COMPETITIVE CHALLENGES FACING CHINESE MNCS IN GHANA

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ABSTRACT

Few studies have actually investigated the competitive challenges that Chinese multinational companies (MNCs) face in Ghana to understand the reasons for their challenges, their implications for Ghana's socioeconomic development and the strategies for managing these challenges. This paper partly fills this important research gap by exploring the competitive challenges facing Chinese MNCs in Ghana using a multiple embedded case study design. The qualitative data was analysed using content analysis. The findings reveal that Chinese MNCs currently face a myriad of competitive challenges. Different reasons are provided for these challenges as well as their implications for Ghana's socioeconomic development. Strategies for managing these challenges are also well suggested.

Keywords: Chinese MNCs, competitive challenges, developing countries, Ghana

INTRODUCTION

Multinational companies (MNCs) are enterprises that engage in foreign direct investments (FDIs) and own, or in some ways, control value added holdings in more than one country (Dunning 2008). In the last two decades, the growth of the global economy and foreign direct investments has increasingly pushed multinational companies into all the corners of the world including developing countries. However, few studies have actually investigated the competitive challenges that multinational companies face in developing countries. Studies on multinational companies in developing countries in the international context remain limited and have focused shallowly on MNCs business environments (Hadjikhani & Thilenius 2005; Yamin & Ghauri 2004). Often, normality has been ascribed to the business related problems that multinational companies operating in developing countries face (Khanna & Palepu 1997). Whilst much research has focused on entry strategies for multinational companies in developing countries, not enough attention has been paid to the implications of the competitive challenges to these countries' socioeconomic development. Limited attention has also been paid to the strategies necessary for managing the competitive difficulties multinational companies face in doing business in developing countries. Meanwhile, an increasing number of multinational companies have been welcomed into developing countries in the last two decades (Owusu 2003), including Ghana.

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Recent developments in developing economies have been characterised by increased internationalisation of firms in the form of outward foreign direct investments (Tayeb 2005). Multinational companies have now acquired substantial controlling interests in local companies and have set up foreign subsidiaries in developing countries (Gu 2011). Obviously, FDI has now become one of the main routes to globalisation and internationalisation in the past, and has possibly grown in importance over the past decade in developing countries (Jones 2005; OECD 2005). As a result, many multinational companies now rely on foreign direct investments as their route into developing countries, of which Ghana is no exception. Research on global investments and business trends have demonstrated that, despite the fall in global foreign direct investments, for the first time ever, developing economies absorbed more FDI than the developed countries, accounting for 52 per cent of global FDI flows and amounting to $703 billion in 2012 (UNCTAD 2012). The same world investment report also suggests that there is a movement or increasing relocation or location of multinational companies in developing countries in a form of state-owned foreign companies or private foreign companies (UNCTAD 2012).

Multinational companies have now become a permanent, sizeable and growing feature of the markets in developing economies and they cannot be disregarded as foreign and irrelevant to the socioeconomic development of these countries. For instance, investments from multinational companies have become the major source of revenue in almost every developing country, because most governments in developing countries are more interested in socioeconomic development and socioeconomic stability (Latifi 2004; Rosenfeld & Wilson 1999). This implies that the existence of MNCs in developing countries is a reality which consequently requires adequate attention in terms of increased concerns for their survival, profitability and growth because their collapse may have serious implications for the socioeconomic development of developing countries.

Developing countries in Africa have adopted a strategy of revising their investment policies and legislations with the aim of creating favourable business environments by ameliorating barriers to foreign investors (ADB 2008). However, there is the possibility of this strategy frustrating and reducing the presence and activities of multinational companies upon which governments in developing countries depend on for their socioeconomic development budgets. It is clear that, business challenges facing MNCs in general, and Chinese MNCs in particular may have a negative correlation with the socioeconomic development of some African countries. Importantly, any move to manage the competitive challenges facing multinational companies in Africa must be underpinned by empirical studies, and Ghana as a developing country in Africa is no exception.

Limited studies have actually investigated the competitive challenges that Chinese multinational companies face in Ghana to understand the reasons for the challenges, their implications for Ghana's socioeconomic development and the strategies for managing these challenges. This paper fills part of this important research gap by exploring the competitive challenges facing Chinese MNCs. This study identifies the reasons for these competitive challenges, determines the implications of these challenges for Ghana's socioeconomic development, and finally identifies strategies to manage the competitive challenges facing Chinese MNCs. In particular, this study seeks to answer the following research questions:

1. What are the challenges that Chinese MNCs encounter in doing business in Ghana?
2. What are the reasons for the challenges encountered in doing business in Ghana?
3. What are the implications of these challenges for the socioeconomic development of Ghana?
4. What are the strategies for managing these challenges in Ghana?

