less extensive. Emerging markets and developing country institutions especially those in Africa are diverse, complex and there's paucity of information on the nature, motives and dynamics of emerging market firms which are increasingly investing in developing countries. The diversity in the size, industry and ownership structures of the various Chinese firms investing in Africa also provides a limited sample for generalization using empirical studies (Chetty, 1996).

We do not know whether our results generalize to a larger and more diverse population. However, the value of this research lies in its capacity to provide insights through rich detail, leading to a grounded model and hypothesis that can be further tested (Larson, 1992).

We explored several case studies because they allowed within case and cross-case analysis to be used for richer theory building (Perry, 1998). Representativeness is not the criteria for case selection (Stake, 1994), rather the choice of each case was done such that it either predicts similar results for predictable reasons (literal replication) or produces contrary results for predictable reasons (theoretical replication) (Yin, 1994). We aimed at selecting "information rich cases", that is, cases worthy of in depth study (Patton, 1990) through purposeful sampling using replication logic and largely depended on the conceptual framework developed from prior theory and pilot case study.

Research issues presented at the end of our literature review were ignored at the start of the unstructured interviews used to collect data; the starting question after the preliminaries was to invite the interviewee to tell the story of their internationalization into Africa experience. This enabled us to capture the interviewee's perceptions, and not our perceptions. Starting with a question that was almost content free assured that the answers received came from the respondents and did not arise simply because our questions created a self-fulfilling prophecy

(Dick, 1990). We prepared some probe questions about our research issues in case the interviewee did not raise them in the first, unstructured part of the interview, even though we hoped that the answers to the probe questions were provided before we put across the questions. The probe questions formed the major part of the interview protocol we prepared (Yin, 1994) and were important in providing a reliable framework for cross-case analysis of data.

Case Study Analysis

Prior theory informed all main data collection and theory was generated from all cases through within and cross-case data analysis using replicated logic across all the main cases. Several pilot studies were done before the major data collection stage, not as a pre-test or "full dress rehearsal" of the interview protocol (Yin , 1994) rather the pilot case studies were an integral part of developing the interview protocol.

Convergent executive interviews with practitioners in Chinese firms' investments in Africa are also incorporated into our research design, at the point of reviewing prior theory (Nair & Riege, 1995). All in all the prior theory was developed from the literature, pilot studies and convergent executive interviews, as the first step in the theory-building process of case study research (Perry, 1998). Thus literature, the pilot case study and convergent expert interview supported the building of research issues and validate the data collection instrument, the research questions and the interview guide which served as the guide to solicit participants' answers to the inquiries.

The following is a brief outline of China Africa Business council that provided convergent executive insights in developing our interview protocol.

The China-Africa Business Council (CABC) is a non-governmental organization jointly founded in 2005 by the China Society for Promotion of the Guangcai Program, the United Nations Development Programme (UNDP) and the Ministry of Commerce/China International Center for Economic & Technical Exchanges. The program now has 14,000 member enterprises. The aim of CABC is to provide a practical business tool to facilitate the strengthening of business ties between China and Africa. It pursues to actively guide Chinese non-state-owned businesses in their "going out" strategy, support them in partnering with African companies to discover and expand new markets. Some services provided by the China-Africa Business Council include; submitting suggestions to the government based on the opinions and demands of its members, organizing business missions to African countries for its members and receiving delegations from Africa and other international destinations, supporting their members in search of international opportunities and provide consulting on brand building, human resource management, and organization restructuring amongst others.

Brief description of cases and within case analysis

These cases provide a rare access to the leaders of diverse firms from China investing in Africa, thus providing an opportunity to draw on executives' perspectives to develop theory on the mechanisms underlying Chinese firms' location choice in developing countries especially important given the infrequency of both quantitative and qualitative data in this context.

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Xinhua News Agency, founded on November 7, 1931, is China's official news agency as well as a global news and information network. It is the biggest and most influential media organization in the China and operates more than 170 foreign bureaus worldwide. It is affiliated to the State Council of the People's Republic of China and thus an SOE, owned by the Central government. Its main business is in Broadcast radio, television and online. Xinhua has set up a global news and information gathering network, with headquarters in Beijing.

