

Nonmarket Strategy and Legitimacy in Institutionally Voided Environments: The Case of Jumia, an African E-Commerce Giant

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ABSTRACT

This paper examines how a newly established multinational enterprise (MNE) leverages nonmarket strategy (NMS) to deal with legitimacy problems posed by institutional voids in institutionally challenging contexts to gain legitimacy. Using a rich dataset from in-depth interviews, observations, and archival data on Jumia, an African e-commerce giant, we identify three types of institutional void (i.e., *infrastructural*, *regulatory and legal*, and *cognitive cultural voids*) that hinder the implementation of the e-commerce business model. We further unpack the MNE's specific NMS *to validate*, *consolidate*, and *diffuse* the new business model to gain legitimacy accordingly. Importantly, we theorize how MNEs, under various conditions of unstable institutional structures and mechanisms, employ NMS to achieve three kinds of legitimacy in the process—i.e., *cognitive*, *regulative* and *normative legitimacies*. Altogether, we integrate three prominent streams of literature in IB—NMS, institutional voids, and legitimacy literature—to build a theory on how MNEs deploy NMS to establish legitimacy in response to environmental uncertainty to validate their activities and consolidate trust by gaining political and regulatory support.

Keywords: nonmarket strategy, institutional voids, legitimacy

1. Introduction

As a topic, nonmarket strategy (hereafter, NMS)—“a firm’s concerted pattern of actions to improve its performance by managing the institutional or societal context of economic competition” (Mellahi et al., 2016, p.144)—has attracted significant scholarly attention in IB literature over the past decades (e.g., Doh et al., 2012; Dorobantu et al., 2017; Mellahi et al., 2016; Rajwani & Liedong, 2015; Rodgers et al., 2019; Sun et al., 2021; Uhlenbruck et al., 2006). The literature has established that firms' competitive landscape is shaped by their ability to develop markets and NMS in their quest to survive and remain relevant. For multinational enterprises (MNEs), the significant role of NMS cannot be over emphasized. As they engage in an array of interactions with sociopolitical stakeholders across their local, foreign, and global environments, their deployment of NMS is an absolute necessity. Given the distinctive social, political, and institutional characteristics of the environments in which MNEs operate, they must actively develop tailored NMS to manage cross-border situations successfully. This should be undertaken by considering various stakeholders and their differing interests, the complexity of regulations and institutions, as well as the dynamic and constantly evolving nature of the international business environment. To that effect, two broad categories of NMS, i.e., Corporate Political Activity (CPA) and Corporate Social Responsibility (CSR), have been identified as enablers aiding organizations, particularly MNEs, to achieve their aim(s) within the broader non-economic institutional context (Rodgers et al., 2019; Sun et al., 2021).

Of particular interest to us in this study are circumstances (i.e., *institutional voids*) where market support systems are lacking because of the institutional arrangement(s) in these markets (Khanna & Palepu, 1997; Mair & Marti, 2009). We agree with Mair and Marti’s (2009) contention and opine that the absence of institutions does not necessarily connote the existence of an ‘institutional vacuum’; we further share in their conceptualization of

‘institutional voids’ as the unavailability of market-supporting institutions in environments that are richly embedded in other institutional contexts. In doing so, we take cognizance of the substitutionary role of *formal* and *informal* institutions in promoting well-functioning markets in some contexts.

The underdevelopment or lack of institutions — structures and actors — that support economic market transaction can lead to increased transaction costs, unfettered opportunism, and inordinate rent extraction by significant market players, leading to market inefficiencies and inaccessibility (Khanna & Palepu, 2010; Mair & Marti, 2009). For example, in developing country contexts like that in Africa, informal institutions such as norms, values, and belief systems substitute for formal institutions (Webb et al., 2020). However, these informal institutions sometimes fail to provide the expected benefits to market participants (Ofori-Dankwa & Julian, 2013), leading to informal institutional voids. Institutional voids in this context can also present windows of opportunity to access and build functioning markets. Indeed, in such contexts, MNEs act to understand the nature of the institutional void and take steps to address it by formulating strategies as a response to help them navigate this complex institutional environment (Peprah et al., 2021). Among the many strategies that can be used is NMS, as suggested by various authors (e.g., Boddeyn & Brewer, 1994; Ghoul et al., 2017; Marano et al., 2017). For example, Marano et al. (2017) showed how NMS (CSR, in this case) served as an effective strategic response in dealing with institutional voids. Similarly, Pinkham and Peng (2017) revealed how MNEs that engage in international joint ventures employed nonmarket strategy (i.e., arbitration) to surmount institutional voids in host markets.

Institutional voids, apart from creating market inefficiencies, also impose legitimacy issues. Notably, emerging market MNEs will have to validate their ability to conduct business in a legitimate manner since stakeholders (i.e., governments, customers, partners etc.) cast significant doubt on their business offerings and engagements, especially when the business

model is entirely new to the business context. Pant and Ramachandran (2012) highlighted how firms engage in *legitimation*—which involves the processes that shape the acquisition of legitimacy—as a mechanism (Suddaby et al., 2016) to deal with institutional voids. However, there is a dearth of research examining how firms can use NMS to navigate the constraints imposed on their business operations by the turbulent and often uncertain institutional contexts to gain and enhance legitimation (De Villa et al., 2019; Rodgers et al., 2019). This is evidenced by the urgent calls for scholars to examine how MNEs can deploy NMS (e.g., CPA and CSR) in different contexts (Lawton, McGuire, et al., 2013; Lawton, Rajwani, et al., 2013; Mellahi et al., 2016) and, in particular, in developing countries where the institutional structures are weak (Doh et al., 2012; Hadjikhani et al., 2012; Peprah et al., 2021) to gain the necessary recognition and legitimacy (Rodgers et al., 2019). Importantly, newly established MNEs that venture into unfamiliar territories with a novel business model face not only institutional challenges but also the dual burdens of foreignness and newness in new markets (Zaheer, 1995). Indeed, the likelihood of their survival could depend on their ability to develop and deploy a range of NMS “to secure the provision of critical resources, gain the support of salient stakeholders, and obtain organizational legitimacy” (Shirodkar et al., 2020, p. 2). Some scholars argue that legitimacy and institutional support from political and social stakeholders provide the conduit for MNEs to realize and improve their competitive position and performance (De Villa et al., 2019; Mellahi et al., 2016; Shirodkar et al., 2020), especially in developing and emerging markets where institutional infrastructures are often absent, weak, or fraught with uncertainty (Doh et al., 2012; Hadjikhani et al., 2012). Yet, the question of how MNEs gain this legitimacy and institutional support from political and social actors in such a context has received less scholarly attention.