THEORETICAL FOUNDATIONS

Institutional Perspectives

The perspectives of the institutional theory emphasise the institutional and organisational constraints imposed on MNCs (Schief 2010). These constraints and limitations make MNCs play a passive and reactive role in their host countries (Child & Tsai 2005). The institutional perspective also explains that firm-specific and host-country institutional factors continue to exert much influence on MNCs (Scott 2001) which place a huge demand on MNCs to develop strategies in responding to these environmental forces. According to this perspective, due to the institutional constraints, MNCs adopt contingency approaches to adapt and conform to host-country institutional demands in order to survive and perform (DiMaggio & Powell 1991). This is because MNCs like any other companies are social entities that seek approval to conform and perform in socially constructed environments through institutional adaptation. It is argued that despite their challenges, MNCs can learn to handle host country political, legal, economic and social institutions that articulate and maintain widely observed norms and rules if they want to leverage firm-specific and host country institutional factors into competitive advantage (Scott 1995; North 1990). Although MNCs' strategies are influenced by the host country business environment, well-structured and flexible MNCs may still choose to adjust and revise their business strategies, processes and management practices to institutionally "isomorphize" both firm-specific and host-country institutional factors as a contingency measure (Boxall, Purcel & Wright 2007). These assumptions describe what Scott (1995; 2001) referred to as institutional isomorphism and adaptation. It can be explained that MNCs can use institutional isomorphism and adaptation as "defense mechanisms" to earn legitimacy and thrive in host countries without much limitations (Dacin, Goodstein & Scott 2002).

Foreign Direct Investments (FDIs) & Chinese MNCs in Africa

Africa is one of the developing economies and the only region that saw an increase in the global FDI inflows in 2012 (UNCTAD 2012). Africa's global FDI inflows rose up by 5 per cent to $50 billion (UNCTAD 2012). Africa as a developing economy is seen to receive huge foreign direct investments from emerging economies in Asia. China's outward foreign direct investment has increased substantially in recent years especially in developing countries (Buckley, Cross, Tan, Xin &Voss 2008l; Cai 1999; Zhao & Wang 2008) in Africa. China's share of Africa's trade has jumped from 2 to 6 percent making it the continent's third largest trading partner after the United States and France (Alden & Rothman 2006). China's FDI stock in Africa currently amount to $16 billion (UNCTAD 2012). Among Africa's trading partners from the emerging Asian economies, China is the strongest investor in Africa.

Chinese FDIs in Sub-Saharan Africa (SSA) have grown rapidly in recent years and have focused primarily on Ghana and Nigeria (UNCTAD 2012). Out of the $16 billion China's FDI stock in Africa, SSA currently holds over $9 billion. Ghana as a developing country in SSA has had moderate success in attracting FDIs. However, as the fifth largest recipient of foreign direct investment in Africa and the second largest recipient in SSA with an FDI volume of $3.3 billion together with FDI projects totalling 399 for the year 2012, Ghana has received over 2,000 foreign investors from over 20 different countries with the majority coming from China (GIPC 2012). China with 56 projects topped the list of countries with the highest number of registered projects in Ghana within the year 2012 and can boast of over 2,000 investment projects. China's FDI in Ghana value US$236.03 million (GIPC 2012).

The presence of Chinese multinational corporations (MNCs) in Africa is strongly tied to its FDIs on the continent. Chinese multinational companies have sprung up over the years in African countries and have invested in the construction, oil and gas, service and consumer industries (ADB 2008). Chinese MNCs are driven by market-seeking and resource-seeking motives in African countries (Sichei & Kinyondo 2012). This explains why many Chinese MNCs are investing heavily in low-income developing countries in Africa where they can have resource and market advantage (UNCTAD 2007). More than 800 Chinese state-owned firms (e.g., China Overseas Engineering Corporation, China Roads and Bridges Corporation, China Railway Construction Corporation), and a little over 200 privately-owned Chinese MNCs are now active in African markets (Alden & Davies 2006). Out of over 1,000 Chinese MNCs in Africa, a little over 200 Chinese MNCs are currently operating in Ghana (GIPC 2012).

Competitive Challenges of Chinese MNCs

Few studies have actually examined affiliates of multinational companies in developing countries and the pattern of their linkages in host country business environments (UNCTAD 2001). There are so many Chinese MNCs in Ghana, but little do we know about their competitive challenges. Mohammed and Sabir (2011) argue that multinational companies generally face challenges such as high labour cost, new business environment experience, tight business and tax policies, lack of local raw material and suppliers, pressure from global financial crises and intense local competition. Zhu et al. (2007) argues that most Chinese MNCs find it difficult to create new competitive advantage in the host country market due to "late comer-ness". Others argue that upon arrival, most MNCs including Chinese MNCs are confronted with host country government policies. For instance, Goldsmith (2002) argues that MNCs must know how government policies in developing countries inhibit or facilitate their business relationships with local firms, regulatory agencies and other foreign firms.

