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An Empirical Analysis of the Critical Determinants Affecting Commitment and Performance of the U. S. Firm in the South African Market: Apartheid Versus Post-Apartheid

Sonja Pollard Mitchell
Old Dominion University

AN EMPIRICAL ANALYSIS OF THE CRITICAL DETERMINANTS AFFECTING COMMITMENT AND PERFORMANCE OF THE U.S. FIRM IN THE SOUTH AFRICAN MARKET: APARTHEID VERSUS POST-APARTHEID

by

Sonja Pollard Mitchell
B.A. September 1991, Saint Leo University
M.B.A. May 1993, Hampton University

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Approved by:

Earl Honeycutt (Director)

Berhanu Mengistu (Member)

Berhanu Mengistu (Member)

ABSTRACT

AN EMPIRICAL ANALYSIS OF THE CRITICAL DETERMINANTS AFFECTING COMMITMENT AND PERFORMANCE OF THE U.S. FIRM IN THE SOUTH AFRICAN MARKET: Apartheid versus Post-Apartheid

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Director: Dr. Earl Honeycutt

Recognized by the U.S. Chamber of Commerce as one of the world's Big Emerging Markets (BEMs), South Africa has received vast attention from potential foreign investors (IRRC 1994) and has been recognized by scholars as an excellent base for research (Hofmeyr, Templer and Beaty 1994). Unfortunately, little is known about the export behavior of the foreign firm in South Africa (Calof and Viviers 1995) given the country's history of political, social and economic instability.

This dissertation is an effort to increase the understanding of the factors that contribute to the commitment and overall market performance of U.S. firms in South Africa. To accomplish this task, this research effort intends to: (1) identify and examine the major factors that impact the commitment exhibited by the U.S. firm in apartheid versus post-apartheid South Africa; (2) measure the difference between the various predictors of commitment as employed by the U.S. firm currently

operating in the South African market; and (3) examine the impact of the commitment exhibited by the U.S. firm in South Africa and its relationship to the firm's overall market performance.

The data for the firms used in the sample have been collected from the Investor Responsibility Research Center in Washington, DC. General Linear Modeling (GLM) was used to test the proposed relationships and provides support for the hypotheses testing a firm's compliance to voluntary codes of conduct, investment of assets during apartheid and the firm's overall performance, as measured according to the firm's commitment during the apartheid era.

Limitations of this base-line study include the use of such broad variables and the lack of discipline related empirical support. Future research should include a closer analysis of the variables used in this study and the examination of social, economic and labor related issues specific to this unique country of study.

THIS DISSERTATION IS DEDICATED IN MEMORY OF MY GRANDMOTHER, GLADYS L. YOUNG (1921-1994), WHO ALWAYS KNEW THAT I HAD THE ENDURANCE TO SUCCEED IN THIS LIFE, IN SPITE OF THE MANY OBSTACLES THAT WOULD BE PLACED IN MY WAY!

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CHAPTER 1

INTRODUCTION

As global barriers are reduced and as market opportunities increase in emerging countries, an empirical examination of firm experience in these countries is warranted. With the vast increase in business competition on a global scale as we enter the new millennium, information on export opportunities in emerging markets like South Africa is important for the firm interested in globalization.

Regarding developing countries, Ohmae (1999) states that the primary concern of most governments in these countries is for foreign producers to "come in and build factories" regardless of the cost. Ohmae believes that, although job creation is a critical concern, it is not until countries open their doors to competitive products from around the world will they truly achieve the value added that will create the global linkage critical to economic growth. Quelch and Bartlett (1999) contend that emerging markets are actually attractive markets since the heavily populated developed markets require extreme segmentation strategies and the needs in emerging markets are more basic. In recognition of the viability of such markets today, Quelch and Bartlett (1999) further explain how the "nomenclature has shifted from 'Third World countries' that did little more than supply cheap raw materials to the better-off nations, to 'emerging markets,' implying a demand as well as a supply role." Quelch and Austin (1993) state that South Africa's move toward democracy enhances the country's potential for representation in investment and technology transfer.

To date, academicians in marketing, or other business related disciplines, have conducted minimal research on apartheid, or post-apartheid, South Africa, a country classified by the U.S. Department of Commerce as one of the world's "big" emerging markets (BEM). There is, however, a plethora of information in other disciplines that attempts to explain the impact of apartheid and sanctions within South Africa and the effect of such activity on international trade. Unfortunately, in addition to limited scholarly efforts during South Africa's apartheid era, there are few sound empirical investigations by academicians that analyze, explain, or direct future business activities of the international firm attempting to conduct business in post-apartheid South Africa.

Just as the 1990's gave rise to intense U.S. penetration of the Japanese business market following a period of political, financial and social turmoil (Voss

1993), the new millennium opens with opportunities for U.S. firms to penetrate other foreign markets previously underrepresented in globalization. The imposition of sanctions during apartheid, the economic impact of such harsh controls in the post-apartheid era, and the election of the racially divided country's first black president in 1994 make South Africa a unique country to study as global business activity enters the 21st century.

In Sethi's (1993) examination of the socio-political impact of multinational corporations (MNCs) on developing countries, the effectiveness of the Sullivan Principles (voluntary code of conduct for MNCs in South Africa) and the role of the MNC during changes in political and economic conditions in third world countries are evaluated. Particularly, Sethi (1993) expounds on the premise that because there were flaws in the Sullivan Principles some other form of conduct for MNCs would possibly have been more effective. Hofmeyr, Templer and Beaty (1994) argue for "South Africa as a base for research" since the country truly exemplifies a society that has embarked upon and continues to undergo major political and economic changes.

Numerous explanations of factors of change (Ramstetter 1991), morality of governmental policies (Oppenheim 1991), advocators of sanctions (Doxey 1996), and their impact on foreign direct investment (Ramstetter 1991) are offered by scholars. Bailey (*in* Day and Reibstein 1997) notes that public sector factors, such as trade sanctions, are non-market drivers of the performance of the international firm. Therefore, it can be concluded that sanctions are part of the international market regulatory mechanisms, and an analysis of the impact of such is crucial to the development of sound international marketing theory for emerging markets. This base-line study attempts to offer an explanation of the relationship of compliance to codes of conduct, namely the Sullivan Principles, on the commitment exhibited by the U.S. firm in South Africa. As commitment of the U.S. firm is measured in this research endeavor according to the amount of equity exhibited by the U.S. firm operating in South Africa, the synonymous use of the terms commitment and equity (commitment/equity) will be used throughout this work.

In addition to understanding the impact of political sanctions on the firm's commitment in international markets, analogous to the need to examine the choice of entry mode (Pan et al. 1999) an examination of levels of U.S. firm's commitment is warranted. Several scholars have examined various forms of entry mode strategies (Cavusgil and Nevin 1981; Samie and Walters 1991; Bilkey 1976;

Woodcock et. al. 1994; Reid 1981). None, however, have made specific reference to a firm's commitment to the foreign venture as a factor of compliance to a particular political issue or any other unique situation within the country of interest. For this reason, in addition to examining the impact of commitment on the overall market performance of the international firm in South Africa, this research also examines a political factor related to a firm's commitment in South Africa. Specifically related to the political concerns within the country, compliance to a code of conduct for foreign businesses is examined for a possible relationship to a firm's commitment in South Africa.

Firm size has been recognized as a predictor of market performance of the international firm (Reid 1981; Culpan 1989; Katsikeas and Morgan 1994; Yang et al. 1992; Calof 1993; Calof 1995). The aforementioned studies utilize firm size measured in the form of sales, assets, and/or number of employees and, thus, provides justification for this study's expectation regarding firm size as an *internal influence* on the commitment/equity of U.S. firms in South Africa.

Finally, the location of the firm's subsidiary in South Africa is expected to significantly affect the commitment of the U.S. firm in South Africa. Closely related to this study, Pan and Li (1999) identify location as a significant measure of a firm's performance in their study of foreign entry into the Chinese market. Similarly, the location of the South African venture is expected to influence the commitment of the U.S. firm with business activities in South Africa.

Although there are numerous cities in South Africa, some have prospered more than others because of the allocation of resources by the country's government and the city's overall infrastructure. Further, issues of literacy, housing and availability of skilled workers vary across the cities in developing countries and will, thus, impact the performance of an international firm's operations in any market, particularly in turbulent countries such as South Africa. Consequently, it can be concluded that certain cities in South Africa are more attractive to the foreign investor than others. Therefore, in addition to compliance, sales, assets and number of employees, the location of the U.S. firm's venture in South Africa, *as an external influence*, is expected to affect the U.S. firm's commitment/equity in post-apartheid South Africa. An additional relationship is expected linking the commitment of the firm' commitment to the South African venture to the firm's overall performance, measured in terms of sales growth during the period of study.

It can be argued that, in addition to the factors previously discussed, there are many additional facets that could impact a firm's commitment and the overall performance of the U.S. firm in the South African market. However, as this study is intended to partially fill the gap in the stream of research that analyzes marketing activities in developing countries, a *broad* knowledge of the factors that actually influence the commitment and performance of the U.S. firm in countries with turbulent economic activity will be appreciated by scholars.

Particularly scholars *and researchers* interested in understanding the factors associated with the market performance of foreign firms in countries with unique characteristics such as those found in post-apartheid, South Africa can use the results of this study. Additionally, this type of research would increase the level of appreciation for emerging markets as viable foreign territory and will aid firms in their development of competitive global marketing strategies for unique foreign markets.

Statement of the Problem

South Africa is labeled by both the U.S. Department of Commerce and International Trade Administration as one of the world's BEMs. To be considered as a BEM, a country must possess characteristics indicative of enormous potential for US business activity. Regarding the common traits possessed by BEMs, Cateora and Graham (1999) enumerate the general characteristics of BEMs as follows. BEMs:

(1) Are all physically large.
(2) Have significant populations
(3) Represent considerable markets for a wide range of products.
(4) Have strong rates of growth or the potential for significant growth.
(5) Have undertaken significant programs of economic reform.
(6) Are of major political importance within their regions.
(7) Are "regional economic drivers."
(8) Will engender further expansion in neighboring markets as they grow.

It is important to note that the authors (Cateora and Graham 1999) mention that since this is a generalization, all of the countries classified as BEMs will not possess all of these attributes. Although these characteristics are identified as common traits for BEMs, issues relative to education, political stability and labor relations should not be ignored.

As explained by the U.S. Department of Commerce (1994), South Africa is identified as a BEM because it is the most advanced and productive country in Africa. Its growth rate since the onset of policies implemented by the new democratic government in 1994 is 2.3%, and the country is the gateway to the southern Africa region. Further noted is South Africa's openness to foreign investment as illustrated by their reduction in tariffs for selected industries, the elimination of import surcharges on capital goods and the lack of screening of foreign investment.

In their analysis of the globalization of U.S. and Japanese multinational corporations (MNC), Johansson and Yip (1994) note that previous studies in the field of global strategy have focused primarily on American and European MNCs. As such, the issue of limited systematic research regarding South Africa is noted in the literature. That is, Calof and Viviers (1995) emphasize that little is known about the export behavior of the firm in South Africa and that studies investigating these conditions are warranted.

Also, the dismantling of apartheid and the increased exposure of South Africa, as introduced by U.S. government agencies add credence to this scholarly effort. Finally, Hofmeyer et al. (1994) further suggest that research methodologies employed in developed countries are too sophisticated for *Third World Countries*, which supports the need for the development of quantitative frameworks for emerging nations like South Africa. More specifically, as businesses, both from the U.S. and other foreign countries, pursue markets in developing economies, particularly in Africa, an empirical investigation of potential market performance of a foreign firm in *South* Africa, the continent's primary gateway, is warranted.

This study fills the gap in the research by providing an empirical analysis of business activity and factors associated with a firm's commitment/equity and overall market performance of the international firm in the emerging market of South Africa. Specifically this research offers: (1) an examination of compliance, firm size and location of the foreign operation within the region of South Africa as they relate to a firm's commitment, measured according to the amount of equity held in the South African venture, and (2) an examination of the commitment exhibited to the overall market performance of the U.S. firm with direct investment in South Africa.

Purpose of the Research

This research is an attempt to identify and explain the factors associated with the commitment and the market performance of U.S. firms in post-apartheid South Africa. Particularly, it endeavors to answer the question of whether compliance with an issue of political relevance is vital to the commitment of the U.S. firm in the South African business market. South Africa was selected as the country of analysis because it possesses a unique history of economic turbulence and reform and is yet classified as one of the world's BEMs. Using the amount of equity as a basis, and internal and external factors as antecedents, the primary focus of this endeavor is to empirically analyze major factors associated with the commitment and market performance of the U.S. firm in South Africa.

This type of analysis has the potential to help international firms to establish a mechanism by which to examine the commitment and performance of foreign firms in countries characterized by unique political, economic or social issues such as those found in South Africa and other third world countries. Although South Africa is a unique country, it is possible for this research to provide a knowledge base and framework for academicians to use as a model when developing marketing strategies in turbulent international markets. As stated by Yip (1989), "companies want to know how to globalize (and) expand market participation." This research attempts to provide an understanding of the possibilities and limitations of expanding operations in countries that possess seemingly unfavorable market characteristics.

Finally, as U.S. governmental agencies continue to have concerns about the economic well-being of South Africa, this research demonstrates how reinvestment by U.S. firms, coupled with financial assistance from governmental agencies, can aid in the continued healing of South Africa.

A review of the literature provides justification for this research task. Particularly, studies on firm size, export experience and entry mode options as major factors are examined by Pan et al. (1999), Aulakh and Kotabe (1997), Katsikeas and Morgan (1994), and Calof (1993). These attempts to fill the gap in previous research on firm size and export behavior analyze variance specifically related to firm size. Further review of the literature reveals that although a great deal of attention has been given the country of South Africa in terms of its potential for international business since the elimination of apartheid, few scholars have offered empirical analyses. Mangaliso (1992), Hofmeyr (1994), Paul and Aquila (1988), Manby (1992), and Schneebaum (1995) are among the scholars offering thorough post-apartheid analyses of the country from a *qualitative* perspective. This research will add to the efforts of these scholars by providing a *quantitative* analysis of key factors affecting successful business activities for the international firm in South Africa.

Using data gathered by a professional international research agency in Washington, D.C. (Investor Research Responsibility Center) and the U.S. Department of Commerce, this paper analyzes both internal and external issues that are directly associated with the U.S. firm's commitment to their South African business venture. Internal variables such as sales, assets and firm size are analyzed for their impact on commitment in post-apartheid South Africa. Further, the commitment of the firm is examined in order to determine its impact on the performance of the U.S. firm operating in that country.