In this paper, we develop a theoretical framework grounded in institutional and legitimacy literature to elucidate the ways in which NMS facilitates the legitimation process of

MNEs operating in countries with institutional voids. We contend that, by leveraging the institutional context, MNEs can gain legitimacy through strategic nonmarket actions that are perceived as conforming to local norms and values, ultimately enhancing their social acceptance, and reducing the perceived risks associated with their operations. Using a rich dataset of interviews, observations, and archival data on Jumia, an e-commerce MNE operating in many African countries, we inductively develop a process model of how NMS shapes MNEs' legitimation in institutionally voided countries. In the process, we seek to answer the research question: *How does NMS shape legitimacy in environments characterized by institutional voids?* In answering this research question, we unravel a set of NMSs, i.e., trust-building, ethical behavior, philanthropic activities, and political connectedness as strategic response mechanisms to building legitimacy in countries with poor market-supporting structures and, as a consequence, shed light on the complementary dynamics between CSR and CPA strategies in markets depicted with weak and or incomplete institutions.

In this study, we seek to contribute significantly in the following ways. *First*, we integrate three prominent streams of literature in IB—i.e., institutional voids, legitimacy, and NMS—to theorize that newly established MNEs introducing a business model that is new to an environment flooded with various kinds of voids deploy a myriad of NMSs to *validate*, *consolidate*, and *diffuse* the new business model to gain legitimacy. In so doing, we conceptualize how MNEs under various conditions of unstable institutional structures and mechanisms employ NMS to gain three kinds of legitimacy in the process—i.e., *cognitive*, *regulative*, and *normative*. With this, we build a theory on how MNEs leverage NMS to establish legitimacy in response to environmental uncertainty, achieve validation for their activities, and consolidate trust by gaining political and regulatory support in their local environments. We advance that institutional actor(s) must confer legitimacy (at three different

levels depending on the specific NMS deployed and the voids prevalent in the business environment) on the new business model before it can succeed.

Second, we contribute to the literature on legitimacy by showing how this study accentuates the notion that gaining legitimacy in institutionally voided environments is processual (Johnson et al., 2006) and, in doing so, respond to the call by some authors to pay attention to legitimacy as a process rather than an outcome (Suddaby et al., 2016). Third, with the case of Jumia as our empirical context, we respond to the call for more empirical work that sheds light on the richness of the opportunities on the African continent and addresses the challenges within them (George et al., 2016; Mol et al., 2017). Consequently, our study builds on Peprah et al. (2021) by demonstrating how Jumia leveraged NMS to obtain the needed recognition and acceptance in some African countries where the online shopping culture, up to that point, had been hindered by voids in the institutional environments. Last, we also respond to Doz (2011) and Burgelman (2011) clarification of the need for longitudinal qualitative research in IB as the foundation for developing new theories, for which our study serves as a case in point.

2. Theory background

2.1. Institutional voids and legitimacy problems of MNEs in emerging markets

Institutional theory researchers have stated that institutions operate to support the formation of various markets to facilitate the exchange of goods and services in society (North, 1990; Scott, 1995). Institutions are “the humanly devised constraints that structure political, economic and social interaction” (North, 1990, p. 97), the presence and functioning of which govern the interactions of the various actors in an economy. According to North (1990), institutions determine the “rules of the game”, thus influencing the strategies developed by organizations for their day-to-day operations.

North (1990) made a distinction between formal and informal institutions. He indicated that formal institutions are codified, and are written-down formalized laws, rules, systems, and regulations that prescribe what is acceptable in governing societies. Scholars (e.g. Khanna & Palepu, 1997; Mbalyohere et al., 2017; Webb et al., 2020) have subsequently unpacked this to include, among other things, governments' economic, political, legal, and or regulatory frameworks that provide the basic rules and systems for governance, property rights protection, construction of infrastructures, and the enforcement of the rule of law.

Developed countries are endowed with well-established and functional formal institutions that serve as intermediaries among market participants, thereby reducing transaction costs and minimising the likelihood of market participants engaging in predatory behaviour resulting from information asymmetry or lack of information (Gao et al., 2017; George et al., 2016; Khanna & Palepu, 1997). Thus, the legitimacy of companies and their products are enhanced. Developing countries, on the other hand, are characterized by either a complete absence of these institutions or the presence of inefficient ones (Doh et al., 2017), thus creating formal institutional voids. In environments with deficiencies in formal institutions, businesses usually turn to informal institutions, which play important roles in filling those voids (Mbalyohere et al., 2017; Sun et al., 2010). Informal institutions are uncodified and not written down (North, 1990). They constitute a society's values, beliefs, and norms that prescribe socially acceptable behaviors and conduct (Webb et al., 2020)—i.e., they exert more tacit control on societies through “codes of conduct, norms of behaviour, and conventions” (North, 1990, p. 36).

In environments beset with formal institutional voids, scholars have proposed that individuals and organizations rely on informal institutions to facilitate their transactions (Puffer et al., 2010; Webb et al., 2010). Puffer et al. (2010) reported that *blat* in Russia and *guanxi* in China have substituted for formal institutions, playing crucial supporting roles in business

transactions. Their important substitutionary role notwithstanding, informal institutions, like formal ones, can fail, and when that happens, informal institutional voids are said to occur. From the foregoing discussion, it is clear that, in addition to the formal institutional voids that may hinder the start and growth of new business ideas, such as e-commerce in developing countries, there are also informal institutional voids that militate against their success.

The many challenges that these institutional voids pose to new MNEs include that of legitimation either in the home country or host country (Marano et al., 2017; Saeed et al., 2022). New MNEs are confronted with a “liability of newness” which makes their risk of failure much higher than established businesses (Stinchcombe, 1965, p. 148). This failure is even more eminent when legitimation actors fail to grant the required legitimacy that new MNEs need for their activities (Saeed et al., 2022). The relevance of legitimacy to all organizations has been highlighted by (Suchman, 1995) who defined legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995, p. 574). The challenge in attaining legitimacy is, however, greatest for new ventures in their early stages of development when their activities are new and fraught with uncertainties (Fisher et al., 2016).