Many studies observe that the type of government policy and regulations usually reduces MNCs profits in a form of taxes, royalties and levies (Boddewyn & Brewer 1994; Hadjikhani 1996; Hadjikhani & Sharma 1999) which are more likely to undermine MNCs profitability, growth and survival. Available evidence also explains that larger MNC's are generally expected to pay more salaries than local firms and at least match or exceed working conditions and other employment benefits in the local labour market (UNCTAD 1994; Wong & Law 1999) which eventually pose a lot of financial burdens for Chinese MNCs. It has been observed that Chinese MNCs are increasingly criticised for their lack of collaborative business models, weak contributions to capacity building, poor sustainable business and labour practices in developing countries or recipient economies (Bells 2006), which create industrial relation challenges in the host countries.

Studies have shown that most Chinese managers “think large scale, have tremendous drive and are quick at execution” but lack international experience in dealing with global stock markets, sales and marketing, and cross-cultural communication which saddle them with high levels of debt (Batra 1997; Dickie 2005; Punoose 2005). Consistent with the above empirical finding is the observation of Kraft (2010) that Chinese MNCs are more likely to sacrifice and compromise total quality standards in host countries, and as a result sell cheaply to their consumers. She further suggests that a good reputation for quality, credibility and loyalty cannot be built overnight and thus establishing solid brand equity overseas could take years of marketing, investment and good public relations practice which Chinese MNCs hardly do.

A good number of studies in international business management have found that fierce conflict exist between local firms and MNCs. These industry-level conflicts often pose huge competitive challenge for many MNCs including those from China due to ownership structure, local unemployment, technology transfer, exploitation of natural resources, corruption and bribery and government policies (Apoteker & Barthélémy 2009; Latifi 2004; UNCTAD 1992, 2002). Although the dominance of American management theory has led to the belief that universal management practices can be applied anywhere, research has however shown that managerial practices, attitudes, values and behaviors differ across national cultures (Kuada, 2008). Consequently, most MNCs often counter cultural barriers which frustrate their operations in host countries. Oxford (2010) and Lewis (2003) argue that assuming cultural similarities by MNCs has often proven disastrous.

Cross-cultural differences for MNCs in the host countries are weak human resource management (HRM) practices. Several empirical evidences have suggested that the transfer of human resource management practice and policies to host countries by MNCs is often executed poorly due to cultural diversity and shocks as many MNCs internalise their home country management practices (Harzing & Ruysseveldt 2004; McGraw & Harley 2003). This is because human resource capabilities of Chinese firms are considered underdeveloped and heavily influenced by the Chinese cultural traditions (Cooke 2005; Warner 2005; Wei & Lau 2005). A study found that many Chinese expatriates become lost, confused and anxious in new countries because of unfamiliar situations and different cultural norms and values they encounter (Neuliep 2003). Therefore, failure to adapt human resource management policies and practices appropriate to Ghana’s cultural and institutional environments might present negative consequences to MNCs in general and Chinese MNCs in particular.

Reasons for the Competitive Challenges facing Chinese MNCs

Chinese outward foreign direct investments have generated considerable interests, concerns and controversies in the last two decades (Kolstad & Wiig 2009) in African countries including Ghana. However, few empirical studies have focused on the underlying reasons for the barriers to Chinese MNCs presence in developing countries (Cooke 2008), particularly for those in Ghana. According to Watkins (2003), few foreign firms are able to strategically manage their relationships with home country and host country governments. Several studies have found that Chinese government plays an active role in Chinese businesses both at home and abroad through restrictive business laws and regulations (Gao 2006; Sanyal & Guvenli 2000). Studies on the internationalisation of Chinese firms (e.g., Buckley et al., 2008; Child & Rodrigues 2005; Nolan 2001) have also observed that the influence and involvement of the Chinese government in the internationalisation decisions of Chinese firms has made business transactions challenging especially for the private Chinese MNCs operating in African countries.

Empirical evidences reveal that Chinese MNCs encounter various business barriers because they are new to the world economy and lack the competitive advantages, knowledge and experience necessary for global operations (Lewis 2003; Zadek, Chen, Li, Jia, Zhou, Kelly, Maya & Guy 2009). Miadment (2008) argues that the business failure of Chinese MNCs in global operations can be attributed to the inexperienced Chinese business leaders in foreign subsidiaries as well as intellectual property and counterfeits by some Chinese businesses. Miller and Holmes (2010) revealed that some Chinese business leaders often have access to their competitors'' copyrights, patents, brand names, trademarks, and trade secrets illegally. Feely and Harzing (2003) contend that many multinational companies attribute their lack of competitiveness to language barriers. They also explain that MNCs in general confront the question of "how best to manage communication across the different language landscapes in the global economy". Cross-cultural communication is more likely to confront Chinese MNCs in developing countries due to the multicultural environment of host countries.