In 1989, Xinhua opened its Africa regional office dedicated to sub-Saharan Africa in Nairobi, Kenya, and headquarters of many global multinationals. Xinhua's major forms of business in Africa include a bureau, developing news portfolio targeting African and world audience, exchanging news with (or selling news wires to) African media subscribers, and providing technical equipment and support as well as training African journalists (Xin, 2009). Xinhua Agency is building "green" office complex to be completed in September 2018 that will serve as office space and at the same time offer accommodation and recreational facilities for its employees (Africa, 2017).

StarTimes Group is a private Chinese multinational media company in information and communications technology industry founded in 1988. It is the number one digital-TV operator in Africa, covering more than 80 percent of the continent's population with an extensive distribution network of 200 brand halls, 3,000 convenience stores and 5,000 distributors. The firm began to expand its business into Africa in 2002, but it was not until 2007, five years later that they were issued the first digital TV operator license by Rwanda. Following this initial license from Rwanda, StarTimes were able to acquire more licenses with speed in other East African countries and subsequently in the greater Africa. Since their inception in Africa, they have been working closely with various African governments to jointly promote digitization and currently has licenses and registered companies in 30 African nations, 16 of which use StarTimes' broadcasting networks including Burundi, Democratic Republic of the Congo, Guinea, Kenya, Madagascar, Malawi, Mozambique, Nigeria, Rwanda, Republic of Central Africa, Republic of the Congo, South Africa, Tanzania and Uganda. Their largest competitor is an African local operator Digital Satellite Television (DSTV) owned by Naspers, a media conglomerate and Africa's largest listed company.

The firm is involved in Corporate Social Responsibility projects such as the StarTimes-UNAIDS cooperation to reduce the impact of HIV across Africa and giving access to satellite TV in 10 thousand villages across 25 African countries. The company is building an African headquarters and dubbing center in Nairobi. This will be the launch pad for a whole industry chain including program selection, translation, broadcasting and copyright trading (ChinaDaily, 2015).

Humanwell Healthcare group was founded in 1993 by a group of passionate college graduates and is headquartered at the Innovation Pilot Zone, Optic Valley of China in Wuhan. It is listed on Shanghai stock exchange, 600079, and has an active presence in over 10 countries and districts. In 2015, the firm had 10billion yuan in revenue up 42.6% from the previous year and a net profit of 654 million yuan up 44.7% from the previous year. Since its establishment, Humanwell has been endeavoring to bring safe and effective medicines to the world through the quality of its products and the integrity of its people. Their business categories include Uyghur

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herbal medicines, small molecular medicines, biological medicines, devices, and distribution and health services. Despite China being in the early stages of developing pharmaceutical manufacturing industry, Humanwell did not shy from grabbing the go global support offered by China Chamber of Commerce for Import and Export of Medicines and Health products (CCMHPIE) and UNAIDS who are jointly supporting a project on Chinese firms pharmaceutical manufacturing in Africa. Ethiopia is Humanwell, China's biggest pharmaceutical manufacturing company's second investment destination in Africa, after Mali, in West Africa also supported by CCMHPIE and UNAIDS. In 2016, the firm broke ground on a $20 million production site outside Addis Ababa; its board approved an eventual investment of $100 million in Ethiopia's pharmaceutical sector. According to our respondent, Ethiopia government was very welcoming and supportive; in August 2015, their project leader led the team into Ethiopia for the preparation of Ethiopian Humanwell, on January 22, 2016, they signed the land lease contract with Amhara Regional State to set up the factory in Kesem wereda, Hagerie-Mariam and on June 3, 2016, the cornerstone was laid. Ethiopia offered attractive tax breaks along with cheap power and proximity to lucrative Middle Eastern and Eastern Africa markets.

China Road and Bridge Corporation (CRBC) founded in 1979 and based in Beijing, is a Chinese government state owned company in infrastructure construction and investment businesses worldwide. The company focuses primarily on the contracting of roads, bridges, ports, railways, airports, tunnels, municipal works and dredging works, and water conservancy projects. The company also engages in industrial development, production and sales of road machinery, trade, leasing, and service activities. It has additional offices in Asia, Africa, Europe, and America. As of December 2005, China Road and Bridge Corporation (CRBC) became a subsidiary of China Communications Construction Company (CCCC). Its total assets are about 4.3 billion RMB and its net asset is about 1.5 billion RMB.