Measuring the performance of equity joint ventures has become a complex issue (Habib and Burnett 1989)and is expected to be further complicated in turbulent markets. Therefore, it is noted that the purpose of *this* research is twofold: (1) to examine the factors that are associated with equity joint ventures in apartheid and post-apartheid South Africa; and (2) to examine the relationship of the equity joint venture on the overall performance, as measured by 1992-1998 sales growth, of the U.S. firm in post-apartheid South Africa.

Significance of the Research

This research endeavors to answer questions regarding the commitment and overall market performance of firms with business activity in the new South Africa. Particularly, whether compliance with the Sullivan Principles, influences the commitment of the U.S. firm in South Africa is investigated. Additionally, internal and external factors that contribute to the firm's commitment are examined. Finally, market performance of the U.S. firm conducting business in South Africa is measured according to the U.S. firm's commitment/equity in the country.

In his evaluation of the globalization process for firms, Yip (1989) identifies three essential steps critical to the development of a worldwide strategy. These steps include developing the core strategy for the home country, expanding the core strategy internationally through adaptation, and globalizing the international strategy across countries. Of the three steps, Yip further explains that the ability to integrate the international strategy across nations is not as discernable as developing and internationalizing the core strategy. This line of reasoning is particularly applicable when applied to the complex nation of South Africa.

The specific findings of the research will be useful to firms in the U.S. that are interested in exporting to the ever-growing South African business arena. Further, U.S. government agencies concerned with the economic growth of a country identified as one of the nations big emerging markets will benefit from the findings of this research as decisions are pondered regarding the provision of financial assistance to the country. Regarding the issue of whether multinationals should invest in Africa, this research endeavor agrees with the conclusion by Quelch and Austin (1993) that rather than asking *if,* the multinational firm should ask the questions, "*when, where,* and *how.*"

South Africa as a Country of Study

South Africa is a country that possesses the potential to be a viable competitor in world markets, even though the country's history gives rise to doubt. Previously tarnished by a government mandated to oppress the majority of the country's population, healing for South Africa began with the election its first democratic government. Thabo Mbeki, the country's current president, was elected in 1999; however, former president, Nelson Mandela (1994-

1999), was a major contributor in the country's reestablishment of world trade during his reign.

As early as 1964 it was realized by members of the United Nations (UN) that international intervention was paramount if the country of South Africa was to overcome the ramifications of the political regime that created the country's apartheid state of existence (Haekkerup 1964). Apartheid, summarized as the discriminatory political system progressively institutionalized by the National Party in South Africa (Doxey 1996), caused many international firms to withdraw investments from the country.

Since the United States conducted a significant amount of business activity in South Africa, the U.S. government imposed sanctions that prohibited any U.S. firm from doing business there. Although the U.S. was not expected to experience a significant hardship as a result of its participation in the sanctions against South Africa (Zupnick 1964), cooperation was critical to the performance of each individual U.S. firm. According to the Investor Research Responsibility Center (IRRC), a professional research agency in Washington D.C., those businesses that chose to remain in South Africa after sanctions were imposed risked severe penalties. A major factor in the decisions of many firms to disinvest were state and local policies that made it difficult for companies to obtain U.S. government contracts if they had business ties to South Africa (IRRC 1994).

Sanctions imposed by foreign governments continued until the establishment of the democratic government, hence the dismantling of apartheid. Although the country was experiencing political healing, South Africa's new government further recognized the country's need for economic healing. Therefore, soon after the dismantling of apartheid, Nelson Mandela invited foreign investors to consider his country for trade and investment.

During a visit to the U.S. in 1994, Mandela won the support of President Clinton and his administration (Mack et al. 1994). As a result of this effort, South Africa became the recipient of aid from the U.S. and other private organizations. The financial assistance from the U.S. created enormous potential for U.S. firms agreeing to work directly with the people of South Africa, according to the late Ron Brown, former Commerce Secretary. Opportunities for joint ventures and the establishment of wholly owned subsidiaries were made possible as the result of this U.S. support. Specifically, in 1994, soon after the dismantling of apartheid, encouragement from the Clinton Administration

(Clinton 1993) created an array of financial assistance programs as an effort to aid American companies as well as the economy of South Africa.

Major sources of funding include the formation of a $100 million venture capital fund for South African businesses, especially those that form partnerships with U.S. companies (Gupta 1994). Additionally, the Private Investment Corporation (PIC) planned two private equity funds to finance U.S. business in South Africa: $75 million in capital to South African businesses with some US connection, and $75 million to US businesses reentering the South African market.

Further, the Clinton administration signed an agreement that makes South Africa eligible for assistance from the PIC, which provides political risk insurance and finances loans and loan guarantees for US firms operating in developing countries. OPIC reportedly signed agreements that are estimated to infuse $100 million in investment capital into the South African economy (Mack et al. 1994). Statistics on the overall economic aid to South Africa include current aid and pledges from the U.S. of $600 million over of a period of three years (1994-1996); $150 million over a three-year period from the U.K.; $21 million from Australia over a period of three years; $1.3 billion over two years ending in 1996 from Japan; and, $833 million over five years from the EU (CIA World Factbook 1998).

The most recent effort by the Clinton Administration to aid in the healing of the new South Africa was President Clinton's tour of Africa in 1998. As noted by the Reverend Jesse Jackson: "South Africa is not only looking for aid from the U.S. government, the country is also eager to establish trade relationships with US firms." Interestingly enough, despite other uncertainties within the country, in recognition of these efforts to reestablish trade relations with South Africa, many U.S. firms have re-entered the country.

These issues make South Africa an important country to study, particularly since it is recognized as a BEM with the potential to positively affect world trade. Unfortunately, there is limited evidence that: (1) proves whether the performance levels of U.S. firms currently in South Africa are higher than they were prior to the imposition of sanctions, and (2) identifies what affects the performance of one firm versus another in the country.

This research proposes that factors affecting a firm's commitment/equity, particularly in a country such as South Africa, are: (1) adherence to guidelines for U.S. firms with equity ties within the country; (2) the size of the firm; and (3) the firm's location within the country. It is further proposed that the firm's commitment/equity influences the performance of a firm in South Africa when measured according to the change in sales in apartheid versus post-apartheid South Africa.

Organization of the Research

This dissertation includes five chapters. Chapter I provides an introduction of the study. In order to provide a foundation for the study, a brief profile of South Africa and an overview of South Africa's current standing as it relates to international business opportunities for U.S. firms is included in Chapter I.

Chapter II provides a review of the literature relating to the topics introduced in the study. The first part of Chapter II includes a thorough discussion of apartheid relating specifically to issues that affect business activity. Such issues include the impact of apartheid on racial inequities, labor relations, and the overall impact on U.S. business activity. Specific references are made to incidents reported by U.S. firms and the impact of apartheid on their decision to disinvest or remain in the country despite political pressures.

Additionally, the first part of Chapter II discusses the overall view of sanctions from the perspective of scholars in the political science discipline. The views of these scholars are valuable, since an important factor in the analysis of the market performance of the foreign firm in South Africa is the firm's compliance to a code of conduct resulting from prior political turmoil within the country. Therefore, this section includes various topics on economic sanctions concluding with the impact of sanctions on international trade.

The second part of Chapter II provides a review of South Africa's classification by the U.S. Department of Commerce as one of the world's BEMs. This is important since this designation makes South Africa the recipient of attention from government agencies and business leaders from various foreign firms of major countries. The majority of Chapter II focuses on existing literature regarding international equity joint ventures and previous research on firm size related to the overall performance of the international firm.

Chapter III provides an introduction of the methodology to be used and discusses the specific relationships to be tested including research questions and hypotheses. Also included in this chapter is the initial model used to guide the empirical study and specific definitions of each variable included in the model. This chapter further provides and discusses the pretest of the data and illustrates the correlation of variables.

Chapter IV discusses actual findings of the empirical analysis. Part one includes a reexamination of the variables in the model and a discussion of the reformulation of the model. Part two provides a measure of the relationship of firm size (assets, sales, and number of employees) to the commitment/equity exhibited by the U.S. firm in South Africa. Additionally, compliance and location are examined as possible influences of the commitment/equity by the U.S. firm in South Africa. Finally, the overall market performance of the US firm in South Africa is examined.

Chapter V provides a summary of the study. Additionally, limitations of the study are discussed, as are recommendations for the direction of further research regarding emerging markets. Appendices, reference sections and other supporting documentation follow this final chapter.

CHAPTER 2

LITERATURE REVIEW

INTRODUCTION

Historical analyses regarding South Africa are found in the literature. Freund (1998) traces South Africa's development from the early 1800's through the mid 1990's with major emphasis on South Africa's culture, ecology, and industrialization. Although the focus of this study is the performance of the US firm in South Africa, much of the existing literature focuses on experiences of international joint ventures involving studies of Asian countries (Child and Yan 1999; Walsh and Wang 1999; Chen and Boggs 1998; Au and Enderwick 1994.)

Few studies have analyzed the experiences of international firms doing business in any country on the continent of Africa, particularly South Africa. A study by Dussauge and Garette (1995) is perhaps the closest piece in the literature to the focus of this study. These authors researched the aerospace industry to analyze the *factors that determine the performance* of international alliances. From an empirical perspective, Posnikoff (1997) conducts an event-study of the rate of return from the time the announcement of protests in South Africa were made to the actual time of disinvestment by U.S. firms during the period of 1980-1991. Although other scholars add to the literature, much of what is written about South Africa by academicians is in regard to social responsibility (Amba-Rao 1993; Sethi 1993; Mangaliso 1992), limitations of affirmative action programs (Human 1993), evaluations of the Sullivan Principles and the monitoring of corporate social behavior (Paul 1989) and examinations of ethical investing as related to economic development within the country (Paul and Aquila 1988).

The sections in this chapter provide information from the literature on the country of study, South Africa, and sanctions in international markets. A thorough discussion of these topics provides adequate background information and justification for this type of study. This chapter also offers an examination of the firm characteristics relative to international joint ventures. Specifically, this chapter provides a review of the literature regarding the internal factors (firm sales, firm assets and number of employees), external factors (location of foreign subsidiary and compliance with political issues), and degree of ownership (commitment/percent of equity), and export experience of firms pursuing globalization. This information is used to formulate the research questions and the hypotheses that are empirically tested in this dissertation.

PART I: SOUTH AFRICA AS A COUNTRY OF STUDY

The presence of the U.S. firm in South Africa has been a significant part of the country's economy. Although many major corporations are reinvesting in post-apartheid South Africa and others are entering for the first time, potential investors remain skeptical. Possible reasons for such extreme caution include:

-costly, unskilled and militant labor force;

-trade barriers and currency exchange have yet to fall;

-doubts about the government's long-term commitment to capitalism;

-doubts as to whether the country's leader can contain the expectations of the impoverished majority;

-as an investment opportunity, South Africa is considered an oddball—part Third World, part First World (Keller 1994).

-unemployment for black South Africans is approximately 48% (Loeb 1992).

In addition, issues of social responsibility and the employment of black South Africans in management level positions are to be considered. Prior to the dismantling of apartheid, an average of 300 blacks have occupied executive level positions in established corporations in South Africa (Buthelezi 1990). Representing a mere 4% of supervisory level positions in South Africa, blacks are also lacking in the numbers of graduates from the professional and technical institutions (Sethi 1993) that might otherwise qualify them for higher levels of employment.

Resentment towards the relatively low number of blacks in key positions is illustrated by the number of strikes by militant workers. In the first six months of 1994, South Africa lost 1.2 million worker days to strikes, up from 700,000 in 1993. Taylor (1993) explains that labor problems faced by a Volkswagen plant in Uitenhage forced the company to shed 15% of its 8400 person workforce during a two-year period as a result of the acceleration of a seven year old affirmative action program. Another labor related incident that put a damper on Mandela's efforts to lure foreign investors involved the Wildcat Truck strike (Keller 1994). This unfortunate strike sent unsettling signals of angry expectations of the work force, vulnerability of the new government, and a prospect that the successful strikers may have set a new militant fashion in protest tactics. Although this strike was simply a spontaneous explosion by the drivers who felt they deserved to be rewarded for helping to elect President Mandela, incidents of this sort make a bad impression when the country is under such close scrutiny by potential investors (Keller 1994).

Despite such caution by the more pessimistic investor, fortunately there are investors with more optimistic views. A 1994 Business America article highlights the following as amongst the primary reasons to invest in South Africa:

-South Africa is the most advanced and productive economy in Africa, with a GDP nearly four times that of its nearest competitor on the continent (Egypt).

-Manufacturing represents the largest sector of the economy, contributing 26% of GDP.

-South Africa is the gateway to the Southern African region. Its well-developed transportation and communications infrastructures support an efficient distribution of imported goods to major urban centers throughout the region.

-South Africa accounts for approximately 75% of GDP for the Southern African region, and 45% of GDP for the entire African continent.

-In response to South Africa's successful political transition after the election of Nelson Mandela in

April 1994, nearly 50 U.S. firms returned to or entered the South African market since the lifting of sanctions began in the summer of 1991 (Solomon 1994).

Additionally, the IRRC reports that there are specific opportunities for U.S. companies wanting to invest in South Africa. The areas that provide the greatest potential are presented in Table 1 below.

Table 1: Industry-specific opportunities for U.S. firms in South Africa

- *Computer and software*—firms will benefit from South Africa's hunger for technology.
- *Consumer products (cosmetics, clothing, footwear, prepared foods, non-prescription medications)*—firms will benefit from the government's plans to raise the living standards of black citizens; extensive exposure to U.S. TV and Hollywood movies; and South Africa's familiarity with U.S. brands.
- *Automotive*-firms will benefit from expanded export opportunities available from South Africa as trade barriers fall.
- *Construction and engineering (infrastructural services)*-South Africa's elected government has a campaign goal to build one million low cost homes in five years, and of improving infrastructural services to black communities.

IRRC 1994

Brief Overview of South Africa:

Recognized by the U.S. Department of Commerce as one of the world's "big emerging markets" (BEMs) (Goldenson and Holm-Olsen 1997), South Africa's most recently reported GDP is $270 billion (1997) with a projected real growth rate of 3%. Total value of exports for 1997 was $31.3 billion with gold (20%) and other minerals and metals (20%-25%) as major commodities. Imports for 1997 totaled $28 billion with Germany, U.S., Japan, UK, and Italy representing major trading partners. Machinery (32%), transport equipment (15%), and chemicals (11%) are the major products imported.