Studies have identified poor human resource management practices as a major reason for trade barriers in MNCs (Cooke 2005, 2008). For instance, Qi and Lange (2005) argue that expatriate programs designed by MNCS often lead to high expatriate failure and expatriate cost which often characterizes some Asian MNCs. According to them, European, Chinese and Japanese MNCs are 10% more likely to fail than American MNCS in foreign markets. Kraft (2010) explains that one of the top reasons for the difficulties of Chinese brands going global is the negative reputation associated with Chinese-made products. According to her, the term 'Made -in-China' is for many global consumers, synonymous with cheap or poorly manufactured goods which poses financial and reputational damages for Chinese MNCs. Subsequently, these reasons explain why some Chinese MNCs encounter a lot of challenges in doing business in Ghana.

Implications of Competitive Challenges for Host Country's Socioeconomic Development

The spill-over effect of MNCs challenges on Ghana's socioeconomic development remains largely unexamined. Studies have shown that governments in developing countries who previously resisted MNCs in the 60s, 70s, 80s and 90s are now welcoming multinational companies because they represent an engine of their socioeconomic growth and development (Borensztein, DeGregorio & Lee 1998; Lai 2001; Moser 2001; Owusu 2003; Safarian 1999; Yamin 2001). Wang (2007) argues that private and public Chinese MNCs have provided huge economic exchanges in many developing countries in Africa including Ghana. Thus, the presence and activities of MNCS bring about unravelling opportunities in emerging markets as well as developing African markets (Garten 1998).

Different studies on multinational companies have demonstrated that MNCs serve as a means by which knowledge and modern technologies can be easily transferred to developing countries through foreign direct investments (Spero & Hart 1997; UNCTAD 2000, 2012). In examining the role of MNCs in four developing countries, Harrison (1994) concluded that MNCs improve the living standards of host country nationals by paying slightly higher wages and salaries than domestic firms do and thus help improve the skills sets of local employees. Markusen (1995) concur that foreign firms often invest in local employees by developing and motivating them better than the local firms.

A significant contribution of MNCs in developing countries is their injection of capital as foreign direct investments by MNCs constitute the largest source of government revenue and external funding in developing countries (UNCTAD 1994). Further, multinational companies provide easy access to foreign markets and customers which could take domestic firms years of investments and efforts to acquire (Baafi 2009; Strange 1995). It has been noted that China's relationship with developing countries offers huge infrastructural and industrial development (Hanson 2008). It is clear that competitive barriers that confront MNCs can curtail the huge contributions that MNCs make toward the socioeconomic development in Ghana.

Strategies for Managing Competitive Challenges facing Chinese MNCs

Despite the extensive body of knowledge on multinational companies in general, and Chinese MNCs in particular, strategies for managing competitive challenges facing Chinese MNCs have been seriously under-researched particularly in Ghana. Scholars have argued that it is advisable for multinational companies to seriously consider organisational learning as a strategy for managing the impact of business challenges on their foreign markets (Mathews 2002; Sim & Pandian 2003). According to them, MNCs must be good at learning and accumulating new knowledge and expertise in order to move from cost-based competencies and location-based advantages to ownership or firm specific advantages. By that, MNCs can effectively localise in foreign markets without much limitations.

Others have also argued that outward business strategies such as joint ventures, mergers and acquisition and partnership constitute an opportunity to surmount competitive challenges and take advances in the host country markets (Alden & Davies 2006; Yu & Ramanathan 2011). They further suggest that these outward business strategies can manifest in various ways. First, MNCs can own a substantial amount of shares in the local firms through joint ventures and mergers; second, they can start a new business with local entrepreneurs through partnership and third, they can buyout existing firms through acquisition. Alden and Davies (2006) articulate that these business strategies might help MNCs to gain access to the global supply chains, leverage their commercial success in foreign markets and obtain managerial and technical skills to shape their competitive vitality. Apoteker and Barthélémy (2009) note that MNCs integration into foreign markets through these business strategies quickens their access to natural resources and their acquisition of capabilities in the field of research and development (R&D).

Oetzel and Doh (2009) argue that collaboration between MNCs and local institutions can help embed foreign firms in the social fabric of the developing countries and gain long-term competitive advantage. Linkages between foreign investors and local institutions especially local firms have been observed to be essential prerequisites for MNCs business success (Hansen, Pedersen & Petersen 2009). Newman and Nollen (1996) also suggest that MNCs and their foreign subsidiaries must make every effort to manage businesses consistently with national culture expectations by considering cross-cultural differences and adaptations in their host countries. As Chinese MNCs internationalise, they must prepare for potential clashes between cultures, societies and politics. Kvantaliani and Klimina (2011) state that MNCs should be culturally sensitive and pay more attention to cultural differences because national culture undeniably has great influence on business culture and success.

