

1. Introduction

Multinational enterprises are everywhere engaging in a myriad of economic activities. The perceptions of their impact on the nation's economy range from negative at one extreme to positive at the other extreme. Granted that the truth is somewhere in between, the crucial issue is the impact of the MNEs on the nation's economy and how national policies are shaped to enhance that impact. In this regard, there is the need for empirical research that unravels the contextual ramifications, which either constrain or facilitate positive impact on the national economy. This is particularly vital given that the role of MNEs in the economic activities and development of various countries is deepening with globalisation. Such a role can be expected to increase as globalisation continues to be fuelled by the advancement of technology, regionalisation and geopolitics, among others.

Indeed, MNEs are increasingly able to pursue their economic interests across geographical and national boundaries. On the one hand, countries ought to welcome this development and eagerly promote the participation of MNEs in their national socio-economic activities, given the potential for impact on economic growth. On the other hand, countries need to ensure that MNEs' engagement in the host countries remains positive and with the least negative outcomes on growth and development. There are several ways of doing this. For example, appropriate, homegrown policies and regulatory practices which are informed by knowledge of the nature and extent of MNEs' activities in the host countries are important approaches to enhancing the positive impacts of MNEs. To a large extent, the effectiveness of engaging MNEs in socio-economic development depends on how countries are able to strategise to create the necessary conditions for their activities on the basis of researched evidence and proven knowledge of MNEs' capacities and potential for impacts in the national contexts of their operations.

1.1 MNEs AND THE CHALLENGE OF CONTRIBUTING TO ACHIEVING THE SDGs IN AFRICA

Africa generally remains a challenging region in modern development compared to most parts of the world in spite of some promising economic signals. Africa's real gross domestic product (GDP) growth rate of 3.6 per cent in 2015 is higher than the 3.1 per cent for the global average and 1.5 per cent for the euro zone, according to the African Development Bank (2018). Yet there are rather discouraging indicators which do not buttress the positive economic indicators. For example, three out of every four Africans live under poor human conditions unlike the global average of one out of five persons. About 48.5 per cent of people living in Sub-Saharan Africa are living on less than \$1.25 a day. The situation is not helped by the serious state of unemployment on the continent with about 60 per cent of jobs considered vulnerable (Economic Commission for Africa, 2017). There seems not to be any immediate solution to these problems as the potential sectors of employment are constrained. For example, Africa's weak manufacturing infrastructure translates into manufacturing value added being only 10.3 to 10.5 per cent for the period 2013 to 2015 (Economic Commission for Africa, 2017). Against the global challenges encapsulated in the Sustainable Development Goals (SDGs), Africa's performance, in spite of some fairly good individual country efforts, is not commendable and there is a need to take radical measures to turn the situation around (Economic Commission for Africa, 2017). To achieve more meaningful growth and development, Africa needs structural economic transformation stimulated through appropriate policies and programmes, which will take advantage of opportunities available in the various countries including what MNEs offer with their participation in the local economies.

Despite the rather lacklustre performance of the continent against the targets of the SDGs, some countries are considered to be making progress. One such is Ghana, which is acclaimed widely as a model for African development through the Western lenses of democratic practice. Currently its economy is performing significantly better than that of most African countries. Economic growth was as high as 14 per cent in 2011. However, this was largely fuelled by crude oil exports and in 2016 economic growth slumped to 3.5 per cent – the lowest in two decades. There was resuscitation in 2017 with economic growth increasing to 6.3 per cent stimulated by growth in non-oil sectors, lower inflation and prospects for increased crude oil production (African Development Bank, 2018). In January 2017, the government of Ghana changed from a ruling political party to the opposition political party after a successful and peaceful election. Such a