South Africa's labor force totals 14.2 million with the majority employed in the services (35%), agriculture (30%), and industry (20%) by occupation. In order to establish a firm understanding of the country of South Africa, it is worthwhile to mention key demographic issues that are important to the performance of foreign business in the country. Particularly, a brief discussion of population trends, literacy, housing and distribution of income follows.

Demography (1991 to 2000, projected):

South Africa is located at the southern tip of the continent of Africa and by comparison is less than twice the size of Texas. The country is comprised of many cities; however, as reported in the World Almanac and Book of Facts (1999), the country's major economic activities are located in three of its major cities: (1) Cape Town (legislative capital), population 2,727,000; (2) Pretoria (executive capital), population 1,314,000; and, (3) Johannesburg, population 2,172,000.

The population of South Africa in 1991, as estimated by the U.S. Department of Commerce, was 39 million with a projected growth rate of 2.4% for the next three years. In 1994 the population was more than 40 million with an annual growth rate, as projected by economists, of 5%. Currently, as reported in the Central Intelligence Agency's World Factbook 1998, South Africa's estimated 1998 population was approximately 42.8 million with an estimated growth rate of 1.42%. The population has been historically divided by the South African Government into four racial groups: 1) blacks, representing approximately 75% of total population; 2) whites, representing 13.6%; 3) coloreds, representing 8.6%; and 4) Indian, representing 2.6% of the population of South Africa. It is expected that by the year 2000, the black percentage of the total population will rise from 75% to 81% while that of whites will fall from 13.6% to 10% (Foreign 1992). Because much of the information regarding the distribution of the population in less developed countries is not available through means such as census tracking, estimation by economists and government agencies is often required and considered to be reliable by researchers (Foreign 1992).

Issues of literacy and housing of the country's residents are paramount to the performance of any firm operating in the South African business market. These issues impact the ability of foreign firms to use host-country nationals in the establishment of a productive workforce as well as the actual location of foreign subsidiaries. In June of 1994, the deputy chief representative of the African National Congress (ANC) reported that South Africa had 1.5 million homeless and 14 million illiterate residents. Statistics from the CIA World Factbook 1998 note that of the 61% of the population over the age of 15, approximately 81.9% were able to read and write.

Taylor (1996) examines the availability of reading materials in South Africa. As noted by the author, South Africa has a stronger economy than the other two countries studied in Africa where a democratic society was recently established (Zimbabwe, 1980 and Namibia, 1989). However, the publishing system is still relatively new in the country, and publishers are faced with the challenge of maintaining the current reader base and also encouraging new readers. With 370,000 teachers responsible for educating 12 million students (1994 statistics), the publishing industry is working with the government to improve the training for teachers to better meet the needs of the student population (Taylor 1996).

Assistance of this nature is detrimental, particularly, as the quality of education is further hampered by inferior classroom facilities and inadequate learning materials for blacks as compared to that of white students in the country. Assistance from the state is, on average, 4.5 times greater for white students as compared to blacks (Marx 1992). Not only are the blacks denied the same quality educational facilities as their white counterparts, 46% of the teachers in the black schools are unqualified to teach (Sethi 1993), most having obtained only a 10th grade level of education (Marx 1992) themselves.

South Africa: The Issue of Apartheid

Apartheid, was defined by the former Deputy President-General of the African National Congress of South Africa, Oliver Tambo (1964), as:

"...the sum total of all the policies and practices, stratagems and methods, beliefs and attitudes that have been marshaled and are being employed in an attempt to ensure and entrench the political domination and economic exploitation of the African people by the White minority."

Tambo (1964) further explains that the apartheid system placed an order of importance on (1) color, (2) race, and (3) human beings as its foremost strategy. Accordingly, this allowed the white minority to rule all aspects of the country and placed black majority in subservient and impoverished living conditions. Apartheid was designed to deliberately impede the advancement of the majority of South Africans (Marx 1992). Calvocoressi (1964) best summarizes the condition in South Africa as follows: "A *minority is retaining control by denying elementary civil rights to the majority and by gross and daily invasions of elementary human rights; this minority happens to be a white minority in a black continent, and it is very nearly the only white minority left in a dominating position.*"

Other issues regarding the unfair system of apartheid, the discriminatory political system progressively institutionalized by the National Party (Doxey 1996), is noted early in the literature. Segal (1964) recounts that the United Nations has had questions about the government of South Africa and its apartheid policies since 1952. Segal (1964) explains that although there was great concern by the General Assembly pertaining to South Africa's apartheid system, the country maintained such racial policies because of the insecurities of the country's white minority.

An interesting perspective is offered by Bartlett (1991) as he explains that people in South Africa have not always suffered from disparities resulting from apartheid. The author found that during the colonial period, blacks prospered, employed large numbers of people and demonstrated characteristics similar to that of their white counterparts. However, because of the threat of a loss of control and power by whites, soon after the First World War, the system of apartheid was instituted.

Concerning whether the U.S. should interfere with the government of South Africa's policies regarding apartheid, Oppenheim (1991) postulates that such a goal is "neither detrimental to nor conducive to America's national interest." Oppenheim (1991) further explains that influence by the U.S. is not as critical as influence by other countries, such as Britain, having a larger percentage of the total foreign investment in South Africa. Haekkerup (1964), however, contends that the system of apartheid should be condemned and that intervention on the part of the United Nations (UN) is paramount to the performance of the effective abolition of the system.

The notion of intervention by the U.S. is analyzed by Zupnick (1964) in his examination of the potential impact of sanctions on the American economy. Although Zupnick (1964) postulates that intervention will not devastate the economy of the U.S., he believes that the primary impact will be an increase of cost of goods sold as a result of fewer imports from South Africa. Maizels (1964), however, contends that although South Africa would feel the impact of the imposed sanctions, the countries directly enforcing such sanctions would suffer as well, having to trade in other markets that may be less profitable. Despite such opinions, the U.S. became extremely involved in the obvious inequities taking place within the country of South Africa. Demonstrations from students of all persuasions on college campuses throughout the United States created vast local awareness of the political and racial issues in South Africa. It was not until 1986, however, that the actions of the students gained the national attention that would mark the beginning of extreme U.S. involvement - the banning of nearly all U.S. trade and investment in South Africa.

Thirteen years after the U.S. imposed such harsh sanctions, there is a continuing debate regarding the effectiveness of these actions in ending apartheid.

Apartheid created many problems for South Africans—both black and white. For the black South African, apartheid is blamed for the inequities in terms of political, economic, employment, education, housing and other major external issues. For the white South African, apartheid has allowed an opportunity to maintain economic and political freedom and control. However the white South Africans, as a group, became the target of anger and frustration from those who blamed the South African Government for allowing the country's minority to prosper while the country's majority consistently lived in impoverished conditions.

Since U.S. firms conducted a significant amount of business activity in South Africa, the U.S. government imposed sanctions that prohibited any U.S. firm from doing business there. Those businesses that chose to remain in South Africa after sanctions were imposed risked severe penalties. A major factor in the decisions of many to disinvest were state and local policies that made it difficult for companies to obtain U.S. government contracts if they had business ties to South Africa.

South Africa is a contracting party to the Generalized Agreement on Tariffs and Trade (GATT). Many goods enter the country duty free, with those requiring duty paying between 5% - 25%; luxury goods pay as much as 60% (Foreign

9/92). In previous years passenger vehicles have paid an average of 115%. This tariff was reduced to 80% in 1994 with further reductions expected in future years (Daily Press 2/10/95). Companies with a 60% share of the South African market may be protected from the severe fees with approval from the South African Government (Foreign 9/92). A review of key elements of South Africa's economy and U.S. involvement prior to the imposed sanctions and boycotts as reported by Leape et al. (1985) is as follows:

Table 2: Key Economic Elements of S.A. Prior to Sanctions

Gross National Product, 1981	$74.67 billion
GNP per capita, 1981	$2,770
Foreign trade, 1982	
(Total of exports/imports	$27.44 billion
Major trading partners prior to imposition to Sanctions(1981):	
1. United States (10.6%)	$3.079 billion
2. United Kingdom (9.6%)	$2.779 billion
3. West Germany (9.5%)	$2.742 billion
4. Japan (4.9%	$1.425 billion

These (1981) statistics confirm the fact that, historically, firms in the U.S. have had a considerable interest in the South African market. Investment by U.S. firms in South Africa has traditionally been among the highest when compared to other firms from other countries doing business in South Africa. Therefore, it is recognized that the imposition of sanctions and divestment of U.S. firms caused economic hardship to the country of South Africa during the period of apartheid.

As confirmed by the Investor Research Responsibility Center (IRRC), US firms were more affected than any other multinational company by sanctions and disinvestment pressures in the 1980s. Between 1984 and 1987, at least 162 US- owned companies withdrew from South Africa. Additionally, approximately 350 US firms with minority equity investments also succumbed to the political and economic pressures (Hull 1990).

A major factor in the decisions of many firms to disinvest were state and local policies that made it difficult for companies to obtain contracts if they continued business ties in South Africa. The disinvestment trend ended in 1991 when the number of US companies with investments or employees in South Africa bottomed out at 104 (IRRC 1994). Table 3 provides a profile of how three major U.S. firms were affected during South Africa's transition from apartheid. Additionally, Table 3 lists a brief profile of firms that have interests in South Africa resulting from the country's ability to be utilized as a gateway to other markets on the continent of Africa.

TABLE 3: Profile of the transitioning of select U.S. firms in South Africa from apartheid to post-apartheid

PEPSICO:

- First entered South Africa in 1948 and was a significant competitor in the soft drink market in the 1960's and 1970's.
- Withdrew from South Africa in 1985 along with dozens of other American companies responding to pressure from investors and the U.S. government to disinvest from the apartheid regime.
- $5 million was been invested by PepsiCo and $15 million by several wealthy African Americas, including actor Danny Glover and basketball star Shaquille O'Neale, in a joint venture with black South African businessmen called New Age Beverage
- Pepsi returns in 1994 with the hope of being the "choice of the New South Africa". *(Source: Pepsico Foods International 1995)*

COCA COLA:

- Announced in June 1994 the reopening of corporate office in South Africa.
- Did not completely withdraw from South Africa - opened a replacement plant in Swaziland to supply the market.
- Approximately 100 thousand South Africans, the great majority being black, make their living working in the Coke system.
- Efforts to provide jobs and opportunities to advance will be as important in the new South Africa as it was in the old South Africa.
- Coke announced in October 1994 a new bottling joint venture with a group of black South African investors. *(Source: Coca-Cola Company, 1995)*

POLAROID CORPORATION:

- Pulled out of South Africa as a result of claims that they were partly responsible for problems in South Africa (manufactured film and cameras used to take pictures for passbooks).
- Plans to reopen a branch in Johannesburg
- Hopes to eventually run all of African business from South Africa. (Gellen 1992)

South Africa is also considered a bridge to the sub-Saharan region. Other major U.S. companies with plans to enter South Africa include:

- *H.J. Heinz Co.* - eager to move into South Africa since it is already in neighboring Zimbabwe and Botswana.
- *Pillsbury Co.* - announced days after Mandela's call to end economic sanctions a joint venture with a local partner to put Green Giant frozen vegetables and baking goods in South African kitchens.
- *A Pasadena, CA construction company* - planned to move into South Africa after spending two weeks with leaders of the African National Congress (ANC). Their plan is to assist in the development of total infrastructure (roads, water and waste treatment, factories, etc.) *(Source: Gellen 1992)*

Economic Sanctions

Although several definitions exist in the literature, Doxey (1996) defines sanctions as the "penalties which indicate the limits of permissible conduct and encourage compliance with known rules." Doxey further explains how noncompliance causes sanctions to be imposed in many countries, and that although the issue of sanctions is not necessarily new to the international environment, the reporting of such action has just begun to take place in recent years. Calvocoressi (1964) traces sanctions back to the 1935 attack involving Italy and Ethiopia and Mussolini's desire for his country to be equal to Britain and France in terms of investment opportunities. The attempted imposition of sanctions on Italy, as a consequence of the country's behavior, was unsuccessful because of the lack of unification and the threat of war. Calvocoressi summarizes sanctions in this case as "*something that somebody tried, or did not really try, to do to Italy about Ethiopia in the 1930s; and failed.*"

Further, the imposition of sanctions serves as a warning to current and potential offenders by specifically identifying what should/should not be done and the consequences of noncompliance. Daoudi and Dajani (1983) posit that sanctions were originally developed out of a fear of war and that the application of sanctions to international environments was viewed as a means of upholding international law. These authors further state that sanctions preclude force by:

(1) Maintaining the perception that sanctions are inflicting damage on the target;

(2) Expressing morality and justice;

(3) Signifying disapproval or displeasure

(4) Satisfying the emotional needs of the sanctioners;

(5) Maintaining the sanctioner's positive image and reputation;

(6) Relieving domestic pressure on the sanctioner;

(7) Inflicting symbolic vengeance.

Concern regarding the effectiveness of sanctions are expressed throughout the literature. Gutteridge (1964) poses two alternatives regarding the effectiveness of sanctions. First, such actions would serve to bring pressure on the current regime drastic enough to modify its policies such that world public opinion is satisfied. Secondly, to produce, by economic means, such a situation in South Africa the anti-Government elements are able to acquire power and so bring about a revolution in the social order.

Zupnick (1964) contends that the absence of the universal imposition of sanctions and the lack of effective control will result in increased risk to foreign investors. Specifically, he notes that the South African government must abandon its inhumane policies, and the risks associated with such enforcement is minimized if there is a collaborative effort on the part of the world community. As the issue of sanctions is further examined, Gutteridge (1964) supports the idea of a unified effort as he states that any plan for successful economic sanctions "must be accompanied by a massive means of enforcement."