In environments with functional institutions, legitimacy-granting audiences rely on regulatory institutions for relevant information regarding new ventures and their products (Navis & Glynn, 2010, 2011). In institutionally deficient host contexts, where there is the need to gain legitimacy and recognition to survive, MNEs may rely on both market and NMS to achieve the require legitimacy. The NMS deployed may include CSR initiatives, human rights promotion, sustainability programs, and environmental protection initiatives to signal to relevant stakeholders their commitment to progress and attain high standards (Doh et al., 2015).

There is, however, a dearth of literature shedding light on how firms in developing countries bedeviled with institutional voids gain legitimacy by deploying specific NMS.

2.2 Nonmarket Strategies as a legitimacy-gaining tool for MNEs in emerging markets

Many MNEs, in addition to their market activities, include activities aimed at influencing the decisions of their stakeholders on the legal, political, and social levels (Funk & Hirschman, 2017; Guo et al., 2014; Werner, 2015). The importance of the nonmarket environment has been acknowledged, leading to the development of NMS for deployment in addition to the market strategies to promote the potential for future success (Johnson et al., 2003) and to enhance the MNE's chances of gaining a competitive advantage (Husted et al., 2015). NMS refers to those activities planned and executed by a company to strategically shape the nonmarket environment to achieve its business objectives (Baron, 1995; He et al., 2007; Kobrin, 2015; Mellahi et al., 2016). Doh et al. (2012) argued that nonmarket activities such as making campaign contributions to political stakeholders, building coalitions, providing information to affect institutions that might defend or create revenue, carrying out philanthropic activities, and lobbying legislators or regulators all aim at building the fortunes of the company in the nonmarket environment. Compared to competitors, those strategies are a vehicle to accessing superior profits (Baron, 1995; Baron & Diermeier, 2007).

Scholars have argued that MNEs whose home or host countries are beset with institutional deficiencies employ NMS as a means to mitigate the effects of the voids and gain legitimacy in the environment in which they operate (Fiaschi et al., 2017; Marano et al., 2017; Saeed et al., 2022; Zhang & White, 2016). In the case of MNEs originating from emerging economies with voids and operating in a foreign market, NMS is aimed at mitigating the effects of the 'liability of origin' (Ramachandran & Pant, 2010). However, for MNEs native to either developed/developing economies and doing business in markets with institutional deficiencies,

NMS is intended to play the roles of formal and informal institutions and gain the confidence of the legitimacy-granting audiences (Marano et al., 2017; Rodgers et al., 2019).

Even though the nonmarket environment of the MNE is characterized by social, cultural, political, and legal systems that either facilitate or hinder the MNE's activities, the NMS aims to increase the benefits and mitigate the adverse effects of these systems. Scholars (e.g. Wrona & Sinzig, 2018) indicate that NMS are broadly classified into two—social (Corporate Social Responsibilities) and political (Corporate Political Activities). Although corporate social responsibility (CSR) is said to be “an ill- and incompletely defined concept” (Baron, 1995, p. 10), we adopt Aguinis (2011, p. 855) definition, which says that CSR entails “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance.” This definition resonates more with us since it emphasizes policies formulated and actions taken by organizations, which is the focus of our study. In addition, a firm's CSR programs are said to raise people's willingness to patronize the firm's products or services, thereby gaining the support of the people and making legitimate its activities (Brown & Dacin, 1997; Ellen et al., 2000; Sen & Bhattacharya, 2001).

Corporate political activities (CPA), said to be a corporate entity's efforts to shape and influence government policy in favorable ways (Baysinger, 1984; Hillman et al., 2004), are undertaken by firms with the aim of influencing and enhancing their value. Firms' CPA helps to prevent or at least reduce the effects of unfavorable government policy changes on their ventures (Henisz & Zelner, 2012). Rajwani and Liedong (2015), who argue that CPA is more common in the organizational activities of firms in developing economies, assert that CPA is an essential component of nonmarket strategies because a firm's success in influencing the political markets enhances its success in competitive markets. CPA varies depending on the context, and in developing countries, it may include lobbying, sponsorship of political

activities, and even corruption-related activities (Lawton, McGuire, et al., 2013). Since CSR and CPA are important aspects of firms' NMS in developing countries, we focus on both in our study. In their review of the NMS literature, Wrona and Sinzig (2018) reveal that, in addition to internal antecedents of NMS such as corporate demographics including firm size (Hillman et al., 2004; Lux et al., 2011), firm age, firm experience (Lamberg et al., 2004; Schuler & Rehbein, 1997), and several others, there are external antecedents that have their sources from the market and nonmarket environments.

One external nonmarket environment antecedent of firms' nonmarket strategy is the presence of institutional voids (Doh et al., 2015). The researchers contend that, unlike in other economies where the existence of many NGOs, coupled with higher awareness and sophistication regarding social and environmental matters, compels corporations to employ NMS, firms in developing economies are forced by the presence of institutional voids to engage in social activities. Zheng et al. (2017) also reported that corporations in developing countries do not roll out NMS only in social activities but also in political activities similarly triggered by the prevalence of institutional voids. Thus, when firms find themselves in environments characterized by deficiencies in market-supporting institutions, they may engage in nonmarket activities to fill or at least mitigate the effects of those voids to enable them gain the acceptance and confidence of the market and operate profitably.

From the literature review above, it is demonstrated that, in addition to market strategies, firms formulate and deploy NMS through CSR and CPA to gain acceptance in developing economies fraught with formal institutional voids (Rajwani and Liedong (2015). We also gather from the review that these environments with formal institutional voids have relied on informal institutions to substitute for dysfunctional or nonexistent formal institutions (Puffer et al., 2010; Sydow et al., 2022). But, as scholars (e.g. Ofori-Dankwa & Julian, 2013; Webb et al., 2020) have succinctly pointed out, these informal institutions also fail, culminating

in both formal and informal institutional voids (that we generally refer to as institutional voids in this paper). What is lacking in the literature is *how* MNEs deploy specific NMS to fill these voids in institutionally challenging contexts to gain legitimacy. This is the gap that our paper aims to fill.

3. Research setting and methodology

This section presents the research setting, the data sources, and techniques for analyzing the data to arrive at the findings. A qualitative approach in the form of a case study was adopted (Eisenhardt, 1989; Yin, 1994). This research design is suited for a context-specific understanding of organizational reality. It is suitable for studying multifaceted social phenomena by examining the interplay between the context and the phenomenon in a processual nature (Yin, 2003). In relation to our study, this method allows us to undertake an in-depth analysis of how MNEs deploy NMS to gain legitimacy amidst a myriad of institutional voids in a new business environment. Additionally, this research strategy represents the dominant research strategy for studying how the institutional environment shapes firms' strategies in developing countries (see Luiz et al., 2021) where archival data are rare (Wright et al., 2005).