credential justifies the decision to conduct the research on the theme of the book for two main reasons. First, democratic practice is important for the attraction of MNEs in Africa. Thus currently, most African countries are making strenuous efforts to keep on the democratic track and are going to extremes to generate the kind of peer pressure that ensures that democracy is not derailed on the continent. Second, Ghana, in spite of the development challenges, has quite impressive socio-economic indicators, which point to a promising economic and potentially sustainable future. For example, even though the economic growth rate of GDP in 2016 was lower than the projected 3.9 per cent, it was expected to increase to 8.5 per cent in 2018 and moderate to 6.2 per cent in 2019 (African Development Bank, 2018). Ghana is able to consistently engage with multilateral organisations such as the World Bank and International Monetary Fund (IMF) as well as private investors to map out economic strategies for growth. Yet, there are challenges, which require more innovative approaches to stimulating growth. About 24.2 per cent of the population is below the poverty level and inflation hovers around 18 per cent. Table 1.1 summarises the socio-economic indicators of Ghana, which can be compared to those of other African countries including Nigeria and South Africa.

The income per capita puts Ghana in the lower middle-income class but it is below those of Nigeria and South Africa. However, the annual GDP growth rate is fairly acceptable at 3.6 per cent. This increased to 6.3 per cent in 2017 (African Development Bank, 2018). As far as its economy

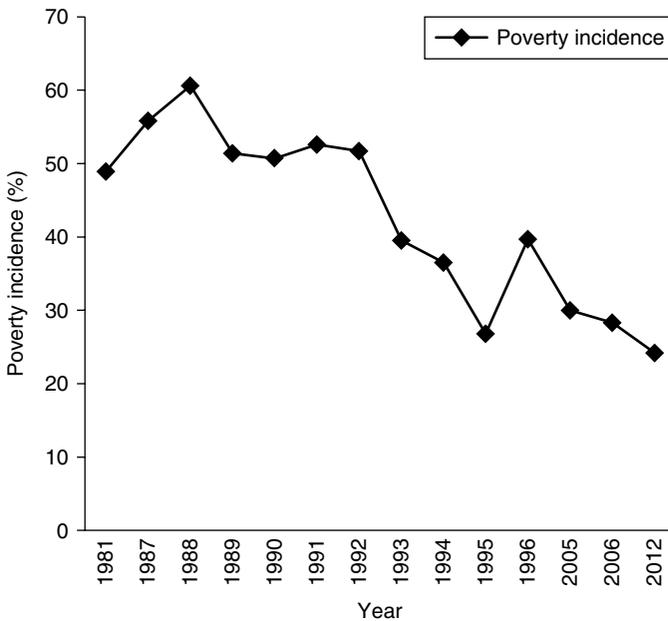
Table 1.1 Ghana and other African countries – summary of socio-economic statistics

Economic Statistics	Ghana	Nigeria	Kenya	Zambia	South Africa
Income per capita (\$)	1,380	2,450	1,380	1,360	5,480
Annual GDP growth rate (%)	3.6	-1.6	5.8	3.6	0.3
Incidence of poverty (%)	24.2	49.4	36.1	54.4	55.5
Life expectancy (years)	63	53	67	62	63
Infant mortality rate (per 1,000 live births)	32	72	39	42	38
Maternal mortality rate (per 100,000 live births)	319	576	362	398	138
GDP per capita (\$)	1,513.5	2,175.7	1,455.5	1,269.6	5,274.5
Population growth rate (%)	2.2	2.6	2.6	3	1.3
Debt to GDP ratio (% of GDP)	69.2	17	52.7	60.5	51.7

Source: Various reports and World Bank (2016).

is concerned, the debt to GDP ratio is the main challenge. Compared to the other countries, the 69.2 per cent is the highest and it is an insidious threat to sound economic management. The other indicators in Table 1.1 are fairly commendable. Life expectancy of 63 years is only exceeded by that of Kenya (67 years). Infant mortality in Ghana of 32 per 1,000 live births is the lowest among the listed countries in Table 1.1. Such indicators point to the importance of formulating and implementing policies and programmes to enhance the participation of major economic actors like the MNEs.