Although there are many opinions regarding the implementation and implications of sanctions, Calvocoressi (1964) and Johnson (1964) review the legalities of the imposition of sanctions. As Calvocoressi (1964) recounts the many examples of countries having sanctions imposed previously - from Italy/Ethiopia in 1930; Japans/Manchuria in 1931; China in 1937; Russia/Finland in 1939, and so forth - the author explains that "sanctions is a legal term with connotes action to be taken in response to a breach of a legal obligation." Johnson (1964) explains the Articles and Charters that have been designed to govern any action by members of the United Nations. Calvocoressi (1964) argues that intervention and willingness to impose sanctions in South Africa is not completely based upon the legal issues but disapproval of the behaviors that result in moral degradation. Similarly, in an attempt offer understanding regarding external attempts used to influence the politics of other states, Geldenhuys (1998) offers a traditional explanation of "intervention." Based upon the works of previous scholars, Geldenhuys interprets the term, intervention, as follows:

> *"It is the calculated action of a state, a group of states, an international organization or some other international actor(s) to influence the political system of another state (including its structure of authority, its domestic policies and its political leaders) against its will by using various means of coercion (forcible or non-forcible) in pursuit of particular political objectives."*

In addition to the sentiment that the problems in South Africa cannot be resolved without the sharing of power between all people in the country and the elimination of white supremacy, Legum and Legum (1964) propose four political implications of international sanctions against South Africa:

1. The confrontation of opposing forces within South Africa cannot be resolved unless a catalyst is introduced from without;
2. The present political currents will lead inexorably to a violent and possibly prolonged race war;

3. There is no way of preventing external intervention, which is already a reality: the only question is whether or not it will take the form of collective international action;
4. An eventual race war represents not only an appalling outlook for South Africa but also a threat to international peace.

Most of the early literature regarding sanctions dealt with the impact of such actions on the government and the economy. Marvin's (1964) focus is primarily on direct impact on the people living within the apartheid system. Job reservation (citizens excluded by law from a wide range of occupations because of color), wage machinery (blacks excluded from direct representation on bodies that determine their wages), and group areas (individuals of color forbidden by law from living with their spouse) are issues that Marvin believes are reprehensible.

A final note from the literature that reiterates the opinions of other scholars are the principles proposed by Rawls (in Beitz 1979) regarding the theory of justice:

1. Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all;

2. Social and economic inequalities are to be arranged so that they are both: (a) to the greatest benefit of the least advantaged, consistent with the just savings principle [the "difference principle"], and (b) attached to offices and positions open to all under conditions of fair equality and opportunity" (Beitz 1979).

The above discussion provides some understanding of the system of apartheid in South Africa and the issue of sanctions, and provides insight regarding the involvement or lack thereof from various countries around the world. The overall sentiment of most scholars regarding the imposition of sanctions in South Africa is that drastic measures would create a chaotic environment domestically and would also be felt in the international arena. Unlike the U.S., some other countries may have had reservations regarding any involvement, possibly the result of similar experiences within their own countries. The idea regarding the effectiveness of such extreme measures by the U.S. regarding the imposition of sanctions remains a debatable issue. However, as the country of South Africa moves to the stage of reparation, support from other countries, primarily the U.S., remains essential. Thus, the country's elimination of the unfair practices is critical to the improvement of international trade relations.

South Africa: Post-Apartheid:

South Africa, despite previous racial inequity and political instability, is projected to be on the verge of economic recovery. With a political force previously led by one of the country's major political activists, Nelson Mandela, and as one of the world's BEMs, South Africa is attempting to establish itself as an active participant in the fast growing global business arena as we enter the new millennium. Although the sanctions that were imposed against South Africa have been lifted, views are mixed as to the overall effectiveness of such measures (Boxey 1996).

However, no matter the view regarding apartheid, Boxey (1996) contends that there seems to be agreement amongst those concerned that apartheid was unacceptable as a political system, and the absence of sanctions would have added credence to the apartheid system. The economic impact of apartheid is of major concern to officials within South Africa. Marx (1992) postulates that the dismantling of apartheid weakened international concern for the country and the reestablishment of the country's economic well-being is dependent upon foreign assistance.

South African government officials and major political parties have expressed a clear, unwavering commitment to encouraging American firms to return to the South African market (<u>Christian Century</u> 1993). Soon after the dismantling of apartheid, President Mandela invited foreign investors to consider his country for future trade and investment activities in order to aid South Africa in their economic and political healing.

A trip to the U.S in 1994, by President Nelson Mandela, was an attempt to gain the support of the U.S. in his administration's attempt to rebuild South Africa. During this visit, President Mandela won the support of President Clinton and his administration (Mack et al. 1994). Consequently, South Africa became the recipient of aid from the U.S. government as well as other private organizations. With this aid from the U.S., business opportunities in South Africa are more attainable for U.S. companies that agree to work directly with the people of South Africa.

Despite negative sentiment in the aftermath of apartheid, trade and investment opportunities emerging in the new South Africa represent enormous potential for US business according to the late Ron Brown, former Commerce Secretary. As a result of Brown's efforts through the

Minority Business Development Agency (MBDA) initiated by President Clinton, South Africa was one of 16 countries to be introduced during a series of trade missions to existing and emerging markets (Business America 1996).

Anti-Discrimination Policies for Foreign Firms in South Africa:

In 1977 Reverend Leon Sullivan, who was at the time a General Motors board member, worked with several leading corporations to draft a code of conduct known as the "Sullivan Principles" (Appendix A). As summarized by Sethi (1993), the Sullivan Principles provided a standard for U.S. companies to follow regarding the amount spent (12% of their annual payroll, compared to the previous standard of 6% as set by U.S. Comprehensive Anti-Apartheid Act) on the improvement of social and economic conditions for Black South Africans. The Principles also encouraged U.S. firms to promote upward job mobility and the fostering of black entrepreneurship. Human (1993) explains that such codes of conduct have been significant in the advancement of black employees; however, the ratings companies receive with regard to racial composition leads to a short term focus on increasing numbers rather than the desired long term focus on professional development.

Although compliance to the anti-discrimination code of conduct was voluntarily followed by foreign firms in South Africa, adherence was extremely important. Cateora et al. (1987) recounts two examples that illustrate the seriousness of compliance to the Principles for U.S. firms in South Africa: (1) The state of Nebraska passed a bill making it illegal to invest state funds in any company operating in South Africa that does not comply with the Sullivan Principles; (2) The state of Connecticut sold stock valued at $4.9 million in 14 companies that failed to comply with the Sullivan Principles. According to administrators of the program, "the basic missions of the Statement of Principles - to help end apartheid and build a non-racial democratic society in South Africa" - have been achieved. Once the South African government began the process of eliminating apartheid, the U.S. began to withdraw most of the sanctions imposed.

Although the Sullivan Principles were dissolved soon after the establishment of the democratic regime in South Africa, the impact of compliance affects the long-term performance of a foreign firm in the country. And since codes of conduct for international businesses in South Africa were still viewed as necessary, in March 1994, Sullivan released a new set of guidelines for companies doing business in South Africa. The 10-point code, as it was called included:

1) Equal opportunity to ensure that operations are free from discrimination based on race, sex, religion, political opinion or physical handicap.
2) Training and education to increase the productive capacities of South African employees in consultation with the trade union movement.
3) Worker rights to uphold employee rights to organized openly, bargain collectively, picket peacefully and strike without intimidation or harassment.
4) Guarantees that working and living conditions are in accord with relevant international conventions.
5) Empowerment of black businesses by encouraging companies to purchase from and subcontract to black businesses (CC 1993).

Views surrounding the codes were mixed, with several corporations voicing strong opposition to any guidelines and some of the American groups that fought for sanctions campaigning in support of the code (Gellen 1992). A Post-Apartheid Corporate Social Responsibility Council, tasked with evaluating compliance to the code, produced a list ranking the firms in terms of their adherence. Several northern states pledged to review portfolio companies that do business in South Africa on their social responsibility and affirmative action efforts there (IRRC 1994). These codes simply reinforce the idea that management has a responsibility to its employees in terms of employment and social issues as well as to the external environment. Leape (1985) summarizes the objective of management (external and internal) as a responsibility to assist in deracializing the business environment in South Africa. Externally, management should continue to lobby government to provide blacks with forums to air political grievances, thereby, circumventing the infusion of political issues in the industrial relations system. Internally, management should continue to deracialize management at the fastest possible pace.

Contrary to the views of others regarding the benefits associated with compliance to the Sullivan Principles, Sethi (1993) argues the contents of the Principles were flawed. The author suggests the development of more realistic standards that will measure the activities for which multinational corporations (MNC) can be held accountable. After a thorough evaluation of the U.S. MNCs in South Africa, Sethi makes several recommendations. One suggestion for the MNC is that there be imposed "an added—extra legal—set of operating restraints that arise out of ethical and moral considerations perceived by various constituencies and their conflicting demands—in their respective home and host countries."

Arguments surrounding the fact that affirmative action has often been unsuccessful because of the possible results of reverse discrimination are discussed in the literature (Human 1993). In addition to commenting on the various arguments regarding the issue of reverse discrimination, Human discusses the issue of how standards requirements for jobs are reduced in order for blacks and women to apply. She explains, however, that the issue of predictive validity must hold true if this reduction of standards lessens the incumbent's ability to perform the job in question. Problems with proving predictive validity in South Africa, according to the author, include: (1) required qualifications for jobs in South Africa are intentionally raised to a standard that automatically eliminate blacks and women since they traditionally have not achieved the desired level of experience (work and educational) because of the lack of opportunities available for them; (2) job performance may be related to competencies not encompasses in the entrance criteria; and (3) once an individual is hired, their performance may be dependent upon management's expectations and not their individual skills and abilities. Human postulates that Affirmative Action programs fail because of the continued racist views of management, the desired outcome (by the employer) is failure and because such programs are viewed in terms of meeting quotas as opposed to the development of the individuals professional skills. Human, therefore, suggests that although there are problems with the implementation of affirmative action programs in South Africa, they can be successful if:

(1) Affirmative Action is viewed as increasing the ability level of people within the organization;

(2) Affirmative Action takes place at the selection stages when there is no possibility of filling the position within;

(3) All key employees are involved with the development of Affirmative Action programs, and if the resulting program is monitored by employers, employees and union representatives.

A South African committee charged with finding ways to bring post-apartheid corporate governance in line with international standards suggests the following:

1. implementation of affirmative action programs as part of business plans;
2. participation by workers in running companies;

3. implementation of codes that give workers a management role; and
4. keeping workers informed and consulting with them before making decisions that affect the work force (WSJ 1994).

As stated in the literature, there are many views surrounding the usefulness of the Sullivan Principles or any other guidelines for the foreign firm in South Africa. U.S. firms were challenged to comply, as were firms from other countries, with operations in South Africa. The varying perspectives regarding compliance to codes of conduct lead to the formation of the first hypothesis for this study:

H1: U.S. firms that were Statement of Principles signatories will exhibit commitment in apartheid and post-apartheid South Africa.

PART II: ANALYSIS OF THE PERFORMANCE OF INTERNATIONAL JOINT VENTURES

Introduction

A review of the current literature for measures of the performance of foreign firms in South Africa further confirms the need for this research endeavor. Since few studies have directly addressed South Africa from a business perspective in research efforts, it is difficult to integrate the stream of research on the measures of performance of international joint ventures into this research endeavor. Therefore, the following review is an attempt to integrate the aspects of the literature relative to equity joint venture performance in international markets.

Recent literature involving performance and level of commitment/equity includes studies of foreign firms in Japan (Isobe et al. 2000), Singapore (Wang and Wee 1999) and Bangladesh (Sim and Ali 1998). Additionally, other scholars have recently added to this stream of research across various topics; including, performance as related to life cycle (Reuer 2000), marketing capabilities (Fahy 2000) and strategic alliances (Das and Bin-Sheng 2000). Yan and Ming (1999) examine recent literature on the topic of IJV performance as they attempt to redirect the negative context of IJV instability. Similar contributions have been made by Au and Ederwick (1994), Lee and Beamish (1995), Makino and Delios (1996), and Yan and Zeng (1999).

Cavusgil and Zou (1994) explain that although export performance has not been defined uniformly, researchers and government agencies have typically used sales, growth and profit to measure performance. In their study, the authors measure export performance in terms of product-market export venture level, 2) economic and strategic dimensions, and 3) other objective and subjective measures. These measures are defined from a strategic perspective as an attempt to explain the relationship between the overall marketing strategies and management capabilities to performance in export markets. It was determined that export performance is affected by marketing variables, firm competence and management commitment. Amongst the authors' conclusions, it is suggested that export performance can be improved if marketing strategies are adapted to the internal and external forces (in the targeted foreign markets.)

Woodcock et al. (1994) examine entry mode selection and performance and comment on the lack of research in this specific area. Their study explains the eclectic theory model, which incorporates firm resources as a determining factor in the selection of entry mode. In a general model assessing export performance, Aaby and Slater (1988) include internal (competencies, firm characteristics and strategy) and external (environmental) influences. Managerial measures of relationships are also used to analyze performance. In a study of equity joint ventures, Wang and Wee (2000) examine the relationships between Singaporean and Chinese partners. They posit that control of the parent company is critical from a financial perspective and contend that communication, harmony and respect are crucial to the survival of equity joint ventures. Determinants of performance are also examined from the perspectives of technical know-how and early entry (Isobe et al. 2000). Results of their study of Chinese and Japanese joint ventures support their prediction that superior economic performance is in fact the result of a high level of commitment to technology and fast entry into the market.

Related to the context of *this* research endeavor, Sim and Ali (1998) examine the determinants of performance of joint ventures in Bangladesh. Although the authors examine performance from the standpoints of autonomy, technology, cultural differences and other variables; in addition to firm size, analogous to *this* research is the perspective of developed countries operating in the developing country of Bangladesh.

In addition to the above measures of performance, the commitment/equity from the foreign firm can be viewed as an important measure of successful performance, particularly considering the risks of such a venture in many developing countries. Previous research investigating the concern of state-owned enterprises regarding the lack of response by foreign firms to enter into joint ventures in their developing countries (Stoever 1989) offers some perspectives for understanding the lack of motivation by the foreign investor. Among other characteristics, the author suggests that the political interference and language ambiguity inherent in the culture of less developed countries' state-owned enterprises hinder the eagerness of the foreign investor to establish joint venture arrangements with such countries. However, as opportunities in developing countries become more attractive for foreign investors, such anticipation is expected to waiver, as it has for the U.S. firm in South Africa.

It is clear that South Africa needs the economic and financial support of other countries if it is to sustain itself in the global marketplace. Not only are there limitless opportunities within the country, it also serves as a major gateway into the sub-Saharan region. Accordingly, many U.S. firms have decided to reenter the country despite negative sentiment and uncertainties. This section provides an overview of the key internal and external factors that are used to measure the market performance of the U.S. firm in apartheid versus post-apartheid South Africa.