3.1 Case context

There is insufficient strategy and management research on Africa (Klingebiel & Stadler, 2015; Liedong et al., 2017; Mellahi & Mol, 2015; Wright et al., 2005). Specifically, there is a dearth of NMS research on the African continent. Developing countries may depict comparable characteristics such as weak regulatory environments (Acquaah, 2007); nonetheless, they may have distinctive institutional and social structures that distinguish them from each other. Subsequently, it would be out of place to oversimplify NMS research findings from countries like Malaysia, China, Indonesia, or Thailand to other developing and emerging economies. The

African business environment has stimulating phenomena that have not yet been studied and, therefore, offer essential opportunities for scholars to explore and contribute to theory (Klingebiel & Stadler, 2015).

The empirical context of our study is Jumia. Jumia is a leading e-commerce firm that was set up to mimic Amazon's success by delivering a wide range of items across the African continent, from furniture, clothes, electronics, and books, to alcohol. Jumia was incorporated in Lagos, Nigeria, in 2012. Three years after its establishment, Jumia had over 3000 employees across some countries in Africa and continued to expand its operations into new markets and attract investors. According to one of the co-founders, "Jumia is bringing in a couple of millions of dollars a month in revenue and increasing sales at a percentage in the "high teens" (Kay et al., 2013). In 2013, a year after its establishment, Jumia recorded a gross merchandise volume (GMV) of nearly €35 million. This value increased by 256% during the first nine months of 2015 to reach €206 million, which grew to over €500 million in 2017.

By the end of 2017, Jumia had expanded its operation to cover 11 different countries¹ across Africa, creating a sustainable ecosystem of digital services and infrastructure through online and mobile marketplaces after combating the initial challenges of trust, acceptability, and infrastructural gaps relating to e-commerce in Africa. The rapid expansion of Jumia's operations across Africa is believed to be necessitated by the opportunities intrinsic to the institutional challenges and the high population growth epitomized by the growing middle class in Africa.

The rapid growth of the African economy and the highly growing middle class creates a perfect opportunity for e-commerce businesses. But, equally, the continent is challenged with significant underdeveloped institutional structures (what we term *institutional voids*) that

¹ The 11 countries that Jumia was operating in as of 2017 were Nigeria, Ghana, Uganda, Ivory Coast, Kenya, Tunisia, Egypt, Senegal, Morocco, Algeria and South Africa.

militate against the successful implementation of the e-commerce business model (Peprah et al., 2021).

The case of Jumia represents an appropriate setting for developing insights into how MNEs establish legitimacy by leveraging NMS in response to environmental uncertainty. First, Jumia is one of the pioneering firms to introduce online retailing in Africa, a business model traditionally designed for developed economies, making it ideal to understand how it navigated this new environment to implement the ‘alien’ business model successfully. Second, the business model of Jumia was significantly challenged by a myriad of voids in the African institutional context. Additionally, we observed that Jumia relies extensively on NMS (in addition to its market strategy) to implement its business model across the African continent.

3.2 Data Collection

We relied on multiple means to gather our qualitative data: (1) participant observation, (2) semi-structured interviews, and (3) archival data (documentation). We collected our data from two subsidiaries of the company; Jumia Nigeria located in Lagos and Jumia Ghana located in Accra. We choose these subsidiaries for the data collection for the following reasons. First, the two subsidiaries exhibit different characteristics: Jumia was first established in 2012 in Nigeria, and Nigeria’s market is the largest market for Jumia; conversely, Jumia Ghana was established in 2014, and the market was not as large as that of Nigeria during our observation period. These differences allowed us to examine the same issue in different contexts, observing how the date of implementation (2012 and 2014) affected and shaped the firm’s experience, notwithstanding the commonality of both countries having limited online shopping culture. Second, these two subsidiaries allowed us to check for possible differences in institutional voids across countries. However, we learned from our interview data that the two countries have almost the same institutional arrangement, and Jumia encountered the same institutional

voids and employed the same strategies to respond to the voids in these two contexts. Last, it is crucial to note that, although all our internal informants were interviewed in Nigeria and Ghana, a few of them were not originally based in those countries but were provisionally in those subsidiaries for management and control purposes. More precisely, these informants (managers) also supervise and manage operations in other countries. Consequently, interviewing these informants gave us a broader perspective of how Jumia advanced its business model to gain the necessary recognition and legitimacy across many countries in Africa. Table 1 shows the data sources, data type, data collection timelines, and usage of the data in the analysis.

Participant observation: The first author spent six months as an intern in the company's subsidiaries in Ghana and Nigeria from January to June 2016: he spent three months in Ghana from January to March 2016, and then moved to Nigeria to spend another three months from April to June the same year. While in both subsidiaries, he was both a participant and an observer. He worked five days weekly, from 9 am to 5 pm daily. He had full access to the company and participated in various activities, including meetings and workshops such as team meetings and town hall meetings. While in these subsidiaries as an intern, the first author spent time in different company departments and with various teams to take on several activities, which gave us more profound insights into the company's core issues and operational challenges. He also worked directly with key managers to develop an insight into their respective strategies for combating specific challenges from their operations.

Additionally, informal encounters such as lunch, chance meetings, and other forms of conversation served as essential avenues for capturing data. The first author took extensive notes on important processes, interactions, events, activities, and new developments during this period. The data collected through the observation contributed immensely to designing our

interview protocols and further triangulating the interview responses. Similarly, the observation enabled us to identify key informants within the company for the interviews.

Semi-structured interviews: After two months in each subsidiary and building a collegial relationship and trusting rapport with the employees, the first author interviewed the identified informants. At this point, the first author served as a participant observer and conducted all the interviews to maintain consistency in data gathering. All the interviews were conducted at the informants' offices. In all, 24 formal and five informal interviews were conducted with employees from different hierarchical levels in two subsidiaries from January to June 2016 during the internship period. We purposely selected employees from different hierarchical levels for the interviews to ensure that we gain diverse viewpoints that will mitigate informants' personal bias and lack of knowledge and to permit cross-checking of data provided by the other informants (Huber & Power, 1985; Miller et al., 1997).