Over the past four decades, poverty incidence has generally been falling as illustrated in Figure 1.1. At 24.2 per cent, Ghana's incidence of poverty is lowest among the countries listed in Table 1.1. However, there are geographical disparities, with poverty being more pronounced in the north of Ghana and in the rural areas. According to the *Poverty profile in Ghana (2005–2013)*, *Ghana Living Standards Survey Round 6* (Ghana Statistical Service, 2014c), the Savannah populations account for nearly three-fifths of those living in extreme poverty whereas only 0.9 per cent of the population of the Greater Accra Metropolitan Area (i.e. the

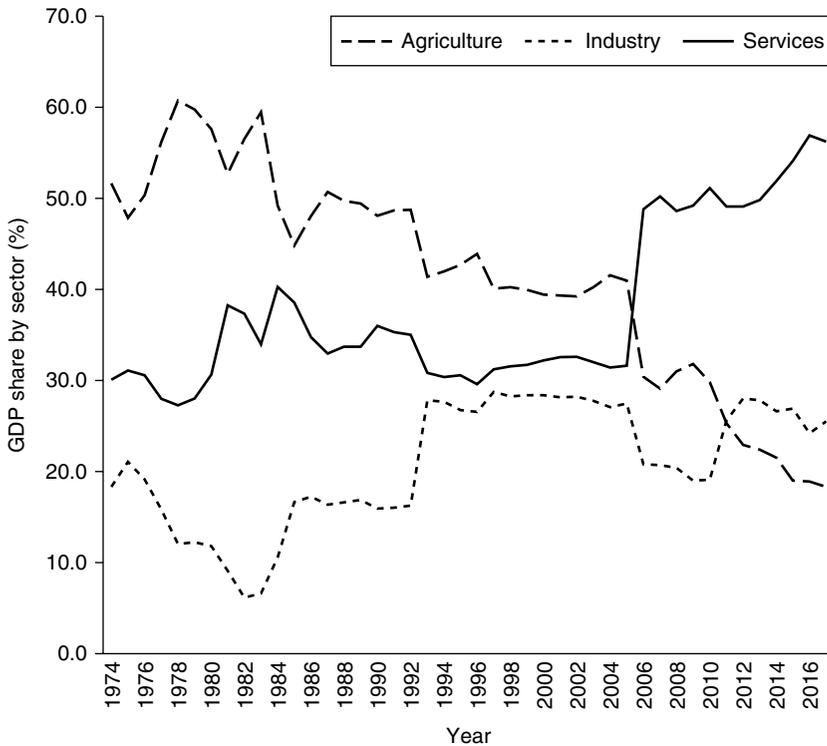


Source: Various census reports and *Ghana Living Standards Survey*.

Figure 1.1 Poverty incidence in Ghana

capital city and its environs) live in extreme poverty. In particular, rural Savannah contributes a significant 68.5 per cent to extreme poverty in Ghana (Ghana Statistical Service, 2014c). A major factor in addressing poverty incidence is talking about inequality in the distribution of national welfare. The GINI coefficient is rather high and it increased from 41.9 per cent in 2005/2006 to 42.3 per cent in 2012/2013 (Ghana Statistical Service, 2014c). It underscores the importance of addressing the key challenge in sustainable development – elimination of poverty anywhere. This calls for the right policies and programmes, which will create opportunities for all actors in the economic space including MNEs, to make appropriate contributions.

The changes over time in the sectoral shares of Ghana's GDP are pointers to the policy options for enhancing economic performance. As illustrated in Figure 1.2, the relative importance of the three conventional sectors of



Source: Construction from data of Ghana Statistical Service (2018).