Firm Size:

Contractor (1990) examined the ownership patterns of U.S. joint ventures across 47 foreign locations to explain variation in the performance of U.S. MNCs in foreign markets. Conclusions of the study confirm market size as a significant independent variable in the measurement of international joint ventures (IJVs). Katsikeas and Morgan (1993) contend that firm size and export market experiences are viable determinants of a firm's performance in international *marketing*. In their study of the exporting issues of small versus large firms, they note that the most popular indicators used to measure firm size are the number of full-time employees and volume of sales. Although he mentions that there are discrepancies Calof (1993) also acknowledges the use of number of employees as a measure of size. Further, Calof mentions that annual sales have been found to yield significant relationships when used as a measure of firm size.

Culpan (1989) supports the use of number of employees as a measure of firm size and notes that this type of measure is common in export performance research. In his study, firms were classified as medium (>100 employees) and small (<100 employees). In the measurement of small versus medium firms, Culpan concluded that size is a significant predictor of performance of exporting firms in terms of export performance. However, he notes that there was no major difference in the products exported and the markets served. Erramilli and Rao (1993) also included the number of employees as a measure of firm size. Although the study did not confirm all of the hypotheses, it was concluded that firm size and resources affect the choice of entry mode.

In other literature regarding the performance of large versus small firms, large firms have more resources (Cohen, 1996), pursue more aggressive expansion strategies (Buckley and Pearce 1979), and perform better (Smith et. al. 1989). Rao and Rutenberg (1979) further agree that larger firms perform better overall. Reid (1981) notes that larger firms are more apt to be found in markets that are generally difficult to enter, whereas small firms select markets that offer ease of entry.

The studies of the aforementioned scholars form the basis for the next four hypotheses:

H2: There is a positive relationship between firm size and the commitment of the U.S firm in South Africa.

H2a: There is a positive relationship between firm size, as measured in terms of total sales, and its commitment in South Africa.

H2b: There is a positive relationship between firm size, as measured in terms of total assets, and its commitment in South Africa.

H2c: There is a positive relationship between firm size, as measured in terms of the number of employees, and its commitment in South Africa.

Location of U.S. Firms in South Africa:

Location of business in South Africa is another issue relevant to potential foreign investors. Yip (1992) explains how location impacts a global manager's decision regarding where certain activities should be located. Specifically, he addresses global locations for research and development (R&D) and manufacturing activities. He further specifies issues that must be considered when companies expand their operations through foreign direct investments.

In addition to considerations regarding R&D and manufacturing, location is also a pertinent factor as is related to the availability and living conditions of skilled and trainable individuals. Particularly, as each city in the country of South Africa is considered, so should be the available manpower since it will directly impact the performance or failure of any business in the various cities in the country. The South African Institute of Race Relations reported that some 1.8 million people live in "informal" (squatter) settlements around Durban. In the Pretoria/Witwatersrand/Vereenigning area the estimated backlog for housing in the mid 1980's was between 350,000 and 370,000 units (Buthelezi 1990). In the early 1990s it was reported that 80% of the people living in the rural areas of South Africa did not have clean water, and 20 million of those individuals lived without electricity (Sethi 1993). Former president of South Africa, Nelson Mandela, made an attempt to rectify this problem. Soon after his election as president, Mandela promised the impoverished Black majority a multi-billion dollar plan to create jobs, build houses, schools, hospitals, as well as provide electricity and running water (Jet 1994.) Since many black South Africans are living in impoverished conditions similar to the "Reserves", overcrowded, poor, and unproductive housing habitat for Black South Africans (Tambo 1964), such promises are not made in vain.

For these reasons, many firms employ extreme caution with regard to choice of location for their venture in

South Africa. Keynes (1997) notes that overseas investors are more interested in Cape Town, Pretoria and Durban. In addition to the above findings from others, Keynes (1997) offers an explanation regarding the choice of these three areas versus areas in the Northern Province. He explains that in addition to problems surrounding an inadequate infrastructure, issues such as high corporate and personal taxes, rigid labor laws and the fact that the Northern Province is the poorest in South Africa make it the least favored by foreign investors. Further noted by Keynes is the Northern Province, which contributes only 4% to the country's GDP, is comprised of 94% blacks and 40% of the residents are illiterate. Although there exists such geographical limitations, Keynes also notes that the Northern Province's strategic location, abundant resources, less competition, and lower crime rate than other parts of South Africa may qualify it as a suitable location for foreign business ventures.

This discussion regarding location leads to the formation of this study's next hypothesis:

H3: The firm's location in different regions of South Africa influences its commitment.

Export Options

Firms interested in expanding operations globally must develop solid strategic plans, possibly for each country of interest. Export behavior of firms, according to Yang et al. (1992) includes two basic streams of research: 1) stages of development of the exporting firm, and 2) internal and external factors affecting various relationships. Accordingly, many have researched the actual process of internationalization (Ayal and Zif 1978, 1979; Cavusgil and Nevin 1981; Keng and Jiuan 1988; Madsen 1988; Samiee and Walters 1991; Woodcock et al. 1994). Johanson and Vahlne (1977) offer a model that explains the linkages of market knowledge and commitment. In a later study, Johanson and Vahlne (1990) examine the internationalization process from a multilateral aspect, that includes commitment and knowledge from both the firm and foreign market perspective as well as current business activities.

The decision to enter a foreign market is not made haphazardly. In some cases, firms follow a systematic decision-making approach in the adoption process. Reid (1981) believes that firms follow an innovative process of adoption that includes export awareness, export intention, export trial, export evaluation and export acceptance. In each of these stages, the decision-maker and the firm are influenced by a number of variables including experience, goals, expectations, profitability and stability. Erramilli and Rao (1993) note that choice of entry mode is a critical decision for firms that are deciding how to enter a foreign market. The authors examine service firms and their rationale for the selection of wholly owned, joint venture or contractual transfers based upon the theory of transaction cost analysis.

Yip (1989) distinguishes between the type of strategy employed by multidomestic, exporting and global firms. Consistent with Yip's analysis, the type of strategy most appropriate for the MNC in South Africa is the multidomestic strategy, with marketing activities tailored specifically for the country. Although benefits of a global strategy include cost reductions and a smaller focus (Yip 1989), political, economic and social changes in emerging countries can hinder the successful implementation of the preferred global strategy.

In response to such uncertainties, firms with the desire to expand their operations globally must establish a mechanism for entrance into foreign markets; hence, the establishment of the IJV. Habib and Burnett (1989) note that advantages of the joint venture when entering foreign markets include the ability to enter more foreign markets than would be permitted with the limited resources available through wholly owned subsidiaries; and, the facilitation of participation in foreign countries with government required local equity participation. The authors also note that although the joint venture is recognized as an appropriate means for entering foreign markets, this form of entrance still has limitations that include partner conflicts. Nonetheless, the JV facilitates the entrance into new markets, introduction of new products, acquisition of technology, expansion/shrinking of production and an integration of firm activities (Habib and Burnett 1989). Moreover, the IJV provides the foreign investor a means for expansion into less developed countries that are recognized as having the potential to become key participants in the global marketplace.

Using Hofstede's typology as a model, Barkema (1997) notes that IJVs have several advantages over wholly owned subsidiaries. Specifically, the IJV allows for the sharing of cost and knowledge of the local firm. In a longitudinal measure of 25 Dutch firms, results of the study show that uncertainty avoidance and long term orientation negatively impact the survival of the IJV. Particularly, the difficulties in adapting to environmental threats can negatively impact the performance of the IJV. In a comparison of the performance of wholly owned subsidiaries versus joint ventures in Hungary, Poland and Slovenia, Fahy (2000) concluded that there is a strong relationship between marketing capabilities (sales volume and market share) and performance.

With the political turmoil in South Africa, it is suggested that firms wanting to enter the South African market couple with local partners, including the country's black entrepreneurs (Loeb 1993). Thus, the formation of a joint venture. In their study of cooperative strategies, Pan and Tse (1996) form hypotheses dealing with the partnering of foreign firms with another foreign firm when entering a high risk market. Pan and Tse's (1996) study explores specifically the ventures of foreign firms entering the Chinese market and the levels of uncertainty employed by the managers of each foreign firm.

Although there are numerous joint ventures studies found in the literature, an attempt to locate studies involving IJVs in BEMs was difficult. Future benefits of BEMs overall (Garten 1996) and other anticipated trends for BEMs as noted in literature from the Chamber of Commerce form the basis of IJV literature for South Africa, particularly.

Most of the literature explores IJVs in the Chinese business market. Similarly, a review of the literature for entry mode decision strategies of firms venturing into less developed/developing countries is primarily limited to studies of Chinese markets. For example, in addition to a few others, Pan and Li (1999) examine the mode of entry and market share in the Chinese market. Chen and Boggs (1998) reiterate the importance of international joint ventures in their examination of the environmental characteristics that affect the long-term cooperation of IJVs. The authors contend that unstable environments and other environmental uncertainties impact the ventures in the Chinese market.

Other literature on IJV deals with relationships of U.S. management with foreign nationals from the perspective of management (Madhok 1995); inter-partner relationships and cultural similarities (Chen and Boggs 1998); and issues of strategy as related to control (Pan and Tse 1996).

As the overall focus of this research is to explore the performance of U.S. firms in the South African business market, a review of the literature for measures of performance of equity joint ventures is provided. Previous measures of the performance of international joint ventures include a study by Geringer and Herbert (1991). Their study compared the use of objective versus subjective measures of performance. It was anticipated that because of the problems associated with obtaining objective (financial) data, a single-item, perceptual measure may provide a more accurate measure of performance. The authors conducted a study of U.S. and Canadian IJVs and concluded, however, that the use of objective (financial) data as measures of a firm's performance may, in fact, be reliable. The results of the study also concluded that measures of performance of IJVs are important in the parent company's review of whether continued operation of the IJV is warranted.

As a measure of export performance, Lee and Yang (1990) classify firms across three dimensions: 1) the number of years exporting; 2) the number of countries a firm exports to; and, 3) the firm's marketing efforts, measured by the ratio of percentage of marketing efforts allocated to the top five markets over the percentage of export sales in the top five markets. These classifications allowed the authors to measure firm differences in export performance based upon their level of exports, export sales growth and export profitability. Findings of their study led to one of the authors' conclusions - that relative to export performance, sales growth coupled with the firm's export level is a significant predictor of performance.

Buckley and Cason (1996) explore the possible strategic options for IJVs in their examination of equity-based joint ventures and the variations of the contributions made by each firm. Lin and Germain (1998) note that among other factors (term of relationship and cultural similarities) successful performance of joint ventures depend upon how firms are structured from the perspective of equity.

As the degree of ownership and control of each partner in an IJV is expected to be relative to the overall performance of a foreign venture, this study's final hypothesis is stated as follows:

H4: Commitment, as measured according to the amount of equity in the South African venture, influences a U.S. firm's market performance in the country.

SUMMARY:

This chapter includes a discussion of the literature that provides justification for this research effort. Additionally included in this chapter are the proposed relationships expected to result from the analysis of the data. The following chapter provides a discussion of the research methodology to be used in the analysis of the hypotheses introduced in this chapter.

CHAPTER 3

RESEARCH METHODOLOGY

Findings in the literature support the need to further develop research related to the overall post-apartheid market performance of the U.S. firm in the South African business market. Information regarding U.S. involvement in South Africa is primarily limited to perceptions of the media, individual firm experiences as reported by practitioners and statistics provided by government officials. It is also important to note that specific data regarding a corporation's performance from private firms are not always reported or are only included the firm's consolidated database (Geringer and Herbert 1991).

Scholarly research efforts to date that reference multinational activity in South Africa are limited to descriptive analyses. Marx (1992) provides an account of his experiences as a consultant while investigating the economic impact of apartheid on South Africa and foreign financial assistance to the country. Recognizing South Africa's potential to conduct viable international business, Calof (1995) attempts to decrease the gap in the literature by empirically examining export behavior of small and medium sized firms in South Africa.

Research Design and Overview

Unfortunately, the lack of empirical research in the marketing, and business related, literature that examines the relationship between South Africa and other countries makes it difficult to determine the country's overall role in international business activity from a scholarly perspective. This research will fill the gap that currently exists in this area of the marketing literature by providing an empirical analysis of U.S. business activity in apartheid and post-apartheid South Africa. Findings of this research will also provide academicians and practitioners with a model that identifies and explains the key variables that influence the commitment and performance of a firm's operations in BEMs such as South Africa.

Consistent with the logic offered by Cavusgil and Zou (1994), this research posits that the performance of U.S. joint ventures in South Africa is determined by both internal and external factors. Although the variables differ, there is a parallel to the underlying concept that recognizes a broad set of factors within and outside of the firm as an attempt to establish a general framework for understanding a firm's performance.

Fahy (2000) argues that the measure of performance has always been a difficult task for business researchers and suggests that the traditional financial based measures be supplemented with other objective measures. As noted by Isobe et al. (2000), the sole use of financial measures to determine the performance of joint ventures may lead to inadequate findings. This, according to the authors, is especially true when diverse conditions are present. Accordingly, this study also takes into account other factors that may influence the performance of IJVs in South Africa, namely the location of the foreign venture and compliance to (voluntary) codes of conduct.

For the international firm in the post-apartheid South African market, a model of the commitment exhibited is expected to be a function of compliance, firm size and the firm's location within the region. Further, a model of current market performance (total sales for 1998) is expected to be a function of the U.S. firm's commitment, measured according to the amount of equity held in the South African venture. This relationship establishes a firm's market power, as sufficient for performance in the South African market.