The roles of governments differ in host countries. However, MNCs can build strong ties with host country governments in securing and gaining access to local markets without difficulties. Emmot (1993) suggests that MNCs can utilise their political powers in the host countries to influence government policies and regulations in their favour. Goldsmith (2002) concurs that MNCs operating in developing countries must adopt the strategy of building strong relationships with the host country government, politics and the societies as a way of legitimising themselves which require MNCs to be good citizens by complying with host country laws and regulations (Bradshaw & Burton 2003).

Globalisation has created numerous ethical problems for the managers of MNCs (Velasquez 2000). Thus, many have argued that MNCs should operate on the basic premise that organizational actions, behaviours and attitudes that are unacceptable in their home countries are also unacceptable in the host countries (Singh & Carasco 1996). This understanding might ensure that MNCs posture themselves as corporate citizens by behaving accordingly (Palacios 2004). In order to achieve this, Kraft (2010) opines that MNCs in general and Chinese MNCs in particular, must demonstrate ethical industry standards which guarantee high-quality products and services while adhering to a code of strong business ethics. It is believed that this ethical gesture will correct the “China-made” stigma often associated with China products in the host country markets. Multinational companies can capitalize and use their enormous economic and political powers to promote corporate social responsibility initiatives and facilitate sustainable development through corporate social reporting in developing countries (Amba-Raou 1993; Barclay & Smith 2003; Moon 2007; Waddock, Bodwell & Graves 2002). This may help build stronger relationships with the stakeholders in the host country. Besides, as part of their CSR practices, MNCs should make tangible contributions to the socioeconomic development of the developing countries by providing access to information and communication technologies, increase investment, create more jobs and provide more training for local employees (Sethi 2003).

Konrad, Steurer, Langer and Martinuzzi (2006) argue that MNCs can gain social legitimacy by using non-renewable and renewable energy resources responsibly, avoid emissions into water, air, soil and neighbourhoods and avoid environmental damages and risks, and, as well, contribute to the social well-being of the societies and individuals in the host countries. Cordeiro (2003) also advises that MNCs can build a long-term reputation and legitimacy in the host countries by acting ethically. These organisational, cultural, strategic, political and ethical strategies are worthwhile if Chinese MNCs are to succeed in doing business in African countries including Ghana.

METHODS

Study Design

The multiple embedded case study design was adopted for this study because it permitted the researcher a deeper exploration into the issues of major concern and further provided an in-depth understanding of how the institutional contexts in which MNCs operate inform the way they function (Edwards et al., 2007). The researcher relied on theoretical perspectives (i.e., institutional perspectives), professional experiences of managers during the interview and previous researches and scholarly documents to identify meaningful themes and categories through inductive and deductive approaches as argued by Mayring (2003). The units of analysis were words, phrases, sentences, paragraphs, propositions and ideological stances relevant to the study.

Data Collection

A sample of 10 Chinese MNCs operating in the service and general trading sector were selected for the study because these sectors are the major business grounds for many Chinese MNCs in Ghana (GIPC 2012). The sampling was done through simple random sampling because the study wanted to ensure structural representation that matches the purpose of the study (Stake 1995). 10 Chinese managers were invited to take part in the study through letters of invitation and they agreed. These managers were purposively selected because as managers they have had relevant exposure and information useful to the purpose of the study (Patton & Appelbaum 2003). The selection criterion for the sampling was only managers (i.e., those in managerial positions) working in wholly-owned Chinese MNCs regardless of their nationalities, mother tongues, ages and gender. The sample elements consisted of Managing Directors, Financial Controllers, Sales and Marketing Managers, HR Managers and Operations Managers from the 10 Chinese MNCs.

Qualitative data was collected through semi-structured interviews from 10 managers working in Chinese MNCs. Interviews were conducted by the author face-to-face on an individual basis. Interviews typically lasted between 30 and 40 minutes. Interviews were conducted in both English and Chinese (through a Chinese interpreter) in order that Chinese managers could fully express themselves. For the sake of consistency, an interview schedule was developed to guide the interviews. The interview schedule focused on the research questions. For example, a sample question during the interview sessions was "What do you think are the competitive challenges facing your company in Ghana?" This and many other questions were asked and were responded to by the individual managers. Detailed notes were taken in each interview by the researcher. The data collection period lasted for two months.

Ethically, the interviews were granted on the premise that the company names and details would be modified to protect their identity. A few interviews were recorded with the permission of the officials being interviewed. The officials of each organisation were made aware that the data would be used as part of an on-going research.