Furthermore, we conducted two follow-up interviews at the two subsidiaries in Ghana and Nigeria. The first was carried out from November 2016 to February 2017 to meet and engage again with the employees to further discuss the research. The second was carried out from December 2022 to February 2023 to capture the perspectives of the external stakeholders of the company in order to enhance our understanding of the emerging themes about the legitimacy process of the company. Through these follow-up periods, we carried out 14 additional in-depth formal interviews (nine in the first period and five in the second) to aid and enhance our understanding of our emerging theory of Jumia's legitimacy process and the various NMSs employed amidst institutional voids. In sum, 38 formal interviews (17 in Ghana and 21 in Nigeria) were conducted during our observation period. The interviews followed an open-ended, semi-structured protocol and lasted between 18 and 60 minutes. Overall, all the interviews produced about 28 hours of interview time. All the interviews were audio-recorded

and later transcribed verbatim. Table 2 shows the details and specific information about our informants.

Archival data: We relied on secondary sources to gather a significant amount of secondary data about Jumia. These data included information about the company found on its website; presentations and other documents for training employees; news and media articles from business-oriented media like The Wall Street Journal, BBC, Financial Times, and Bloomberg and Reuters; videos of interviews (retrieved from online business-related media and the company website) and commercials; and the company's press releases and newsletters. The video interviews were transcribed verbatim and coded, as reported in Table 2. Moreover, we obtained critical general internal communications regarding promotions and changes in the operational processes within the company. These documents not only assisted us in understanding the company's identity and business operations but also proved helpful as a tool for validating and cross-checking the interview and observation data of how Jumia's operations have changed over time to offset the challenges of the institutionally diverse environment.

Table 1. Data sources.

Source of Data	Type of Data	Use in Analysis
Formal interviews	Interviews, February–March 2016 (subsidiary in Ghana). Interviews, May–June 2016 (subsidiary in Nigeria). Follow-up interviews, November 2016–February 2017. Follow-up interviews, December 2022–February 2023.	Gather data on the firm’s NMSs and their evolution over time. Examine the institutional voids prevalent in the subsidiary’s industry, identifying the firm’s attempts to mitigate their effects using NMS. Enrich our understanding of how the company deployed NMS to gain legitimacy for e-commerce business in the African environment. Collect data to aid our understanding of the emerging legitimation process. Collect data from external stakeholders of the company to enhance our understanding of the emerging themes of the legitimacy process of the company.
Informal interviews	Interviews, January–June 2016.	Verify interview responses to refine the emerging processual framework; contextualize the NMSs and their corresponding legitimacy phases.
Participant observation	Field notes, January–June 2016 (about 960 hours in Ghana and Nigeria).	Establish and consolidate a rapport with informants, become familiar with the study environment, facilitate interpretation of informants’ reports, and better assess the integrity of their accounts.
Archival data Company’s documentations	Information from the company’s website, presentations, training manuals, newsletters, and emails.	Reconstruction of the history of the company and for triangulation purposes. Track official corporate correspondences with organizational leaders (e.g., investor meetings). Track the implementation of the company’s NMS and triangulate informants’ accounts.
Business new and press articles	News articles about the company (retrieved from the BBC, The Wall Street Journal, Financial Times, Reuters, and Bloomberg Businessweek, etc.).	Triangulate facts and observations. Track actors’ responses to organizational actions (customers, activist groups, regulatory authorities).
Promotional videos (online)	Videos of interviews with the CEO of Jumia Nigeria, Jumia Kenya, Jumia Cameroon, and video commercials of Jumia.	For triangulation, gain further understanding of the organization and its deployment of NMS for legitimation purposes.

Table 2. Informants.

Interviewee's job function	Number of interviews per job function	Interview codes used in text ^a
Head - Seller Support Team	2	G1A, G1B
Head - IT Team for New Countries	1	G2A
Customer Service Representative	1	G3
Officer in charge - Seller fulfilment	1	G4B
Deputy head - Customer service team	2	G5A, G5B
Officer in Charge - Inbound Logistics	2	G6A, G6B
Country manager - AIG Express	1	G7
Officer - Returns & After-Sales Operations	1	G8
Manager, Key Account	1	G9
Managing Director - New Countries	1	G10
Business Developer - Fashion category	1	G11
Head - Content Team	1	G12B
Manager - Pickup Station	1	G13
Head - Third-party Logistics Operation	2	G14A, G14B
Head - Seller Operations	1	G15B
Head - Operation Excellence	1	G16
Head - Fleet Training and Delivery	1	G17
Manager - Network Operations	1	G18
Field Trainer	1	G19
Manager - Inbound Logistics	1	G20
Regional head - Third-party logistics	1	G21
Hub Manager	1	G22
Head - Logistics Operations	2	G23A, G23B
Manager - Application Software	1	G24
Head - Customer Request & Optimizations	1	G25
Acquisition and Production Executive	1	G26
Country Manager	1	G27
Founder and Managing Director of Jumia ^b	2	G28A, G28B
Country Manager	1	G29
Media personnel, XYX ^a media ^c	1	G30
Member, District Assembly ^c	1	G31
Tax officer, Internal Revenue office ^c	1	G32
Registrar, Registrar General Department ^c	1	G33
Deputy Manager, ABC ^a Company Ltd. ^c	1	G34

^a Coded to preserve anonymity.

^bVideo interviews about Jumia obtained from public sources, like Jumia's website and business-oriented online media.

^cExternal stakeholders of Jumia that we interviewed.

3.3 Data Analysis

We relied on the interviews as the primary source in our analysis, with the participant observation and the documentation (archival) data used as necessary triangulation and additional sources. These data allowed us to discern and understand events and processes and gain different perspectives on key issues about how the firm employs specific social and political arrangements to respond to the institutional challenges to gain recognition and acceptance. Our data analysis proceeded in three phases. The first phase aimed at identifying the institutional voids encountered by Jumia in Africa, especially in Ghana and Nigeria, since its inception in 2012. We went through multiple rounds of coding of our data to search for macro-categories of institutional voids that our informants gave through accounts of the events that they described (Stake, 1995). We extracted a list of institutional voids encountered by Jumia from the interviews. The second phase aimed to understand the specific NMS deployed by Jumia to solve the legitimacy problems posed by these institutional voids in order to get its products and offerings legitimized. Like the previous phase, we continued with the multiple rounds of the coding of our data to search for the NMSs that Jumia utilized to deal with legitimacy problems emanating from the institutional deficiencies in the African environment by combining archival and interview data. At this stage, we were still gathering our data to return to our informants when needed to sharpen our ensuing findings. This step allowed us to capture the unique NMSs deployed by Jumia to deal with legitimation problems encountered in the environment. As we explored the NMSs pursued by Jumia, we began to notice patterns between changes used in the following (third) phase to examine Jumia's legitimacy process.