Figure 1.2 Sectoral shares of GDP: 1974–2016

agriculture, industry and services has shifted from agriculture to services. In the 1970s and up to the early 2000s, the share of agriculture of GDP was higher than the other sectors, ranging between about 40 and 60 per cent. The share of agriculture since the early 2000s consistently has fallen to a current share of less than 20 per cent, whereas the share of the services sector of GDP increased steadily to the current 55 per cent approximately. The key sector of industry experienced fluctuating shares from the 1970s to the present and only showed a slight increase from 18.3 per cent in 1974 to 25.5 per cent in 2017 (Ghana Statistical Service, 2018). The growth rate of the industrial sector in recent times has been spectacular. From -0.5 per cent in 2016, the growth rate shot up to 16.7 per cent in 2017 (Ghana Statistical Service, 2018). However, the spectacular increase in growth rate can be attributed to the Mining and Quarrying sub-sector including oil and gas, which showed a growth rate of 46.7 per cent in 2017. Oil and gas play a major role in the growth of the sub-sector. The important manufacturing sub-sector with its potential for creating jobs across the different levels and categories of skills is not performing as expected. From the early 2000s when it accounted for about half of the industrial sector contribution to GDP – specifically 10.2 per cent against the industrial sector GDP share of 20.8 per cent – the share of the manufacturing sub-sector in 2017 was only 4.5 per cent against the industry sector GDP share of 25.5 per cent. The dominant sub-sector is the construction sub-sector with a GDP share of 13.7 per cent (Ghana Statistical Service, 2018). The whole of the industry sector provides avenues for MNE investment. Already some of the significant industrial operations are on account of significant MNE investment and commitment in industries or firms in the sub-sectors. However, the positive impact can be enhanced with appropriate national policies and strategies, especially in the case of the manufacturing sector which holds a key to job creation and income distribution.

1.2 MNEs IN GHANA – THE HISTORY AND CURRENT STATUS

MNEs' participation in Ghana's economy goes back to the colonial times with the prospecting and mining of gold, diamonds and other minerals. The cocoa industry, which became the mainstay of Ghana's economy, also attracted MNEs' participation in the economy. The pre-independence and early post-independence (after 1957) era was dominated by Western MNEs mainly in mining, commerce, banking, construction, energy and manufacturing. Unilever, Barclays, CFAO, Taylor Woodrow, LONHRO and Paterson Zochonis (PZ) were some of the European MNEs that were

the stalwarts of Ghana's economic activities during that era. For example Unilever and Barclays are still actively playing major roles in Ghana's industrial and financial sectors respectively. New MNEs such as Huawei and Vodafone are important players in the telecommunication sector and Tullow is a leading MNE in the oil and gas sector.

Today, the landscape of MNE economic activities has changed and Chinese MNEs have made important inroads into Ghana's economic space. The nature, types and gravity of the economic activities have also changed since the early pre-independence years as a result of the dynamics in the global economic trends. The emerging sectors of telecommunication and communication services have created conditions for the establishment of other major players in the economy. Major evidence of socio-economic transformation of the country is in the built environment where roads, bridges, dams and apartment buildings have transformed the physical landscape of the country. The role of MNEs in bringing about these examples of the country's transformation cannot be gainsaid and the construction sub-sector is one, which illustrates the prominence of Chinese MNEs in Ghana (and Africa).

On the whole, it is important to know the economic and socio-cultural contexts of MNEs to effectively engage them. In the case of technology transfer, understanding the peculiarities of their approach in business operations determines how the host economies can benefit from them. Such understanding must shape the policies and strategies aimed at attracting and retaining MNEs in the local economies.

1.3 THE RATIONALE, GOALS AND OBJECTIVES OF THE BOOK

This book narrows its scope to MNEs and capability building and development in Africa using Ghana as a case study. There are questions as to the extent of gains in real terms especially in capability building, knowledge transfer and the resultant development of local capacity for socio-economic development on the back of local enterprises.

MNEs and development is an area of substantial research. There has been a wealth of research exploring the impact of MNEs on economic development. For example, Dunning and Lundan (2008) extensively discuss the theories, history and organisational structures and strategies of MNEs. They assess the impact of MNEs on host countries in terms of foreign direct investments (FDIs), linkages, clustering and employment conditions, among other issues. Rugman and Doh (2011) also debate the traditional assumptions about economic development and address

the controversies surrounding MNEs in their book *Multinationals and Development*. Based mainly on work in Asia, the authors present their observations on the role of multinationals in the future. Other books on the role of multinationals and development include Narula and Dunning (2010), Narula and Pineli (2016) and Fu (2004b). However, as far as we know, there have only been a few books or edited volumes on MNEs in Africa, for example Gilroy et al. (2005). These books are mostly case studies, focused on discussing MNEs, FDI and the economic development of Africa.