The specific relationships to be tested in this study are expressed in the following equations:

Equation #1: COM = *f*(SIGN, TS, TA, EMP, LOC)

Equation #2: TSGRO = *f*(COM)

Where: *COM represents commitment/equity;*

SIGN represents signatories/compliance;

TS represents total sales;

TA represents total assets;

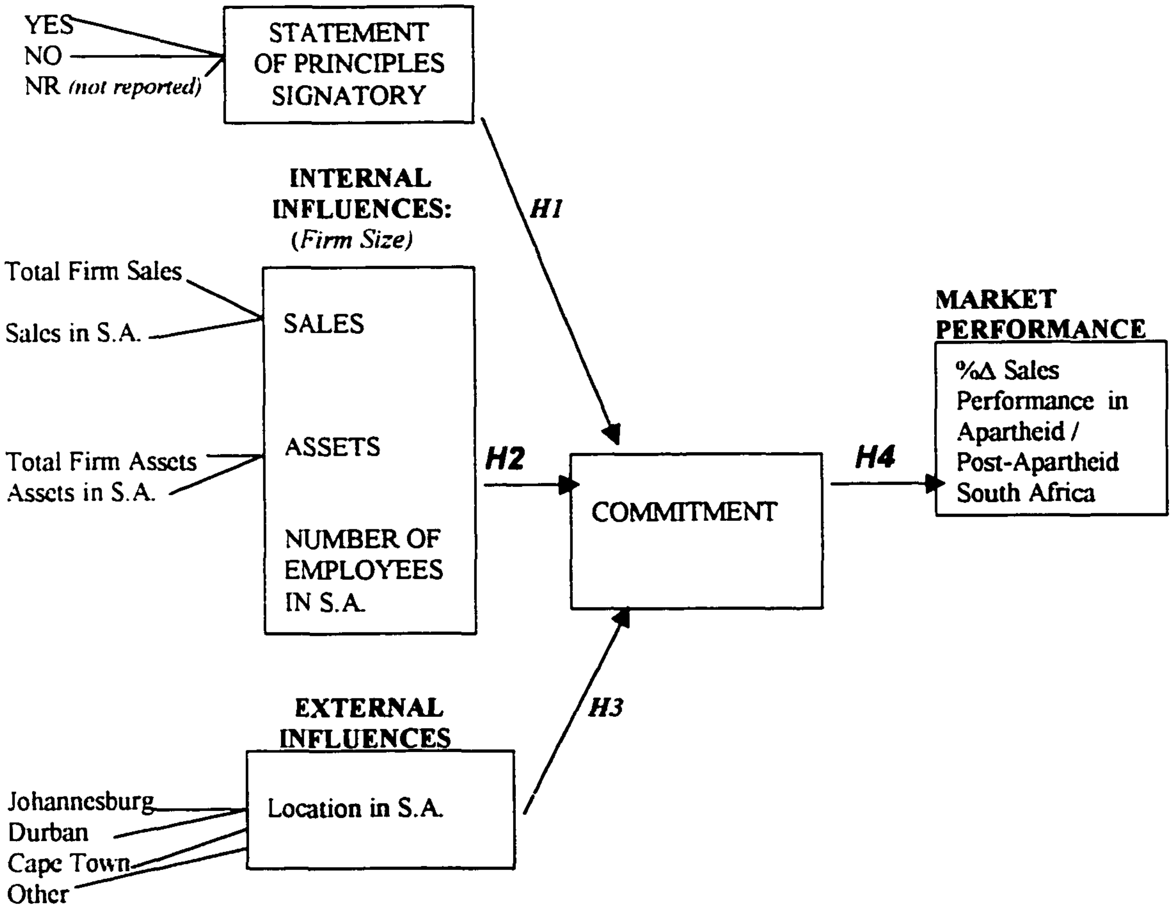
EMP represents total employees;

LOC represents location; and

TSGRO represents performance.

Accordingly, as illustrated in Figure 1 below, the primary goal of this dissertation is to examine two proposed relationships: 1) *internal/external variables and compliance to the Statement of Principles* are expected to influence the U.S. firm's commitment in South Africa; and, 2) *market performance, as measured according to total sales growth (1994-1998)* for the U.S. firm in South Africa is expected to be dependent the firm's *commitment/amount of equity in the South African venture.*

Figure 1:
Proposed Model for Assessing Determinants of
Commitment and Performance in Apartheid versus Post-Apartheid South Africa



Summary of Hypotheses:

Consistent with the previous discussion, the following hypotheses (H) will be tested in this dissertation:

H1: U.S. firms that were Statement of Principles signatories exhibit commitment in apartheid and post-apartheid South Africa.

H2: There is a positive relationship between firm size and the commitment of the U.S. firms in South Africa.

H2a: There is a positive relationship between firm size, as measured in terms of total sales, and its commitment in South Africa.

H2b: There is a positive relationship between firm size, as measured in terms of total assets, and its commitment in South Africa.

H2c: There is a positive relationship between firm size, as measured in terms of the number of employees, and its commitment in South Africa.

H3: The firm's location in different regions of South Africa influences its commitment.

H4: Commitment, as measured according to the amount of equity in the South African venture, influences a U.S. firm's market performance in the country.

In addition to providing a model for firms interested in conducting business in countries such as South Africa, answers to these questions will also provide academicians and researchers with a framework to use in the development of other empirical analyses of BEMs.

Research Framework:

Data Collection Method: As previously discussed, financial data from private firms may be restricted to corporate databases (Geringer and Herbert 1991), particularly for international ventures. The sample data for this study were collected from a database compiled by the Investor Research Responsibility Center (IRRC) in Washington, D.C. This organization has been gathering data on international firms operating in South Africa and many other countries since the 1970's. The firm is part of a consortium that receives funding to gather such data and maintains the only comprehensive database on foreign firms with business activity in South Africa. Data gathered by the IRRC are published annually and are used by the U.S. Department of Commerce and other government and private agencies and firms for various purposes. The annual databases and monthly updates can be obtained directly from the IRRC or one of its recipients. The data for this study were obtained, by permission, from the Georgetown University Law Library in Washington, D.C.

Research Sample: There was an average of 200 U.S. firms with equity ties to South Africa during the study period of 1994-1998. However, missing data for the selected variables to be used in the measurement of commitment and performance resulted in the limiting of the sample size to 151 firms. Specifically, in most cases, figures for sales, assets, and number of employees were not available and could not be obtained from other sources for the firms not included in the sample. Additionally, the only firms eligible to be included in the sample were those that maintained a presence in South Africa for the entire period of study. In consideration of the name changes that occurred for some firms during the transition from apartheid to the post-apartheid era, special care was taken to ensure name changes were tracked to maintain the integrity of data for each firm.

Description of Variables:

A complete summary of the variables included in this analysis is provided in Appendix B. However, a general description of each category of variables is explained below:

Statement of Principles Signatory *(independent, categorical variable):* Many foreign firms in South Africa complied voluntarily to the code of conduct as initially established by Leon Sullivan. Firms in this study fall into one of three categories: 1) *yes*, firm was in compliance as indicated by the voluntary signature to the code of conduct; 2) *no*, firm did not sign code of conduct, and 3) *NR*, it was not reported in the database, thus unknown. In consideration of the fact that codes of conduct for foreign firms were relaxed during the transition form apartheid to post-apartheid, the final year of its actual existence, 1994, is used in this study.

Firm Size *(independent, continuous variable):* Three (3) classifications of firm size are used in this analysis and are averaged over the period 1995-1998. Firms are classified by 1) total firm sales and sales in the South African subsidiary (measured in U.S. dollars), 2) total firm assets and assets in the South African subsidiary (measured in U.S. dollars), and 3) number of employees in the South African subsidiary.

Location *(independent, categorical variable):* A careful examination of the data resulted in the classification of firms across four categories: 1) Johannesburg, 2) Durban, 3) Cape Town and 4) other (firms that are located in all other areas of South Africa.)

Commitment *(independent, continuous variable)*: The firms used in this study are only those having equity ties to South Africa. Accordingly, commitment is expressed in terms of the amount of equity the U.S. firm holds in the South African business venture. For discussion purposes, firms having 100% ownership in the subsidiary are referenced as "wholly owned" subsidiaries. Those firms with established partners in South Africa are referenced as having "equity joint ventures".

Market Performance *(dependent, continuous variable):* The outcome variable of market performance includes sales growth for each firm as determined by *(total sales 1998-total sales 1994)/total sales 1994.* Market performance is examined according to its relationship to the firm's commitment/equity.

In recognition of the establishment of the democratic government in South Africa and the elimination of apartheid, for the purpose of discussion throughout this study, the apartheid era is to be identified as the period ending 1994. Although this is the year of the establishment of the democratic government, because of the lag in the reporting of data, this period is considered acceptable for the purpose of this analysis.

In contrast, the average of the years 1995-1998, the first year after the dismantling of apartheid and the most recent reporting of firm data by the IRRC at the time of this study, is to be recognized as the post-apartheid era. Accordingly, the growth discussed in the analysis is representative of a firm's growth from apartheid to post apartheid.

Data Analysis Techniques:

The correlation between the variables is provided in Appendix D and illustrates the covariations amongst the variables used in the model. As expected, there is significant correlation between commitment and its predictor variables.

In this study, factors that are related to the commitment exhibited by U.S. firms operating in the South African market and the relationship of such commitment/equity to the firm's overall performance in post-apartheid South Africa are evaluated using general linear modeling (GLM). This statistical technique allows for more flexibility in data analysis (Tabachnick and Fidell 1996). Because the variables in the model are both continuous and categorical, GLM is considered the most appropriate statistical analysis method when compared to other methods previously tested. To test for significance of predictor variables, F values, as reported by the GLM statistical technique are used (significant values for F are greater than +2.00 and less than -2.00.) Variance is explained using the Adjusted R Squared, since this measure is considered a more accurate measure of small samples than the overestimated R Squared.

The first goal of this dissertation is to test the relationship of compliance, firm size and location to the commitment of the firm South Africa. Therefore, it has been determined that GLM will be used to test the first six hypotheses in this study. Accordingly, the GLM statistical technique will be utilized to measure equation #1, as listed in the research design and overview section of this chapter.

Regression analysis, however, has as its primary goal the examination of the relationship between one or several independent variables and one dependent variable and has been used in many academic disciplines (Tabachnick and Fidell 2001), including marketing. The second goal of this dissertation is to investigate the impact a firm's commitment on the firm's overall market performance in post-apartheid South Africa. Regression analysis will be used to analyze this relationship as expressed in equation #2 in the research design and overview section of this chapter.

Summary:

The information in this chapter provided an overview of the data and the variables to be measured in this dissertation. The first section explained the origin of the data and an explanation of the how the sample was selected. The second section provided a description of the variables to be measured and the basic assumptions to be examined. The third section lists the hypotheses, equations and an illustration of the relationships to be examined. The final section provides justification for the selected method of statistical analysis. The following chapter includes a complete analysis of the data and findings of this research endeavor.

CHAPTER IV

INTRODUCTION

As previously stated, the country of South Africa has traditionally been underrepresented in the stream of empirical research among marketing academicians. The need to identify factors that contribute to the performance of the international firm in the South African marketplace increases as competition in the business environment is driven by globalization. Table 4.1 in Appendix C provides a descriptive statistical overview of the variables used in this analysis.

The model corresponding to equation #1 in the research design and overview section of Chapter 3 was estimated and supported. An F-value of 2.887, with a significance level of .001 indicates that the variables in the model are associated with the level of commitment exhibited by the U.S. firm in South Africa in 1998 (see Table 4-3 in Appendix C).

The hypothesized relationships measured were primarily derived from a comprehensive review of the literature and drawn from theoretical and empirical research. A discussion of the hypotheses formulated in this research endeavor and statistical findings of the study are discussed below. (Tables with statistics supporting the discussion of hypotheses are found in Appendix C.)

SUMMARY OF FINDINGS:

Hypothesis 1: U.S. firms that were Statement of Principles signatories will exhibit commitment in apartheid and post-apartheid South Africa than those firms that were not signatories.

FINDING: As hypothesized, a test for the relationship of compliance to the 1994 code of conduct for foreign firms, the last year of its existence in South Africa, on the level of commitment exhibited by the U.S. firm in the country yields a significant finding. Although little variation is explained by the overall model (Adjusted R Squared=.149), the F-value of 3.954 for SIGN94 is within the range of significance (see Table 4.3 in Appendix C). Hence, it can be concluded that compliance to the code of conduct, initially set forth by Reverend Leon Sullivan, is associated with the commitment exhibited by firms investing in South Africa during the period of apartheid. This finding indicates that as firms share equity with the host country firms, there is an increased concern to adhere to codes of conduct.

Additionally, an examination of the correlation matrix also illustrates a stronger association to compliance to the code of conduct during apartheid. Specifically, as indicated by the negative value on the correlation matrix (Appendix D), as companies become signatories, commitment decreases. Thus, during apartheid foreign firms that established equity-based joint ventures were more concerned with compliance to the country's code of conduct. Further, as indicated by the differences in values for each era, this association was more significant during apartheid (-.377, *significant at the 0.01 level*) than during post-apartheid (-.183, *significant at the 0.05 level*).

H2: ***There is a positive relationship between firm size and the commitment of the U.S. firms in South Africa.***

FINDING: An examination of firm size which includes internal measures (sales, assets and number of employees) was not supported by the data. This finding indicates that, in total, there is no direct association between the variables as predictors of the amount of equity U.S. firms will commit to the South African marketplace. However, the individual commitment associations identified for firm sales and employees are discussed in the related hypotheses.

H2a: There is a positive relationship between firm size, as measured in terms of total sales, in and its commitment in South Africa.

FINDING: This hypothesis is not supported by the data. In addition to an extremely low correlation, F-values and tests for significance were inconclusive. Accordingly, this suggests that total firm sales in apartheid and post apartheid South Africa are not associated with the firm's commitment in the country. Although the model in its present form did not yield significant results for this variable, an interaction between commitment and total sales provided some explanation for overall market performance. An adjusted R squared of .955 (Table 4-4 in Appendix C) is indicative of an association between the amount of equity in the South African venture and the total sales of the firm. Similarly a test of total sales within the South African venture, alone, illustrates a combined influence between commitment and the firm's South African sales on overall market performance with an F-value of 21.621 (significant at .000) for the model and an adjusted R squared of .944 (see Table 4-5 in Appendix C).

H2b: There is a positive relationship between firm size as measured in terms of total assets, and its commitment in South Africa.

FINDING: Findings in this research do not support the use of a firm's total assets as a sole measure of its commitment in South Africa. Although it was expected that the more assets invested, the more likely it would be for a U.S. firm to enter into a partnership with a South African firm.

However, there was an interesting finding when the model was reformulated for a test of interaction between the firm's total assets and its commitment, and the subsequent association of this interaction to the firm's overall performance. Results of the interaction suggests that although a firm's performance is not influenced by their commitment in 1998, the combination of commitment and assets invested yields significant findings. As illustrated in Tables 4-6 and 4-7 (found in Appendix C), an adjusted R squared of .992 (Table 4-6) suggests that 99.2% of the variance in performance is explained by the firm's mean total assets (1995-1998) coupled with its commitment in 1998. Additionally an F-value of 176.199 is highly significant (.000) and further supports the association of these two variables to the U.S. firm's overall performance in South Africa. Further, a test for the firm's assets in South Africa, alone, also offers a considerable explanation in the variation of the firm's overall performance. With an adjusted R squared of 89.4% and an F-value of 11.923 (Table 4-7), similarly this association is to be considered significant. Accordingly, it can be concluded that there is a direct link between a firm's assets invested in South Africa coupled with the sharing of equity with a host partner and the firm's overall performance.