The third phase of data analysis aimed at understanding Jumia's legitimacy process, which resulted from NMS examined in the data analysis phase 2—i.e., how Jumia employed a particular NMS to solve specific legitimacy problems posed by institutional voids in its local environment. In other words, after identifying the institutional voids encountered by Jumia in

Africa and the NMSs that were adopted as a result, we examined whether and how these strategies were deployed in a logical and longitudinal sequence to understand the process Jumia went through to get its products and offerings accepted and legitimized on the African market. To do this, we first grouped the NMS into macro-categories—"aggregate dimensions". Subsequently, we tried to understand when and why these NMSs were implemented to make Jumia gain recognition in the African market.

Our data analysis combined established methodology for single case study analysis (Yin, 1994) and grounded-theory building (Locke, 2001; Strauss & Corbin, 1997) and proceeded in an iterative fashion. We cycled between our data, emerging themes, and appropriate literature to develop a deeper understanding of the dynamics of the Jumia legitimacy process as it transpired. First, we carried out a first-order analysis (Gioia et al., 2013; Gioia & Thomas, 1996; Magnani & Gioia, 2023), which involves a detailed coding of the interview transcripts and data from secondary sources to develop first-order codes. Then, we applied these codes, primarily based on the informants' language and vocabularies, to our complete database (paying particular attention to nestings and overlaps) and combined them into informant-centric codes (i.e., first-order concepts). Utilizing the frequent comparative method, we constantly matched the data across informants to design how these concepts allied to similar ideas or relationships.

Second, to discern themes that might form the foundation for developing a deeper understanding of our theoretical argument, we used a more structured second-order analysis to examine the data at a higher level of theoretical abstraction (Gioia et al., 1994; Magnani & Gioia, 2023). Again, we relied on constant comparison to help in discerning second-order themes that subsumed the first-order concepts. Finally, to capture the overarching process for Jumia's legitimacy process, we amassed our second-order themes into aggregate dimensions, which involved examining the relationships among first-order concepts and second-order

themes that could be presented into a set of more simplified complementary groupings. To this end, we combined the themes into broader dimensions of analysis that captured the overarching process of Jumia's legitimacy process. Our final data structure is demonstrated in Figures 1 and 2, which summarize the second-order themes on which we built our theoretical argument of the legitimacy process of Jumia. It is worth indicating that, during the analysis, we refined and strengthened our emerging interpretations through triangulation with other sources and comparisons of informants (Yin, 1994). In particular, internal and external archival sources were significant for confirming ("triangulating") informants' narratives of how the firm could deploy specific NMSs to mitigate the effects of the institutional voids in the African environment on its recognition and acceptance process. Moreover, observation and informal conversations complemented the interviews used for the analysis, giving us additional insight into the emerging themes and an understanding of the firm's operation.

4. Results

This section presents our findings and describes the theoretical framework that emerged from our data. First, we examine the unique institutional voids in Jumia's business environment that posed threats to its legitimacy, and the specific NMS pursued by Jumia to legitimize its operations in the African market. Then, we describe how Jumia deploys specific NMSs to obtain legitimacy in introducing an e-commerce business model to the African market.

4.1 Institutional voids in Jumia's business environment

Unlike developed countries with well-established institutional contexts that allow for efficient e-commerce transactions and provide external transaction partners to support value creation and delivery within the e-commerce industry, developing countries, such as those in Africa, possess distinctive features and unstructured institutional environments that create a

daunting challenge for e-commerce business model implementation. Our analysis of Jumia's business environment in Africa shows that the e-commerce business environment was characterized by several institutional voids that hamper the design, implementation, and acceptance of the e-commerce business model. We classified these voids into three main categories: *infrastructural, regulatory and legal, and cognitive cultural voids*.

The *infrastructural voids* stem from the lack or absence of adequate physical infrastructure to consummate market transactions. Therefore, Jumia had to find a way to overcome these infrastructural voids to operate the e-commerce business model in Africa. These voids range from inadequate transportation infrastructure to location problems, poor telecommunication infrastructure, erratic energy supply, and an underdeveloped payment system.

Moreover, it emerged from the data that, since e-commerce is fairly new in many countries in African, the e-commerce industry lacks effective and efficient regulations to create and establish market transactions, creating what we term *regulatory and legal voids*. Examples of regulatory and legal voids that Jumia had to struggle with included bureaucratic procedures to acquire licenses and certificates, fake currency, and imitated products emanating from the ambiguous nature or the inefficient legal system in the countries. In addition, security issues such as robbery incidences are also an essential regulatory and legal void that challenges the firm's operation in its business environment.

The subject of trust also contributes to these institutional problems regarding e-commerce in Africa. In many African communities, the 'place' for shopping is a physical bricks-and-mortar shop or the "market square"; therefore, the idea of e-commerce alienates them. Compounding this is a high occurrence of internet frauds and scams across many countries in African, particularly Nigeria. These situations result in a lack of trust in e-commerce, and people are unwilling to accept and use e-commerce transactions, creating what

we termed as *cognitive cultural voids*. These cognitive cultural voids refer to a set of negative perceptions of the people in a country about online transactions and the belief system of those who do not support online transactions, thus confirming the presence of cognitive cultural voids in the firm's business environment.

All these voids, both individually and collectively, are sources of legitimacy problems to Jumia and its operations. The lack or inefficiency of the various institutions to assuage the fears of the public regarding the products and activities of the online firm imposes significant responsibility on it to convince all stakeholders of the harmlessness of its activities and, thus, gain legitimacy. Figure 1 shows the data structure of the institutional voids that emerged from our data analysis.