To ensure internal validity, many observed discrepancies in the data were discussed with the individual manager to clarify and to seek additional information and spurious data were entirely excluded. Reliability was also ensured by providing detailed accounts of the data collection procedures for the sake of replication.

Data Analysis

The data was analysed using qualitative content analysis approach which was argued as the most effective way to ensure comprehensiveness of text material (Miles & Huberman 1994). Bazeley (2007) argues that first-time or small-scale studies should not necessarily use computer software in content analysis approach as this reduces the originality of the text material. The interviews were transcribed and the entire interview transcripts were read by the researcher and coded. With specific reference to the theoretical and empirical perspectives, a good category system emerged from the data as the researcher found and generated the category system (Mayring 2003). At the end, common themes and categories emerged from the data and under these were all of the data accounted for. The four common themes or categories that emerged from the data were: challenges, reasons, strategies and implications of completive challenges. The researcher then sorted the data into these common themes or categories and these are reported below.

FINDINGS

The findings are presented below as verbatim quotes under each of the category heading because longer quotes are often better for preserving context (Burnard 2004). Rather, the findings from this study are discussed separately by linking the findings with existing literature as suggested by several scholars in qualitative studies (e.g., Fetterman 1996; Burnard 2004; Denzin & Lincoln 1998) in order to avoid "bending" the findings to make what will be a spurious link with existing literature.

Competitive Challenges Facing Chinese MNCs in Ghana

A number of managers revealed that sales and marketing constitute a major challenge for Chinese MNCs in Ghana. Some suggested that:

> '………low patronage of our goods and service is making us lose a lot of money we have invested. I hope we continue survive here'……… (Sales and Marketing Managers & Operations Managers).

A group of managers also noted that cross-cultural differences between Ghana and China often created a communication gap. Some of the managers intimated that:

> 'First, your culture is different from ours. For example, we can't speak your language here, so we can't sell much, we can't talk to staff properly, we can't interact with staff and even discipline staff.…it's very worrying for us from China…your culture is the problem for us Chinese people doing business here.…people laugh at you always' (Managing Director, Operations managers & Financial Controller).

Others were of the view that most regulatory agencies pose a lot of challenges to their businesses. These regulatory issues come about when regulatory officers make unnecessary demands. A group of managers said that:

> '…….the government and regulatory bodies set too many rules and regulations to follow which at the long run affect our output and the profit we make…… And sometimes we

> are forced to pay bribe in order for us to run our businesses peacefully' (Managing Director & Sales & Marketing Managers).

Reasons for the Competitive Challenges Facing Chinese MNCs in Ghana

Some of the managers indicated that the challenges of Chinese MNCs could be explained by the negative perceptions people have about made-in-China goods and services. Some of the managers intimated that:

> '……people don't really patronize our goods and services because of the "made in China stigma". They think we produce low quality goods and provide cheap services' (Sales & Marketing Mangers & Operation Managers).

A number of managers also said the intrusive Chinese government may explain why some of the Chinese MNCs are limited in their business transactions and activities. These managers indicated that:

> '………foreign companies are not supported by the government as well as our country….I mean China government ……… even though we also contribute more to the development of the country. We need to be given enough room to operate and help create wealth' (Managing Director & Financial Controller).

Difficulty in communication was indicated to explain why most Chinese MNCs struggle to do business. Some of the managers said that language barriers pose a challenge to some of the Chinese managers. Selected managers intimated that:

> 'I think it's normal for any new business venture to experience challenges in foreign countries just like in our case especially when it comes to speaking foreign language…..It is not easy, but it's a gradual process and I know we'll get there with time' (Sales and Marketing Managers, Operations Managers & Financial Controller).

Implications of the Competitive Challenges for Ghana's Socioeconomic Development

A group of managers revealed that one fundamental effect of these competitive challenges facing Chinese MNCs is the decrease in the Ghana's foreign direct investments from China. As some managers intimated that:

> '……these challenges in my humble opinion can affect Ghana negatively in the area of foreign direct investment and also to a large extent, reduce the friendship between Ghana and China' (Managing Directors & HR Managers).

Some of the managers suggested that the challenges facing MNCs in general and Chinese MNCs in particular, may increase the rate of unemployment as foreign companies in Ghana offer a lot of employment opportunities. The managers indicated that:

> 'It is an issue which can lead to many implications such as employment related issues ……including labour issues because when we face these challenges we can't employ many people' (HR Managers & Operations Managers).

Strategies for Managing Competitive Challenges facing Chinese MNCs

Most of the managers interviewed stated that these challenges can be well managed if Chinese MNCs can draw closer to their customers and employees through cultural adaptation. These managers cited that:

> '…one way which I think we can improve on our business activities and customer base is when we get closer to the people and employees, and we can only do this when we adapt to the Ghanaian culture' (Managing Director, Sales and Marketing Managers & HR Managers).