It is the largest Chinese State Owned company in Infrastructure industry in Africa with currently more than 135 ongoing projects and has offices in the following countries; Ethiopia, South Sudan, Kenya, Uganda, Rwanda, Burundi, Tanzania, Malawi, Madagascar, Mauritius, Mozambique, Zambia, Angola, Congo Kinshasa, Gabon, Congo Brazzaville, Equatorial Guinea, Ghana, Nigeria, Togo, Niger, Mali, Egypt, Tunisia, Mauritania, Senegal, Guinea and Cote d'Ivoire.

In 1979, as one of the four foreign trade enterprises to venture abroad, CRBC pioneered the entrance into the international contracting market by Chinese enterprises by building the 585.1m long Friendship Port of Nouakchott in Mauritania, with three berths of a capacity over 10,000DWT, and located along Nouakchott Atlantic. It is the second largest Chinese Government foreign-aid project in Africa and was honored by the people in Africa as "an Archetype of South-South Cooperation." After the completion, the harbor realized direct anchorage of ships of tens of thousands of tons and became an important harbor in West Africa. Its construction started in April, 1979 and ended in July, 1986.

Mr. Li Chen, a Chinese entrepreneur from Sichuan province is the proprietor of a Kenyan based company, Supper Dollar, a gaming and betting as well as a construction and real estate development company.

His journey into Africa started in Cote d'Ivoire where he worked for a Chinese construction company building real estate residential houses. After the completion of the project in 2010, his employer moved to Kenya for another project. Being a hard working person, his employer promoted him to supervise the work in Kenya. While in Kenya and working directly with clients he got the opportunity to ascertain the Kenyan real estate potential. It was not however till 2014 when together with friends they won a Kenyan government tender to supply CCTV cameras that he chose to leave the real estate company and start his own company. Over the years it has evolved from a trading and supplies company to a gaming, betting and Real Estate Construction Company registered with the Kenya National Construction Authority.

Mr. Li Chen followed the Africa entry trajectory of his employer till he learned enough to identify investment opportunities.

Cross Case Analysis and prepositions

Although the interviews started as induction by the interviewee, our analysis of data was deduction about prior theory; we hereby will discuss prior theoretical issues that were raised in the literature review.

Our study proposed the following research issues;

- Diverse firms from China are influenced by diverse factors in choosing to locate in Africa.
- The ownership of Chinese firms and their subsidiaries investing in Africa greatly influences the country of their initial investment.
- Different factors will influence firms from different industries to invest in particular countries.
- Some firms go through a detailed process in making the choice of which country to invest while others make an ad hoc decision.

Factors influencing/motivating Chinese firms' location choice into Africa

Table 2.1 lists identified factors influencing/motivating Chinese firms' location choice into Africa. The list was developed from the literature review, pilot interviews and the convergent expert interviews. Each factor is checked if the issue was raised by the various case interview respondents. As observed, all firms interviewed in the pilot and the main study identified varied reasons for the country they chose as their initial African location.

Proposition 1; Chinese firms being varied in the forms of ownership, industry and size, choose to locate in diverse African countries for diverse reasons.

Chinese firms Ownership and Location choice

Our literature review informed various forms of Chinese firms' ownership, summarized in Table 2.2 adopted from the State Administration for Industry and Commerce and the National Bureau of statistics of China (Chung, Xiao, Lee, & Kang, 2016).

CRBC and Xinhua all state owned companies cited their *relations with the governments* that contributed to the choice of country. In 1979 China Road and Bridge Engineering changed name to China Road and Bridge Corporation at the *instruction of the State* and was *formerly* *established on the basis of Foreign Aid office* of the ministry of communication of China and then formerly started market oriented operations of engineering construction. Based on the *government relations* between China and Mauritania, they *received the foreign aid* and as one of the four foreign trade enterprises to venture abroad, CRBC furthered its position as a "*national champion*" by pioneering the entrance into the international contracting market by Chinese enterprises. As a national champion furthering its home country government priorities, CRBC thus first location in Africa was one with strong relationship with China. Mauritania does not have a bilateral investment treaty with China but in 2006, China and Mauritania signed a $2 million cooperation deal eying the health, economic and sociocultural sectors and signed diplomatic ties on 19th July 1965 soon after their independence from France in 1960.