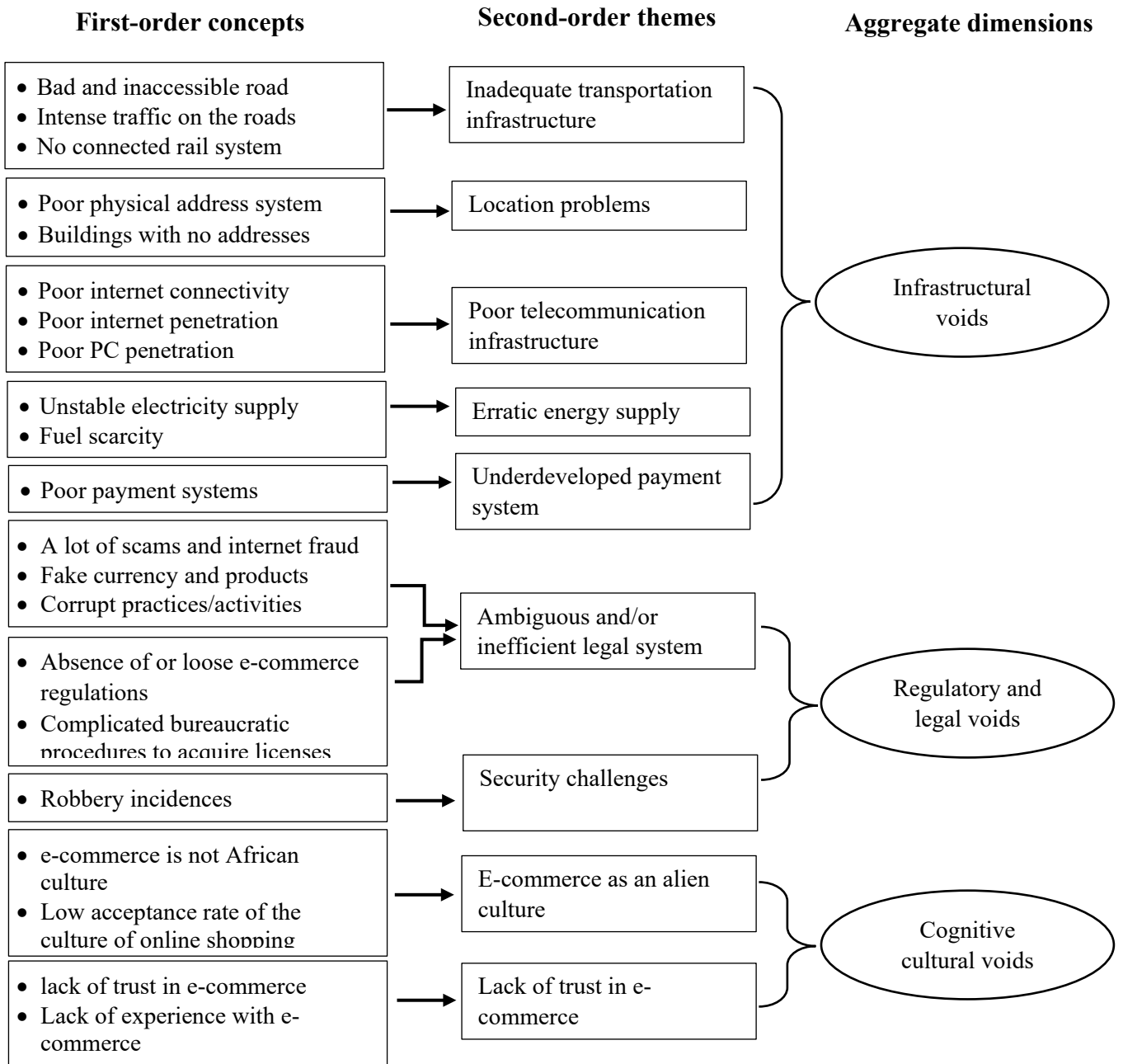


Fig. 1. Data structure for institutional voids in the e-commerce business environment.

4.2 NMS employed to gain legitimacy

The second stage of our analysis sought to identify the NMS employed by Jumia amid institutional voids to obtain legitimacy. Our analysis indicated that Jumia adopted various NMS in their legitimation process, intending to create multiple impacts on the various actors in the environments in which they operate. Accordingly, we categorized the effects Jumia sought to make with the different NMS employed into three perspectives – *validation*, *consolidation*, and *diffusion* perspectives.

The NMS adopted to achieve *validation perspectives* was aimed at informing and convincing the public of the possibility and advantages of engaging in e-commerce instead of, or at least in addition to, the brick-and-mortar method of doing business that the people are used to. During the initial stages of Jumia's operations, validation was sought due to the unfamiliarity of online transactions among the majority of the company's intended customer base, who were culturally unaccustomed to conducting business without physically inspecting the products or meeting the sellers. The NMS deployed at this stage included community and stakeholder engagement, outreaches, media, and civil group engagement to build coalition and engage the public primarily to gain acceptance and respond to the doubts of the public engendered by the cognitive cultural voids prevailing in Jumia's business environment. In addition, the NMS adopted aimed at gaining the populace's trust regarding the feasibility of engaging in e-commerce in Africa. The quote below from Jumia's official in Ghana captures an example of what was done to achieve validation:

“...you know to start a completely new business that is totally different from what people know and are used to, you need to carry out some market survey to find out people's feelings about the business. So during these surveys, we realized from the answers we were getting that people were not comfortable with online businesses and so we had to carry out public engagement ... as people understood how valid our arguments were, they began to look forward to trying what we were proposing.” (G3)

Thus, Jumia, among other things, carried out public engagement (i.e., community and stakeholder engagement and outreaches) and coalition building (i.e., through media and civil society group engagement) to convince people and gain their trust.

From the *consolidation* perspective, the NMS that Jumia employed sought to consolidate the trust they had gained from the people by winning the confidence of the officials of the regulatory bodies of the countries they were operating in. Thus, the specific NMSs employed at this stage were aimed at primarily responding to the regulatory and legal voids. Even though the regulatory institutions of these countries are said to be weak, failure to secure their support can usually lead to much frustration. Thus, Jumia's next step was to win the support of the regulatory bodies to make their operations legal, legitimate, and trustworthy. Because the officials of these institutions generally appeared to be new to the idea of online business, Jumia had to employ some NMSs (i.e., lobbying, sponsoring regulators and government agencies' programs, and creating political ties) to convince them of the authenticity and safety to their operations and to influence public policies in favor of e-commerce. During the interviews, one of Jumia's officials had this to say about their NMS aimed at consolidating the trust they had gained:

“...so the other thing we needed to do and are still doing is to find ways of lobbying government agencies to get their blessings to move on. You know, in this country, if even your documents are intact you will still find someone delaying you or even denying you something you need. So we have had to lobby and to try to be in the good books of the regulatory authorities...” (G27)

Thus, Jumia deployed NMSs such as lobbying, political patronage, sponsoring regulators programs/activities, and creating and maintaining political ties to be in the good books of political authorities. Once the leaders endorse their operations and make or change policies to promote them, it further consolidates the trust that people have developed in Jumia's operations.