Moreover, emerging market multinational (EMNEs) has been a recent phenomenon that has attracted substantial research interest. Most of the existing books focus on the determinants and behaviour of EMNEs. For example, Ramamurti and Singh (2009) contribute to the literature on the basis of studies in the BRIC economies (Brazil, Russia, India and China) and four other emerging economies (Thailand, Mexico, South Africa and Israel). Their book gives insights into how MNEs in these economies are equally making strides on the international business arena. Besides, research on the impact of EMNEs on African development mostly focuses on its impact on the environment. Research on knowledge transfer from EMNEs and local capabilities development is rare except for a seminal work by Brautigam (2011).

So, while one can say there is a good number of publications relating to our theme, there are gaps in the literature. Really, the key difference between these books and the current volume is that our book is focused on MNEs, knowledge transfer and local capabilities building supported by first-hand empirical evidence from Africa. In particular, the discussions in the eight chapters are enriched with the contextualisation of theory and practice from African country perspective.

Finally, managerial knowledge transfer is an important possible gain from MNEs. However, this thematic area is seriously under-researched. Although there are works examining management such as human resource management in MNEs, so far the only book that examines the transfer of managerial knowledge from MNEs to local community is Dunning (1958) which examines the transfer of management practices in American MNEs in the UK. Myloni et al. (2004) and Fu (2012a) also provide interesting analysis of the transfer of management practices within foreign subsidiaries or between MNEs and local firms in various host countries but not in Africa. The objective of this study is to investigate the impact of MNEs on economic and human development through local managerial capability building, which is often the bottleneck for economic growth in Africa (Sutton and Kpentey, 2012) but very much under researched.

Despite its lower middle-income country status, Ghana has all the char-

acteristics of a developing country including poverty incidence, prevalence of communicable and non-communicable diseases and unemployment. Addressing these challenges and bringing about sustainable development will come in large part from building local capability that exploits the full potential of Ghana's economic capacities.

It is against the background of these issues that the research project was implemented on MNEs in Ghana to investigate their contributions to local capability building and knowledge transfer with particular focus on European and Chinese MNEs. The research project in turn gave rise to this book, the first aim of which is to fill the gap in academic, policy and practical research by examining the transfer of managerial knowledge from MNEs to local enterprises in Ghana. The second aim is to investigate the nature of this managerial knowledge transfer: What are the possible transmission mechanisms in the context of a lower middle-income country? How is this process affected by exogenous factors, such as country of origin of the MNEs? How do the effects differ between Western MNEs from developed countries and the MNEs from other developing countries such as China? Overall this case study focuses on the linkages through which knowledge is transferred to local firms and people. We aim to understand how this contributes to capability building at both the firm and individual level. We analyse how this empowers local people and changes their aspirations and how it precipitates national development with sustainability.

The book shares knowledge and insights from the empirical research work and provides analysis of the trends in MNEs' engagement in Ghana, the advantages and disadvantages, which apparently are shaped by some socio-cultural norms of their home countries. Firm-level studies of selected MNEs of Chinese and European origins contribute new knowledge about how these MNEs are structured and positioned to successfully compete in their respective business sectors. The study of the linkages of these MNEs with the local enterprises in the empirical work has yielded interesting findings. The insights from the study of managerial practices in the MNEs should inform how policy initiatives could accentuate the gains of MNE operations in the country especially in relation to the knowledge flows for enhancing operations of local enterprises.

On the whole, the book is not merely a book on MNEs in Ghana. It is a book on MNEs in the African context, which should excite policy makers, development practitioners in the public and private domains and students of development studies generally. Beyond Africa, there should be readers whose main concern is how to get the African continent to engage better with the key economic actors operating in its respective countries.