From the interviews with CRBC, they enjoy very strong government relations in the countries where they run projects; they actually carry state identity, are ambassadors of the state taking up and running with the infrastructure development dream of China government.

Our interviews with CABC informed what factors are very important to private companies; Safety and security of the investors, welcoming and hospitality to the Chinese. "the investors value a personal invitation by the ruling president" and no corruption country because this reduces the costs of operation in the country. Li Chen gives us insights why he stayed in Kenya in addition to having mimicked the path of his employer "the Kenyan people are very welcoming and hospitable and I love the weather".

Proposition 2: No matter the form of ownership of the Chinese firm investing in Africa (State owned or private) all choose to invest in countries where there is a government welcoming hand and the people are hospitable.

Industry and Location Choice

StarTimes and Xinhua company location of the headquarters in one city, Nairobi and within close localities could be indications of Isomorphism, striving to be similar but also could be for purpose of sharing information or creating an information cluster. It is notable that China Radio International (CRI), China Central Television (CCTV) and China Daily all media companies from china are also located in the same locality. This phenomenon suggests Chinese firms from similar industry clustering and creating a signaling effect in African countries and regions with co presence of related firms and institutions whereby they gain clustering advantages such as labour market pools especially where there are language and cultural barriers, the emergence of specialized input suppliers, and technological and knowledge spillovers (Gupta & Subramanian, 2008). A couple of other international media firms' regional offices are located in Nairobi – Radio France International, British Broadcasting Corporation (BBC) and Radio Deutsche Welle. Thus Nairobi is emerging as a news hub for English speaking countries in East and Central Africa.

Humanwell concerns brings to light high intensive industries' concerns in choice of location country, they were concerned about; Local government support and hospitality; in their words "Ethiopia government was very welcoming and supportive and supported them through quickly arranging for factory land lease at the Kesem wereda, Hagerie-Mariam and on June 3, 2016, the cornerstone was laid"

Host country institutional environment; "Ethiopia offers attractive tax breaks along with cheap power and proximity to lucrative Middle Eastern and Eastern Africa markets"

Access to information was provided through their cooperation between UNAIDS and CCCMPHIE, and the local government support. Following an in-depth study of Africa's pharmaceutical manufacturing; the government policies, the industry scoping, distribution infrastructure and Africa pharmaceutical requirements, a database of the market and industry situation of some proposed initial countries to consider for investment, including Ethiopia was set up for access and use by CCCMPHIE's more than 2000 Chinese pharmaceutical manufacturing members, including Humanwell.

Proposition 3: firms' industry determines a country location choice with firms in the same industry mimicking each other and high technology and investment firms preferring strong host government support, access to information (nature of industry, available government support policies) and large markets.

The firms' size and choice of location

We interviewed both large and small companies both in the pilot studies and the main case studies. What is clear all firms search for some information on where to invest either from the government, their association or individuals seek to work for larger firms in Africa as a means of building their knowledge as Mr Li Chen did.

Proposition 4: A firm's size measured by the strength of its resources is linked to the government support accorded in their location choice decision making process.

Chinese firms Africa Location Choice Decision Making Process

Our interviews do not reveal any clear decision making process that Chinese firms investing in Africa go through before they decide which country to invest in. It seems when the opportunity presents itself then they act on the government instructions to move into the company, or host government invite to invest or a business opportunity that came along. The CRBC respondent said "Our government called us to build the Friendship Port in Mauritania" and the StarTimes respondent "Rwanda was the first country to grant us license so we invested there". UNAIDS and CCCMPHIE organized the trip to Kenya and Ethiopia and several Chinese pharmaceutical companies accompanied. Following the Ethiopia government presentations, Humanwell saw an opportunity and got attracted to invest.

Proposition 5: Chinese firms investing in Africa do not chart a clear detailed decision making process of their Africa Location choice though all engage in some form of information search either from governments, associations or groupings or acquaintances.

Conclusion

Our study validates institutional forces influencing Chinese firms Location choice into developing countries/Africa namely; the role of the host and home country governments.