H2c: There is a positive relationship between firm size, as measured in terms of the number of employees, and its commitment in South Africa.

The data does not support the proposition that the number of a firm's employees influences the level of commitment exhibited in South Africa. Therefore, it can be concluded that variations in industry categories might produce different total sales and the need for employees may vary by industry type. For example, a firm that specializes in the manufacturing of goods may require more employees but may have a lower sales growth than a firm in a highly technical industry that requires more specialized skills that will possibly require fewer employees.

H3: ***The firm's location in different regions of South Africa influences its commitment.***

FINDING: The analysis of the data does not provide evidence to support location as a significant predictor variable. Hence, a firm's commitment is not associated with the location within a specific region of the country. It can, thus, be concluded that a firm will locate its operations wherever it proves to be the most conducive as related to the firm's overall international strategy and type of industry.

H4: ***Commitment, as measured according to the amount of equity in the South African venture, influences a U.S. firm's market performance in the country.***

FINDING: There is insufficient evidence to support the proposition that a firm's commitment/equity in apartheid or post-apartheid South Africa is, by itself, a significant predictor of a firm's market performance. A possible explanation for the lack of support for this association could rest in the strategic planning of the U.S. firm in South Africa.

Perhaps companies that are more committed are focused primarily on the overall establishment and grounding of the company rather than performance. Thus, measures of performance might yield significant results after the firm has established itself in the South African market, with complete understanding of the specific nuances within the country. However, as previously discussed in H2a and H2b, a test for interaction between the firm's commitment and sales and the firm's commitment and assets provide substantial evidence of an influence of each relationship on the overall performance of the U.S. firm in the South African market.

CHAPTER V

Summary of Study:

The goal of this research was to identify factors that contribute to the commitment/equity exhibited by U.S. firms in the South African marketplace, and to examine the relationship of commitment to the firm's overall performance in post-apartheid South Africa. Although not all of the proposed relationships were supported by the data, careful examination of the measures did yield significant associations.

Of primary interest was the significant relationship between compliance to codes of conduct previously enforced in the country and the U.S. firm's commitment/equity in apartheid and post-apartheid, South Africa. Additionally, the number of employees of each firm and the location of the firm in specific regions of South Africa were expected to be associated with a firm's commitment. However, neither relationship was supported.

During the apartheid era, firms were most likely expected to enter South Africa with complete control, as opposed to partnering with a local firm, as would be the case with the equity joint venture. Accordingly, the findings from this study reveal that a comparison of the apartheid and post-apartheid eras indicates a closer association between compliance and the firm's commitment during apartheid, than in the post-apartheid era.

Other interesting conclusions of the study include the lack of relationship between the firm's commitment in post-apartheid South Africa to the firm's overall performance. However, although there was no direct association found between the firm's investment in the South African venture and their overall performance, an interaction between the amount of commitment/equity and the internal predictors of commitment did yield significant findings.

Although, there was a lack of evidence to support commitment as a predictor of a firm's performance in South Africa, GLM allowed for the reformulation of the model which yielded significant interactions between the firm's commitment and the internal predictor variables in the model.

By itself, the firm's commitment did not prove to be significant; however, variation in market performance can be explained by the reformulated model. This association supports the premise that (1) firm sales coupled with commitment and (2) assets coupled with commitment are predictors of a firm's overall performance in the South African marketplace. Interaction between commitment and the other predictor variables (EMP94, SIGN94 and LOC94) did not yield significant results.

Limitations:

Inasmuch as this study was designed to establish a stream of research among marketing academicians and to provide a basic framework for understanding the marketing activity of U.S. firms in South Africa, it is not exempt from limitations. While the study did produce substantive findings, possible limitations include the use of broad internal and external predictors although the use of firm size and location as predictor variables is supported in the literature. Sanctions and codes of conduct have also been discussed in academic literature; however, this is the first study in the marketing discipline to incorporate compliance to codes of conduct (SIGN94) in South Africa as a predictor variable even though its inclusion was supported by the data. While measures of performance of international firms is a topic receiving considerable interest from scholars, this study, like some others, fails to provide a conclusive measure of a firm's performance from the predicted model.

Other limitations include the lack of discipline related literature to support South Africa as a country of study. This can be overcome as scholars in the field of marketing, and other related business disciplines, recognize the potential for empirical, theoretical and conceptual contributions that can be realized by the inclusion of South Africa in future streams of research.

Implications and Recommendations for Future Research:

The most important finding from this study is the association between signatories to the Sullivan Principles in 1994 and the commitment exhibited by U.S. firms with business activity in South Africa. Although many scholars have scrutinized the implementation and usefulness of the Sullivan Principles, the findings in this study illustrate the association of such codes of conduct to the commitment a U.S. firm exhibits in South Africa. Hence, there is an association between compliance and commitment in South Africa. Additionally, the relationships demonstrated by the interaction between commitment and sales and commitment and assets, coupled with the previous finding, should provide business academicians and practitioners with a more realistic perspective of South Africa's potential. This potential should be realized in terms of increased foreign investment and the country's potential as a partner in the establishment of international joint ventures within the country of South Africa.

The previous and future establishment of U.S. firms in South Africa avails the country's inclusion in future research by marketing scholars. Although it was a challenge to incorporate existing literature and the data used for this analysis to hypothesize and produce significant findings, it is believed that the broad perspective introduced in this base-line study will stimulate the interest of other scholars.

Methodologically, the challenge was to identify the most appropriate method of analysis given the type of data and the inclusion of continuous and categorical variables in the model. The successful use of GLM to analyze the data provides researchers with direction for the handling of similar data that may also initially appear problematic.

Regarding recommendations for future research, in consideration of global competition, a more extensive study might involve a comparative analysis of firms from various countries and factors affecting their performance in South Africa. The incorporation of the variables used in this study, with more specific *internal* data for the firms from each respective country might be considered. For example, it may be interesting to view sales from an industry perspective and divide assets into various classifications. Further, a more detailed analysis of employees could include an examination of ethnicity, age and gender which might produce interesting findings when measured across several foreign countries with firms conducting business in South Africa. Possible countries to consider in a comparative analysis of the commitment and performance of foreign firms in South Africa include, but are not limited to, the United Kingdom, Germany and Japan - all having considerable activity in the South African market as trading partners since 1981 as identified in Table 2 in Chapter 2.

Within South Africa, an examination of country specific issues such as labor relations, employee attitude towards foreign investors, employee attitudes regarding work ethic and foreign management practices, changing demographics and quality of life of residents and certain political, technological and social issues are also likely to produce interesting findings.

Further, as African American, and other minority-owned firms enter the global market, the factors that drive their performance in BEMs might also be of interest, particularly as they develop global aspirations. Specifically, performance of African American and other minority-owned firms might be compared with each other and to that of small majority owned U.S. firms. This perspective would provide insight and direction for such firms as they pursue global markets.

While there is expected to be a direct relationship between African Americans and individuals in Africa, a test of cultural similarities between the two groups and their attitudes toward select marketing related variables might be examined. For example, a comparison of the response to advertisements and other promotional media across each group might be measured based upon cultural norms and values. Consequently, results of the relationship(s) could be used, in conjunction with other variables, as a measure of a firm's performance in the country of South Africa.

In conclusion, future research should identify and examine additional firm and country specific measures of performance in statistical models when examining the South African marketplace. Additionally, as South Africa struggles to overcome the effects of apartheid, the challenge for marketing and other business scholars will be to identify attributes that will best exemplify the characteristics of such a unique country of study and their subsequent impact on the performance of foreign firms.

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APPENDIX A:

STATEMENT OF PRINCIPLES

Sullivan's views: Sullivan on Oct. 20,1993, urged U.S. companies to return to South Africa and to adhere to the Statement of Principles or similar codes at least until the elections are held. He said that he hopes the new South African government will enact the standards espoused by his code and other corporate responsibility guidelines into law, at which point such codes will no longer be necessary. Even so, he said he would still like a "mechanism…in place to monitor the compliance of U.S. companies with the South African corporate laws," and for Americans to be kept apprised of the "efforts…by American companies to live up to the new South African corporate requirements." He said such monitoring also should be of non-U.S. companies in South Africa, many of which "have been riding on the backs of American companies in the furtherance of human rights."

The Statement of Principles was amplified on five occasions after it was first drafted in 1977. The following test is the basis for the current (and final) ratings (printed in the profiles of signatory companies in Section I).

Principle I. Non-segregation of the races in all eating, comfort and work facilities.

Each signator of the Statement of Principles will proceed immediately to:

- Eliminate all vestiges of racial discrimination.
- Remove all race designation signs.
- Desegregate all eating, comfort and work facilities.

Principle II. Equal and fair employment practices for all employees.

Each signator of the Statement of Principles will proceed immediately to:

- Implement equal and fair terms and conditions of employment.
- Provide non-discriminatory eligibility for benefit plans.

Appendix A continued

- Establish an appropriate and comprehensive procedure for handling and resolving individual employee complaints.
- Support the elimination of all industrial racial discriminatory laws which impede the implementation of equal and fair terms and conditions of employment, such as abolition of job reservations, job fragmentation, and apprenticeship restrictions for blacks and other non-whites.
- Support the elimination of discrimination against the rights of blacks to form or belong to government registered and unregistered unions and acknowledge generally the rights of blacks to form their own unions or be represented by trade unions which already exists.
- Secure rights of black workers to the freedom of association and assure protection against victimization while pursuing and after attaining these rights.
- Involve black workers or their representatives in the development of programs that address their educational and other needs and those of their dependents and the local community.

Principle III. Equal pay for all employees doing equal or comparable work for the same period of time.

Each signator of the Statement of Principles will proceed immediately to:

- Design and implement a wage and salary administration plan which is applied equally to all employees, regardless of race, who are performing equal or comparable work.
- Ensure an equitable system of job classifications, including a review of the distinction between hourly and salaried classifications.
- Determine the extent upgrading of personnel and/or jobs in the upper echelons is needed, and accordingly implement programs to accomplish this objective in representative numbers, ensuring the employment of blacks and other non-whites at all levels of company operations.

- Assign equitable wage and salary ranges, the minimum of these to be well above the appropriate local minimum economic living level.

Principle IV. Initiation and development of training programs that will prepare, in substantial numbers, blacks and other non-whites for supervisory, administrative, clerical and technical jobs.

Each signator of the Statement of Principles will proceed immediately to:

- Determine employment training needs and capabilities, and identify employees with potential for further advancement.
- Take advantage of existing outside training resources and activities, such as exchange programs, technical colleges, and similar institutions or programs.
- Support the development of outside training facilities, individually or collectively-including technical centers, professional training exposure, correspondence and extension courses, as appropriate, for extensive training outreach.
- Initiate and expand inside training programs and facilities.

Principle V. Increasing the number of blacks and other non-whites in management and supervisory positions.

Each signator of the Statement of Principles will proceed immediately to:

- Identify, actively recruit, train and develop a sufficient and significant number of blacks and other non-whites to assure that as quickly as possible there will be appropriate representation of blacks and other non-whites in the management group of each company at all levels of operations.
- Establish management development programs for blacks and other non-whites, as needed, and improve existing programs and facilities for developing management skills of blacks and other non-whites.

- Identify and channel high management potential blacks and other non-white employees into management development programs.

Principle VI: Improving the quality of employee's lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

Each signator of the Statement of Principles will proceed immediately to:

- Evaluate existing and/or develop programs, as appropriate, to address the specific needs of black and other non-white employees in the areas of housing, health care, transportation and recreation.
- Evaluate methods for utilizing existing, expanded or newly established in-house medical facilities or other medical programs to improve medical care for non-whites and their dependents.
- Participate in the development of programs that address the educational needs of employees, their dependents, and the local community. Both individual and collective programs should be considered, in addition to technical education, including such activities as literacy education, business training, direct assistance to local schools, contributions and scholarships.
- Support changes in influx control laws to provide for the right of black migrant workers to normal family life.
- Increase utilization of and assist in the development of black and other non-white owned and operated business enterprises including distributors, suppliers of goods and services and manufacturers.

Principle VII. Working to eliminate laws and customs which impede social, economic and political justice. (This was originally known as the "Fourth amplification.")

Appendix A continued

Each signator of the Statement of Principles must proceed immediately to:

- Press for a single education system common to all races.
- Use influence and support the unrestricted rights of black businesses to locate in the urban areas of the nation.
- Influence other companies in South Africa to follow the standards of equal rights principles.
- Support the freedom of mobility of black workers, including those from so-called independent homelands, to seek employment opportunities wherever they exist, and make possible provisions for adequate housing for families of employees within the proximity of workers' employment.
- Use financial and legal resources to assist blacks, coloreds and Asians in their effort to achieve equal assess to all health facilities, educational institutions, transportation, housing, beaches, parks and all other accommodations normally reserved for whites.
- Oppose adherence to all apartheid laws and regulations.
- Support the ending of all apartheid laws, practices and customs.
- Support full and equal participation of blacks, coloreds and Asians in the political process.

With all the foregoing in mind, it is the objective of the companies to involve and assist in the education and training of large and telling numbers of blacks and other non-whites as quickly as possible. The ultimate impact of this effort is intended to be of massive proportion, reaching and helping millions.

Periodic Reporting

The Signatory Companies of the Statement of Principles will proceed immediately to:

- Report progress on an annual basis to the independent administrative unit Reverend Sullivan established.

Appendix A continued

- Have all areas specified by Reverend Sullivan audited by a certified public accounting firm.
- Inform all employees of the company's annual periodic report rating and invite their input on ways to improve the rating.