In sum, there has been little systematic and comprehensive analysis

of the role of MNEs on managerial knowledge transfer and local capabilities building, and the consequent impact on socially and economically inclusive and sustainable development in the low-income countries (LIC) context, based on both statistical analysis of large survey data and in-depth case studies. Moreover, the book focuses on the transmission mechanisms for managerial knowledge transfer, the role of work and social network and the differences between European and Chinese MNEs, which have not been systematically addressed in the existing books in the field.

1.4 METHODOLOGY

The book draws extensively on findings of the research work in Ghana. Thus to a large extent the inferences and conclusions are delimited to the national context of Ghana. However, there are extractable lessons for the rest of the countries in the African region which must interest a wide spectrum of stakeholders in development. A notable trend in global economic relations is the very proactive, if not aggressive, manner in which China is engaging with Africa. UNCTAD estimates Chinese FDI in Africa to be about 4.4 per cent of the total inflows to the continent for the period 2013–2014 (UNCTAD, 2017). Whereas substantial FDI is coming from European countries such as France, UK and Germany, the FDI and economic opportunities coming from China–Africa relations are increasing significantly and intensively. There is probably no better gain for Africa than understanding how Chinese economic relations will lead to local capability building to promote more energised and productive enterprises of indigenous origins.

The impact of MNEs on national development depends on the extent to which the country benefits from their abundant resources, technology and innovation and their contribution to the building of capabilities. It is against this background that the MNEmerge Project was conducted in Ghana in 2015/2016. Among other things, this study covered the transfer of managerial knowledge from MNEs to local firms and workers and examined the impact that such knowledge transfer has on local capability building and the impact it has on economic and social development. Another reason why Ghana was chosen for the study is its openness to foreign direct investment and strong growth performance in recent years. It makes it an interesting and representative case to understand the impact of MNEs in the context of African countries.

The sample for the study was drawn from the range of small, medium and large enterprises doing business in Ghana. Two researchers from

Table 1.2 Selected firms of the sub-sectors

Type of Economic Sub-Sector	Firms
ICT (high-tech)	Vodafone Ghana (UK) and Huawei Ghana (China)
Textile (low-tech)	Ghana Textiles Printing Company Ltd (GTP) (Netherlands) and Akosombo Textiles (China, Hongkong)
Pharmaceutical (high-tech)	GoKals-Laborex (France) and Sanbao Pharmaceutical (China)
Construction (low-tech)	Acticon (Portugal) and Top International (China)
Total sample	61 managers; 173 workers

Source: Fu, Essegbey and Frempong (2017).

the Technology and Management Centre for Development (TMCD) of Oxford University and two researchers at CSIR-STEPRI teamed up for the data collection. Given the thematic nature of the study, questionnaires were designed targeting the relevant respondents in the enterprises, namely managers and workers. A total of 12 enumerators holding first or second degrees were trained in the administration of the data collection instrument in the survey of the firms. The researchers collected the data in face-to-face interviews with the managers in the EU and Chinese MNEs. The main facets of the methods of data collection at the employee level were that from four main economic sub-sectors a total of eight MNE firms were selected. For each sub-sector, there were two firms – one of EU origin and another of Chinese origin. The firms are listed in Table 1.2.

The researchers went into these companies and conducted face-to-face interviews with the managers and workers using semi-structured questionnaires. A total of 61 managers and 173 workers were interviewed in the course of the study. The questions were on managerial practices, linkages with local firms, workplace attitudes and practices, knowledge spillovers and technology transfer.

Efforts were made in the field work to tap into the knowledge at all the levels of the hierarchy of the enterprises. Generally, communication is not uni-directional and there are a variety of transmission channels of information linking the units of the organisations and the respective human resources in these units. So we consider a two-way flow of knowledge between different levels and between people at the same level. The field work took account of this structure to sample the respondents in respect of the theme of the study.