A number of managers also made mention of the need to improve the quality of the products and services from China. Some of the managers contended that:

> 'We are doing well by…….but practically the quality of our goods and services must be improved a bit……. because many customers from Ghana complain a lot about it………some say our products do not last but not all of them, some are quality' (Sales and Marketing Managers & Operations Managers).

Engaging in CSR practices was mentioned by some of the managers as a way to leverage social legitimacy and increase their sales and markets. The managers indicated that:

> 'Look, Chinese entrepreneurs here do "good" by employing people, paying taxes…… and many more. I agree we have to do more social responsibilities and we will because it makes people know us and buy from us' (Managing Director, & Sales and Marketing Managers).

DISCUSSION

Studies on the competitive challenges facing Chinese MNCs have been limited in the Ghanaian context. This study contributes to filling this research gap by identifying the competitive challenges facing Chinese MNCs, the reasons for these challenges and the possible implications of these challenges for Ghana's socioeconomic development as well as the strategies for managing these challenges. In doing so, this study argued that the study of MNCs and their business related issues as well as the implications of these issues is incomplete without a critical look at the institutional and environmental forces in Ghana. This approach responds to Scott's (1995, 2001) call for institutional isomorphism in examining environmental challenges facing MNCs in the host countries.

This study found that Chinese MNCs in Ghana are confronted with cultural, legal and marketing challenges. The findings suggested that sales and marketing, cross-cultural and regulatory issues constitute the major challenges facing Chinese MNCs. This finding supports the findings of the previous studies (e.g., Batra 1997; Boddewyn & Brewer 1994; Dickie 2005; Hadjikhani 1996; Hadjikhani & Sharma 1999; Lewis 2003; Neuliep 2003; Oxford 2010; Punoose 2005) that MNCs in the host countries are often challenged by sales and marketing, cross-cultural and regulatory issues. This study found that other challenges facing Chinese MNCs in Ghana were human resources (HR), ethical, and political. These findings are also consistent with the findings of Goldsmith (2002), Harzing et al. (2004), and McGraw and Harley (2003). For example, Harzing et al. (2004) found that the transfer of human resource management (HRM) practices in the host countries by MNCs is often ineffective due to cross-cultural issues. The above finding that Chinese MNCs face political challenges also confirms the results from studies (e.g., Goldsmith 2002; UNCTAD 2002) that MNCs are more likely to face political challenges in the host countries. Ethical challenges of Chinese MNCs found in this study support the observation that MNCs engage in poor sustainable business practices and labour practices in the host countries (Bells 2006).

It was revealed from the findings of this study that the competitive challenges facing the Chinese MNCs in Ghana could be explained by the made-in-China perception, intrusive Chinese government and language barriers. With regards to language barriers, Feely and Harzing (2003) found that many MNCs often attribute their lack of competitiveness to language barriers which often leads to sales and marketing problems. Made-in-China perception which is mostly negative was found to explain most of their problems. This finding is also consistent with the finding of Kraft (2010) that the fundamental explanation for Chinese MNCs competitive challenges in recent times is partially associated with the negative reputation associated with Chinese-made products. However, she further noted that this negative perception about China-made products is increasingly becoming an impediment for Chinese brands to go global. Numerous studies (Maidment 2008; Miller & Holmes 2010) have expatiated that the business failure of Chinese MNCs in the host countries can be attributed to their intellectual property issues such as counterfeiting, stealing copyrights, patents, brand names, trademarks and trade secrets.

According to the findings from this study, intrusive Chinese government interferences with Chinese MNCs operations were acknowledged by Chinese MNCs. This finding supports the findings of Gao (2006) and Sanyal & Guvenli (2000) that home country governments, and specifically, Chinese government often restricts the business procedures and operations of Chinese MNCs in the host countries. As found by the present study and supported by other studies (Lewis 2003; Zadek et al., 2009), the inexperienced posture, also called the "*newcomerness''* (Zhu et al. 2007) or *''liability of foreignness''* (Zaheer 1995) of some Chinese businessmen and investors explains why they often encounter so many challenges in Ghana.

Quandaries facing Chinese MNCs have major implications for Ghana's socioeconomic development. The implications of these challenges were weak foreign direct investments (FDIs) attraction, unemployment quagmires and poor labour standards. Arguably, these implications have the impetus to slow down the socioeconomic development in Ghana. Subsequently, a critical attention by the government of Ghana to the plights of Chinese MNCs promises huge improvement in the future FDIs inflows, increase in employment and better labour standards. These findings were supported by the findings of Harrison (1994), Spero & Hart (1997), UNCTAD (1994, 2000, 2012), and Wong and Law (1999). Concerning huge improvements in the host country FDIs, UNCTAD (1994, 2000, 2012) have indicated that FDIs invariably form the basis for socioeconomic development of developing countries and every host country including Ghana. Harrison (1994) further supports this finding when he found that MNCs constitute a strong platform for human capital development. He then noted that MNCs provide a high quality of life by providing good jobs, good pay and working conditions for host country employees and invariably develop them through technical and managerial training programs.