Source: IRRC 1994

APPENDIX B

SUMMARY OF VARIABLES

TS = Total Firm Sales (Year 94 through Year 98)

TSGRO = Firm Sales Growth (TS98-TS94/1994)

TA = Total Firm Assets (Year 94 through Year 98)

AA = Firm South African Assets

EMP = Number of Employees in South Africa (Year 92 through Year 98)

LOC = Firm's Location in South Africa (Year 92 through Year 98)

1=Johannesburg
2=Durban
3=Cape Town
4=Other

COM = Commitment as measured according to amount of equity in South African venture

SIG = Statement of Principles Signatory

1=Yes
2=No
3=No Response

AS = Firm Sales in South Africa

Sample Size - 151 US Firms

APPENDIX C: RESULTS TABLES

TABLE 4-1: Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MNS9598	152	.00	136250000.00	4654895.3947	12741702.3452
MNAA9598	152	.00	674850000.00	30817121.7105	96011007.1522
MNAS9598	139	.00	1170250000.00	67803926.2590	195447620.8535
MNA9598	152	.00	220250000.00	5306081.7434	18872720.9866
EMP95	151	1.00	6975.00	347.2450	852.9190
TSGRO	151	-.67	30799.00	424.5249	2575.2893
COM98	151	.25	1.00	.8184	.2755
Valid N (listwise)	138				

Table 4-2: Commitment/Performance Relationship

		Sum of Squares	df	Mean Square	F
1	Regression	10601583.196	1	10601583.196	1.605
	Residual	984215630.678	149	6605474.031	
	Total	994817213.874	150		

a Predictors: (Constant), commitment sa

b Dependent Variable: TSGRO

Appendix C, continued

Table 4-3: Signatory/Firm Size/Location on Commitment

Tests of Between-Subjects Effects

Dependent Variable: COM98

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	2.427	13	.187	2.887	.001
Intercept	9.386	1	9.386	145.173	.000
MNS9598	4.449E-04	1	4.449E-04	.007	.934
MNA9598	.115	1	.115	1.778	.185
MNAA9598	2.217E-02	1	2.217E-02	.343	.559
MNAS9598	2.086E-02	1	2.086E-02	.323	.571
EMP95	.117	1	.117	1.809	.181
SIGN94	.511	2	.256	3.954	.022
LOC94	.160	3	5.328E-02	.824	.483
SIGN94 * LOC94	.154	3	5.140E-02	.795	.499
Error	8.211	127	6.465E-02		
Total	104.938	141			
Corrected Total	10.637	140			

R squared = .228 (Adjusted R Squared = .149)

Table 4-4: Total Firm Sales/Commitment Interaction

Tests of Between-Subjects Effects

Dependent Variable: TSGRO

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	981530890.391	105	9347913.242	31.661	.000
Intercept	9582304.826	1	9582304.826	32.455	.000
COM98	184026.763	2	92013.382	.312	.734
MNS9598	962338645.225	103	9343093.643	31.645	.000
Error	13286323.483	45	295251.633		
Total	1022030643.807	151			
Corrected Total	994817213.874	150			

R Squared = .987 (Adjusted R Squared = .955)

Appendix C continued

TABLE 4-5: South African Sales/Commitment Interaction

Tests of Between-Subjects Effects

Dependent Variable: TSGRO

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	981619142.067	111	8843415.694	21.621	.000
Intercept	9675109.756	1	9675109.756	23.654	.000
COM98	1350812.847	2	675406.423	1.651	.211
MNAS9598	961659734.642	109	8822566.373	21.570	.000
Error	10634487.828	26	409018.763		
Total	1022030643.807	138			
Corrected Total	992253629.895	137			

R Squared = .989 (Adjusted R Squared = .944)

TABLE 4-6: Total Firm Assets/Commitment Interaction

Tests of Between-Subjects Effects

Dependent Variable: TSGRO

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	992626385.042	108	9190985.047	176.199	.000
Intercept	8794747.464	1	8794747.464	168.603	.000
COM98	16136.449	2	8068.225	.155	.857
MNA9598	973434139.877	106	9183340.942	176.052	.000
Error	2190828.832	42	52162.591		
Total	1022030643.807	151			
Corrected Total	994817213.874	150			

R Squared = .998 (Adjusted R Squared = .992)

Appendix C, continued

TABLE 4-7: South African Assets/Commitment Interaction

Tests of Between-Subjects Effects

Dependent Variable: TSGRO

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	970948046.149	116	8370241.777	11.923	.000
Intercept	6105663.523	1	6105663.523	8.697	.006
COM98	115050.634	2	57525.317	.082	.922
MNAA9598	951755800.984	114	8348735.096	11.892	.000
Error	23869167.725	34	702034.345		
Total	1022030643.807	151			
Corrected Total	994817213.874	150			

R Squared = .976 (Adjusted R Squared = .894)

APPENDIX D

CORRELATION MATRIX

		COM94	COM98	TSGRO
COM94	Pearson Correlation	1.000	.272**	-.096
	Sig. (2-tailed)	.	.001	.241
	N	151	151	151
COM98	Pearson Correlation	.272**	1.000	-.015
	Sig. (2-tailed)	.001	.	.859
	N	151	151	151
TSGRO	Pearson Correlation	-.096	-.015	1.000
	Sig. (2-tailed)	.241	.859	
	N	151	151	151
MNS9294	Pearson Correlation	-.147	-.082	-.043
	Sig. (2-tailed)	.071	315	.601
	N	151	151	151
MNS9698	Pearson Correlation	-.164*	-.081	082
	Sig. (2-tailed)	.044	326	.317
	N	151	151	151
MNA9294	Pearson Correlation	-.207*	-.119	.001
	Sig. (2-tailed)	.011	146	994
	N	151	151	151
MNA9698	Pearson Correlation	-.210**	-.096	009
	Sig. (2-tailed)	.010	241	910
	N	151	151	151
MNAA9294	Pearson Correlation	-.049	-.031	-.006
	Sig. (2-tailed)	554	.710	.940
	N	151	151	151
MNAA9698	Pearson Correlation	-.130	-.081	.014
	Sig. (2-tailed)	.113	.324	866
	N	151	151	151
EMP94	Pearson Correlation	-.155	-.130	038
	Sig. (2-tailed)	.057	.111	641
	N	151	151	151
EMP98	Pearson Correlation	-.196*	-.154	067
	Sig. (2-tailed)	.016	.059	.413
	N	151	151	151
location sa 94	Pearson Correlation	.101	.006	-.098
	Sig. (2-tailed)	.219	.938	232
	N	151	151	151
location sa 98	Pearson Correlation	.101	.006	-.098
	Sig. (2-tailed)	.219	.938	.232
	N	151	151	151
signatory sa 94	Pearson Correlation	-.377**	-.183*	.079
	Sig. (2-tailed)	.000	.024	.335
	N	151	151	151

Appendix D continued

		MNS9294	MNS9698	MNA9294
COM94	Pearson Correlation	-.147	-.164*	-.207*
	Sig. (2-tailed)	.071	.044	.011
	N	151	151	151
COM98	Pearson Correlation	-.082	-.081	-.119
	Sig. (2-tailed)	.315	.326	.146
	N	151	151	151
TSGRO	Pearson Correlation	-.043	082	.001
	Sig. (2-tailed)	601	317	.994
	N	151	151	151
MNS9294	Pearson Correlation	1.000	.946**	.907**
	Sig. (2-tailed)		.000	.000
	N	151	151	151
MNS9698	Pearson Correlation	946**	1.000	850**
	Sig. (2-tailed)	000		000
	N	151	151	151
MNA9294	Pearson Correlation	907**	850**	1.000
	Sig. (2-tailed)	.000	000	
	N	151	151	151
MNA9698	Pearson Correlation	939**	937**	956**
	Sig. (2-tailed)	000	000	000
	N	151	151	151
MNAA9294	Pearson Correlation	.195*	.204*	173*
	Sig. (2-tailed)	016	012	033
	N	151	151	151
MNAA9698	Pearson Correlation	.365**	375**	400**
	Sig. (2-tailed)	000	000	.000
	N	151	151	151
EMP94	Pearson Correlation	.430**	.508**	451**
	Sig. (2-tailed)	000	.000	000
	N	151	151	151
EMP98	Pearson Correlation	414**	.479**	479**
	Sig. (2-tailed)	.000	.000	000
	N	151	151	151
location sa 94	Pearson Correlation	.051	.016	.068
	Sig. (2-tailed)	.534	.841	.407
	N	151	151	151
location sa 98	Pearson Correlation	.051	.016	.068
	Sig. (2-tailed)	.534	.841	.407
	N	151	151	151
signatory sa 94	Pearson Correlation	.027	.023	.049
	Sig. (2-tailed)	.745	.781	.550
	N	151	151	151

Appendix D continued

		MNA9698	MNAA9294	MNAA9698
COM94	Pearson Correlation	-.210**	-.049	-.130
	Sig. (2-tailed)	.010	.554	.113
	N	151	151	151
COM98	Pearson Correlation	-.096	-.031	-.081
	Sig. (2-tailed)	.241	.710	.324
	N	151	151	151
TSGRO	Pearson Correlation	.009	-.006	.014
	Sig. (2-tailed)	.910	.940	.866
	N	151	151	151
MNS9294	Pearson Correlation	.939**	.195*	.365**
	Sig. (2-tailed)	.000	.016	.000
	N	151	151	151
MNS9698	Pearson Correlation	.937**	.204*	.375**
	Sig. (2-tailed)	.000	.012	.000
	N	151	151	151
MNA9294	Pearson Correlation	.956**	.173*	.400**
	Sig. (2-tailed)	.000	.033	.000
	N	151	151	151
MNA9698	Pearson Correlation	1.000	.182*	.400**
	Sig. (2-tailed)		.025	.000
	N	151	151	151
MNAA9294	Pearson Correlation	.182*	1.000	.916**
	Sig. (2-tailed)	.025		.000
	N	151	151	151
MNAA9698	Pearson Correlation	.400**	.916**	1.000
	Sig. (2-tailed)	.000	.000	
	N	151	151	151
EMP94	Pearson Correlation	.465**	.284**	.378**
	Sig. (2-tailed)	.000	.000	.000
	N	151	151	151
EMP98	Pearson Correlation	.476**	.421**	.496**
	Sig. (2-tailed)	.000	.000	.000
	N	151	151	151
location sa 94	Pearson Correlation	.034	.105	.099
	Sig. (2-tailed)	.680	.198	.228
	N	151	151	151
location sa 98	Pearson Correlation	.034	.105	.099
	Sig. (2-tailed)	.680	.198	.228
	N	151	151	151
signatory sa 94	Pearson Correlation	.061	-.040	.042
	Sig. (2-tailed)	.456	.626	.611
	N	151	151	151

Appendix D continued

		EMP94	EMP98	location sa 94
COM94	Pearson Correlation	-.155	-.196*	.101
	Sig. (2-tailed)	.057	016	.219
	N	151	151	151
COM98	Pearson Correlation	-.130	-.154	.006
	Sig. (2-tailed)	.111	.059	938
	N	151	151	151
TSGRO	Pearson Correlation	038	.067	-.098
	Sig. (2-tailed)	.641	413	.232
	N	151	151	151
MNS9294	Pearson Correlation	.430**	414**	051
	Sig. (2-tailed)	.000	.000	.534
	N	151	151	151
MNS9698	Pearson Correlation	508**	.479**	016
	Sig. (2-tailed)	000	000	841
	N	151	151	151
MNA9294	Pearson Correlation	451**	.479**	068
	Sig. (2-tailed)	000	000	407
	N	151	151	151
MNA9698	Pearson Correlation	.465**	476**	034
	Sig. (2-tailed)	000	000	680
	N	151	151	151
MNAA9294	Pearson Correlation	.284**	.421**	105
	Sig. (2-tailed)	.000	.000	198
	N	151	151	151
MNAA9698	Pearson Correlation	.378**	496**	099
	Sig. (2-tailed)	000	.000	.228
	N	151	151	151
EMP94	Pearson Correlation	1.000	.924**	124
	Sig. (2-tailed)	.	000	130
	N	151	151	151
EMP98	Pearson Correlation	.924**	1 000	.098
	Sig. (2-tailed)	.000	.	.230
	N	151	151	151
location sa 94	Pearson Correlation	.124	098	1.000
	Sig. (2-tailed)	.130	.230	.
	N	151	151	151
location sa 98	Pearson Correlation	.124	.098	1.000**
	Sig. (2-tailed)	.130	.230	000
	N	151	151	151
signatory sa 94	Pearson Correlation	-.128	-.070	-.130
	Sig. (2-tailed)	.117	.391	.112
	N	151	151	151

Appendix D continued

		location sa 98	signatory sa 94
COM94	Pearson Correlation	.101	-.377**
	Sig. (2-tailed)	.219	000
	N	151	151
COM98	Pearson Correlation	006	-.183*
	Sig. (2-tailed)	938	024
	N	151	151
TSGRO	Pearson Correlation	-.098	079
	Sig. (2-tailed)	232	335
	N	151	151
MNS9294	Pearson Correlation	.051	027
	Sig. (2-tailed)	534	745
	N	151	151
MNS9698	Pearson Correlation	.016	023
	Sig. (2-tailed)	841	781
	N	151	151
MNA9294	Pearson Correlation	068	049
	Sig. (2-tailed)	407	550
	N	151	151
MNA9698	Pearson Correlation	034	061
	Sig. (2-tailed)	680	456
	N	151	151
MNAA9294	Pearson Correlation	105	-040
	Sig. (2-tailed)	198	626
	N	151	151
MNAA9698	Pearson Correlation	.099	.042
	Sig. (2-tailed)	.228	611
	N	151	151
EMP94	Pearson Correlation	124	-128
	Sig. (2-tailed)	130	117
	N	151	151
EMP98	Pearson Correlation	.098	-070
	Sig. (2-tailed)	.230	.391
	N	151	151
location sa 94	Pearson Correlation	1.000**	-130
	Sig. (2-tailed)	.000	.112
	N	151	151
location sa 98	Pearson Correlation	1.000	-.130
	Sig. (2-tailed)	.	.112
	N	151	151
signatory sa 94	Pearson Correlation	-.130	1.000
	Sig. (2-tailed)	.112	.
	N	151	151

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

VITA

SONJA POLLARD MITCHELL

EDUCATION

POST-GRADUATE STUDIES:

Name of Degree:	Doctor of Philosophy
Year Conferred:	2000
Major:	Business Administration
Degree Granted by:	Old Dominion University
Minor:	Marketing

MASTERS DEGREE:

Name of Degree:	MBA
Year Conferred:	1993
Degree Granted by:	Hampton University
Major:	Business Administration

BACCALAUREATE DEGREE:

Name of Degree:	Bachelor of Arts
Year Conferred:	1991
Degree Granted by:	Saint Leo College
Major:	Business Administration
Minor:	Management

PROFESSIONAL EXPERIENCE

1997-Present: Hampton University, Assistant Professor of Marketing.

1996-1997: Old Dominion University, Adjunct Instructor of Marketing.

1993-1996: Saint Leo College, Academic Advisor.

1993-1996: Saint Leo College, Full Time Instructor of Management and Marketing.

1995: Hampton University *College of Continuing Education*, Adjunct Instructor of Marketing.

1994: Hampton University, Adjunct Instructor of Marketing.