Before the 2015/2016 MNE study, TMCD and STEPRI collaborated

on empirical research at the firm level. This was carried out under the Diffusion of Innovation in Low Income Countries (DILIC) research project conducted in 2012 to 2015. In carrying out the research, the researchers worked towards the following specific objectives:

1. understand the barriers to innovation creation and diffusion in LICs and the space for innovation policy;
2. analyse the determinants of knowledge diffusion *in* LICs, especially the role of university–industry linkage and inter-firm networks;
3. examine the effect of external knowledge diffusion *to* LICs, in particular the role of South–South trade and FDI; and
4. develop an SME (small and medium-sized enterprise) open innovation network model to increase frugal innovation in LICs.

There were also face-to-face one-hour interviews involving the use of enumerators. It was a national survey with the sampling frame drawn from lists of firms of earlier surveys conducted at STEPRI and the Ghana Statistical Service as well as the lists of members of the Association of Ghana Industries and Ghana National Chamber of Commerce and Industry. A total of 500 firms in Ghana were surveyed in 2013 and in 2014. The questions focused on issues such as interaction with MNEs, firm labour management and productivity and technology acquisition and management. This study of knowledge transfer within MNEs complement the earlier study on knowledge diffusion between organisations, including from MNEs to local firms, but goes further to examine the knowledge flow between individuals through various channels.

1.5 ORGANISATION OF THE CHAPTERS

The study conducted in Ghana by the TMCD and STEPRI provides profound insights into MNEs' operations in Ghana with respect to technology transfer and capability building. The eight chapters present the various facets of the findings and conclusions. The current chapter presents the fundamental rationale for the book, highlighting the arguments for engagement with MNEs. It also includes a summary of the methodology.

Chapter 2 draws on managerial knowledge transfer and local capability building for development. The chapter defines capability building, highlighting its relevance and importance for African countries. More importantly, the chapter discusses the concepts of managerial knowledge transfer and the implications for capability building in the developing

country context. Being the conceptual chapter of the book, it surveys the relevant literature and underscores the fundamental propositions.

Chapter 3 provides the background information on MNEs' operations and the industrial sector of Ghana. What stands out clearly is the relatively little change in the structure of the industrial sector in terms of the contribution to the country's GDP. The chapter describes the broad sub-sectors and points to the relevant areas of research in the book. It provides the justification for the selection of the sub-sectors for the research and the consequential analysis of the MNEs.

The discussion of management practices of MNEs in Ghana is contained in Chapter 4. The various management practices are described and discussed in relation to industrial development. Of particular interest are the differences between the European and Chinese MNEs, which are the two main categories of MNEs researched and analysed in the book. The chapter presents the research findings of these MNEs relating to management practices of engagement of employees, performance appraisal, creating incentives and motivation and systems for promotion and advancement.

Chapter 5 is about the specific case of knowledge transfer in the Chinese and European MNEs in Ghana. It examines the various work and social links between employees at these MNEs, and the channels for the diffusion of knowledge. The authors mapped out the network structure and calculated the network properties for the firms and individuals. They then tested whether the knowledge transfer within the MNEs is influenced by the social network structure and compared the social network and the knowledge transfer in MNEs of different backgrounds: that is, the European and Chinese MNEs.

Chapter 6 compares the managerial knowledge transfer of Chinese and European MNEs. There are various dimensions to managerial knowledge transfer, which are discussed in the chapter including capital flow, knowledge spillovers and new business relations. This chapter points to the various ways in which MNEs could ensure effective managerial knowledge transfer.

The impacts of Chinese and European MNEs are discussed in Chapter 7. Chapter 7 using a model, identifies several impacts which Ghana's economy has benefited from the operations of MNEs in terms of improving the skill base of Ghanaians through capability building and transfer of managerial know-how. It also emphasises the contributions of MNEs to achievement of SDGs through employment creation, welfare improvement and poverty alleviation.

Chapter 8 is the concluding chapter, which summarises the key issues and prospective solutions for policy considerations. MNEs generally

contribute to national development. However, the effectiveness of public policy and the promotion of MNE interaction with local enterprises determine the extent to which a host nation like Ghana achieves optimal benefit.