According to the findings, relevant strategies were effective in managing the competitive challenges facing Chinese MNCs in Ghana. These strategies were increase in CSR initiatives; cross-cultural adaptation and products and service improvements. Previous studies have suggested that these strategies are effective in managing competitive issues in host countries (Amba-Raou 1993; Barclay & Smith 2003; Konrad et al., 2006; Kraft 2010; Kvantaliani & Klimina 2011; Moon 2007; Newman & Nollen 1996; Waddock et al., 2002). Studies by Newman and Nollen (1996) and Kvantaliani and Klimina (2011) found that MNCs that effectively adapt to diverse cultures often succeed in the host countries. They further suggest that it is advisable for MNCs to learn and gradually acquire host country norms, beliefs and values for gaining a competitive advantage. Kraft (2010) also supports the above finding when he argued that Chinese MNCs can erase the negative perceptions about “the made-in-China” goods and services by improving them through transparent and accountable research and development (R&D) programs. Barclay and Smith (2003), Konrad et al. (2006), and Waddock et al. (2002) also provided similar findings in support of the above findings that MNCs should ethically engage in CSR initiatives as long-term strategies for legitimizing themselves in the host countries.

CONCLUSION

This study makes a number of theoretical and practical contributions to the existing understanding of the competitive challenges facing Chinese MNCs in particular, and MNCs in general while exposing the potential limitations of this study. First, it gathers a number of theoretical perspectives in international business and development studies to examine different aspects of the internationalisation process of Chinese MNCs. The study argues that a comprehensive understanding of the internationalisation process of Chinese MNCs requires a deeper appreciation of their competitive environments inherent with challenges. Arguably, these contextual structures either facilitate or inhibit the growth, profitability and survival of Chinese MNCs in Ghana.

A second contribution is that the study adds to the qualitative understanding of MNCs. The approach of investigating internationalisation issues using qualitative study design in developing countries provides an easy access to new issues and extends existing international HRM perspectives. For example, the study found that Chinese MNCs play a more prominent role in shaping the institutional environments of their host countries (e.g., Ghana) and invariably constitute an engine for their socioeconomic development. Rather, home country governments seem to over burden MNCs, since most of the managers interviewed complained that their government is quite intrusive in the way they operate in foreign markets. The third contribution is that this study adds to the limited empirical knowledge on the competitive challenges of Chinese MNCs in the service and general trading industries, particularly the different circumstances and conditions they encounter in developing countries, an understanding that is to date underdeveloped but of growing significance in international business and international HRM.

Studying the linkages between the Chinese MNCs and institutional forces in the host countries also has policy implications, particularly for developing countries that pursue contributions from

FDI to increase their socioeconomic development. This study also has a number of managerial implications, particularly for new MNCs from emerging economies operating in the developing countries. Multinational companies should mainstream their business strategies with host country's national development plans. This is one possible way to reduce host country resistance and rather gain host country acceptance. Green (new) multinational companies could marshal home country governments' support before their internationalisation endeavour. Another implication is that MNCs to promote organizational learning initiatives including learning from the experiences and technical expertise of other MNCs as an easy way to develop internal and external capacities and capabilities rapidly. Understanding the local culture and adherence to labour standards is the recipe for successful business operations in the developing countries.

A number of recommendations can be drawn from the findings of this study. Chinese MNCs should be aware of and prepared for the potential obstacles of doing business in Ghana. It is advised that Chinese MNCs should build social and political capital before and after internationalising to do business in Ghana because social involvement and investment have been noted to help MNCs to settle well in their host countries. Chinese MNCs might also engage in corporate social responsibility practices as a strategy for gaining social recognition and legitimacy. Chinese professionals in Ghana should also increase their language competence by exploiting and developing cultural capital and be familiar with the Ghanaian culture. Governments of Ghana and/or China must help their MNCs by creating conducive legal, political and business environments through implementable and practicable policies and legislations.

This study also has a few limitations. First, the sample size is relatively small with only 10 Chinese MNCs. Future studies need to have a larger sample size and a wider geographic coverage in order to confirm the above findings. In-depth longitudinal studies with a large sample size from a wide range of industrial sectors will be useful to deepen our understanding of the above issues. It is not certain the extent to which findings from this study are representative of the experience of hundreds of Chinese MNCs in Africa. Without listening to the greater majority of the officials in Chinese MNCs, the researcher cannot be certain the extent to which findings from this study are representative of the business experiences of the hundreds of Chinese MNCs operating in Ghana.

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