In addition to institutional theory, this study points to networks and relationships theory as the channels through which Chinese firms receive information, knowledge and awareness about investment opportunities in Africa. Connections with governments and other multilateral organizations as well as membership to an association matter in the location choice. The study also aroused our attention to Chinese firms value for hospitality by and from host government and institutions till we understood the Chinese host country name "yāoqǐngguó" which infers connotations of invitation and "being treated well", the meaning of hospitality "hàokè" to treat guests well, be friendly. Thus countries with these attributes were more ideal investment destinations for Chinese firms. Our study thus proposes an extension of the role of host government to include hospitality and the attention given to foreign investors.

The study also brings to limelight the dual effects of home country institutional forces, i.e. institutional support and institutional constraint as they affect the internationalization of Chinese firms into Africa. Institutional support leads to a government promotion view whereby the government provides financial and knowledge resources to the internationalizing firm. The firms that fall into these categories mainly include firms owned by or affiliated to the central governments through firms' resource strength. Thus a firm's size measured by the value of its resources is positively related to the government support accorded in their location choice decision making process and entry. Institutional constraints on the other hand lead to institutional escapism where firms without government support locally, mainly the private companies choose to relocate internationally into countries with strong economic host market and with strong bilateral relationships with China as an assurance. These firms organize themselves into groups where together they can obtain information and knowledge about the African countries as well as legal backing in case of any uncertainties.

This exploratory research done on the "how's" and "whys" Chinese firms choose to locate in one African country over another is significant as it has both theoretical and practical implications. In theory it validates the institutional theory on the role of home and host government influence on location choice and seeks to extend the role of host government to include hospitality and ability of the government to play a good host

Policy applications of location theory have examined different countries and regions that can compete to be production locations for investment and trade. As African countries position themselves to attract more investments from China for their sustainable development, our research offers the following policy suggestions to African governments and public sector policy analysts and managers; Every African country needs to set a clear Industrial Policy availing industries' and investment related information on priority development areas, including industrial technology and expertise gaps they seek to bridge from Chinese firms. This however requires a clear understanding of Chinese firms' strengths and capabilities. Every African country has its own regulations and varying industry standards, it takes time for Chinese firms to learn and make adjustments to each country.

Further research on how Chinese firms integrate and adapt their localization strategies to succeed in Africa is suggested. In addition, African countries open their markets with the expectation of Technology transfer, learning and building their manufacturing capabilities as well as accessing increased employment opportunities for their people. A further study on the impact of Chinese investments in Africa will help explain if and to what extent have these expectations been met.

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Table 1 Factors influencing location choice.

Factors influencing choice	StarTimes	Xinhua	CRBC	Humanwell
Attractive investment policies				✓
Support by the host government and continuity of the same in the new government post elections	✓	✓	✓	✓
Friendliness and welcoming nature of African government to the Chinese investor e.g. personal invitation to invest by the president, care, attention and ease of startup	✓	✓	✓	✓
Grants, Tax holidays and Sovereign guarantees offered by the host government			✓	✓
Information and data availability/databases on investment opportunities and how/ease in accessing them				✓
Foreign exchange policies, currency stability and repatriation of wealth				
Affordable Country labour cost				✓
Infrastructure connectivity – roads, internet access, energy				
Peace and security in the country and safety of company staff				
Distance – time on airfreight, time taken to clear at airport				
Hospitability of the people	✓			
No corruption				
Presence of other foreign multinationals	✓	✓	✓	✓

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Table 2 Chinese firms Ownership forms

Governance structure	Classification of firms	Definition
Conventional firms	State-owned enterprises	Traditional non-corporation economic units whose assets are owned by the state (originally known as state-run enterprises owned by the whole society). SOEs are controlled by the central or provincial governments, and the state appoints the management teams responsible for their business operations
	Collectives	Collectively owned economic units, such as township and village enterprises (TVEs). Assets are owned collectively by all workers. Ownership of a collective enterprise belongs to the defined group of workers, and collective enterprises represent an integral part of the socialist economy with public ownership
Modernized firms	Reformed incorporated firms	Shareholding or limited liability companies transformed from conventional SOEs and collectives. Economic units whose total registered capital is divided into shares and raised through the issuance of those shares. Each investor bears limited liability for the corporation based on the number of her or his shares, and the corporation bears liability for its debts up to its total assets
	Newly created private firms	Newly established types of modernized firms. Economic units funded or controlled (by holding the majority of the shares) by Chinese individuals (private locals) who hire workers for economic activity