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How international telecommunication firms respond to regulatory institutions to obtain legitimacy in emerging market economies

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Extended Abstract

Existing research on firms' internationalisation has advanced our understanding of the importance of regulatory institutions in host countries. However, how these institutions influence the post-entry of international firms require more attention given the nature of doing business, particularly in the context of an emerging market that is characterised by an uncertain regulatory environment. The aim of this paper, therefore, is to bring to light the regulatory institutions that influence international firms at post-entry and how firms have responded, with emphasis on the emerging market telecommunication firms in Nigeria.

By a qualitative case study of two emerging market telecommunication firms, twenty in-depth interviews of senior managers from case companies and government were conducted in four states in Nigeria. In addition, documents including annual reports, minutes of meeting and government gazette were used to triangulate data. The evidence from the findings, first, demonstrate the regulatory factors that influence firms' post-entry comprising several agencies, which includes the Nigerian Communication Commission (NCC) and the National Environmental Standard and Regulatory Enforcement Agency (NESREA) whose roles have led to multiple regulatory issues in the sector. Secondly, the findings advance a more nuanced understanding of how these regulatory institutions influence the post-entry of international telecommunication firms.

One such way in which NCC and NESREA influence post-entry is that they coerce the international telecommunication firms by arbitrarily disrupting the building of

telecommunication base stations (TBS), thereby influencing post-entry. These actions by the regulators do not follow the legal process of penalising firms identified in previous literature, thereby contributing to extant studies. Further, institutional theory research has largely ignored Africa as a research setting, limiting our understanding of the nuances this context can contribute to management literature. For instance, the way in which international telecommunication firms' managers can adapt to respond to the influence of regulatory institutions has been identified in the framework developed in this paper to be a process of informal engagement. Finally, the identification of such strategic way shows that indeed, international telecommunication firms can legitimise their operations even in an unstable environment. This process of informal engagement is an important practical implication for international telecommunication firms that seek to invest and survive in emerging markets.

Key words: institution; emerging markets; internationalisation; telecommunication; Nigeria.