As we term it, the *diffusion perspective* is the stage when Jumia employed NMS aimed at winning the trust of all actors in their operating environment through being ethical, giving

back to society, and spreading news of it. This is particularly important to Jumia considering the low levels of trust in e-commerce in Africa. Having won the populace's trust, getting their business validated, and consolidating that trust by earning the support of the authorities, Jumia's next target was to spread the news of their operations and court the interest and acceptance of all, especially potential critics such as advocacy groups. They sought to do this by doing good to society through philanthropy and ethical behavior as part of their policies as good corporate citizens. According to Jumia, by giving back to society and spreading the news, people are convinced of the authenticity of their activities. They tend to associate with them as good corporate citizens. Jumia's official indicated this, saying:

“...after operating for some time, we felt we needed to make our business activities more widely known and accepted, and one way to do this we realized was starting to give back to society. You know, in these parts of the world, if you are seen to be doing business, and you don't do some good to society, they begin to frown on you. Especially with e-commerce companies that are primarily perceived to be engaged in fraudulent activities.” (G8)

Jumia believes that positive attitude and word of mouth from beneficiaries of their philanthropic activities would spread knowledge about their activities and, thus, create more trust among the residents of the countries in which they operate. Figure 2 shows the data structure of the NMS pursued by Jumia to fill institutional voids that emerged from our data analysis. Table 3 summarizes the aggregate dimensions, themes, categories, and illustrative quotes for NMS from the study.

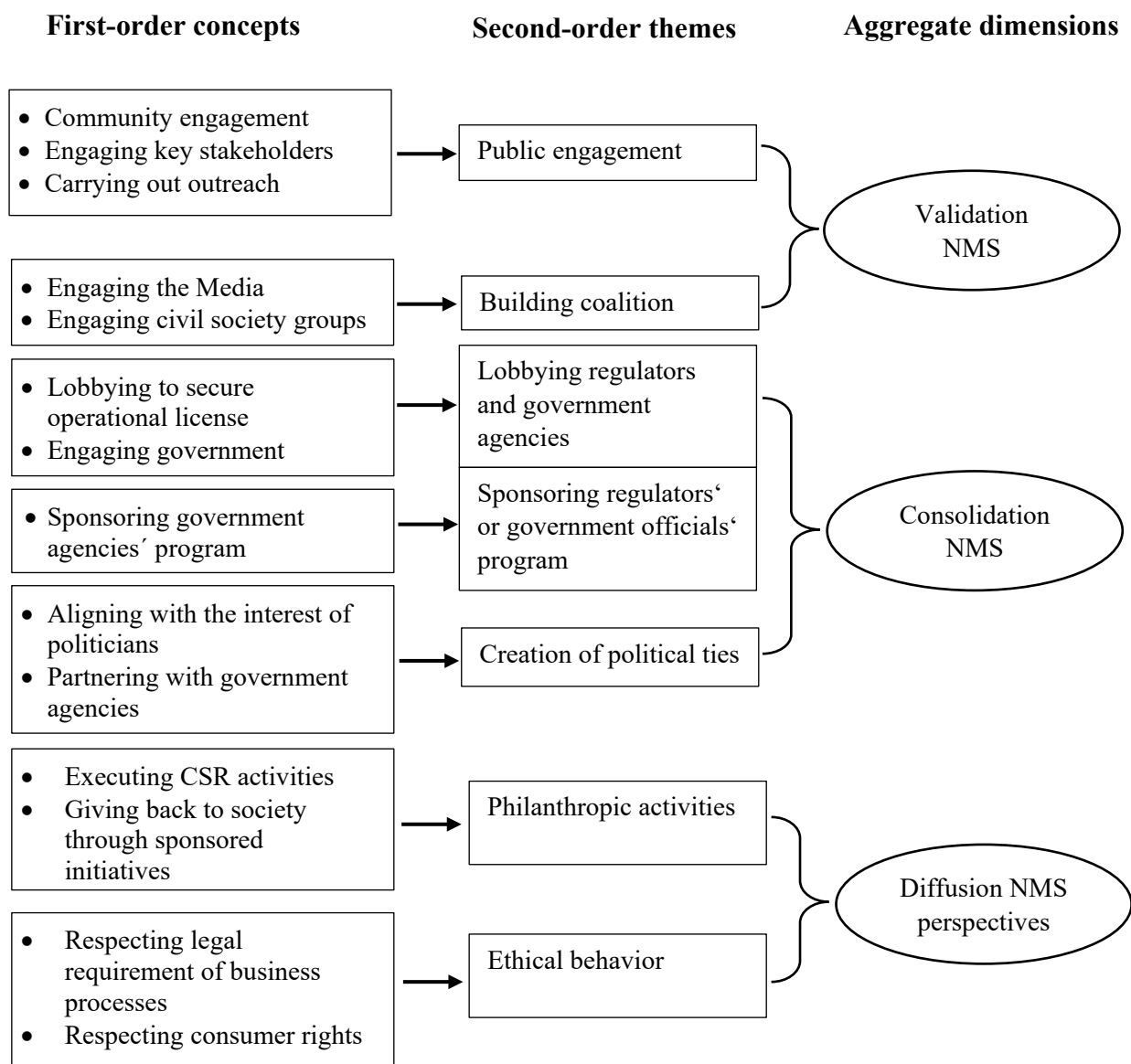


Fig. 2. Data structure for NMS pursued by Jumia to fill institutional voids.

Table 3. Dimensions, themes, categories and illustrative quotes for the NMS.

Aggregate dimensions, second-order themes, and first-order categories	Empirical observations (illustrative quotes)
VALIDATION NMS PERSPECTIVE	
Public engagement	
<ul style="list-style-type: none"> • <i>Information gathering and dissemination</i> 	<p>“Because a lot of people are unfamiliar with e-commerce and [...] the lack of trust in online shopping, we deliberately engage the people to gather their views and opinions about e-commerce and at the same engaged them to explain how our business model works.” (G17)</p>
<ul style="list-style-type: none"> • <i>Carrying out outreach</i> 	<p>“[It] wasn’t easy, and we’re even still winning the people's trust. We’re not completely there yet. But initially, we started with [public engagement]. You know to start a completely new business, you need to carry out some public outreach to find out people’s feelings about the business. [...] During these outreaches, we realized that people were uncomfortable with online businesses. So we had to carry out a lot of [public engagement] to educate the public.” (G3)</p>
<ul style="list-style-type: none"> • <i>Community engagement</i> 	<p>“One important thing that helped us during our early stage was direct engagement with people community. We deployed a team we called “J-Force”, and these people visit communities with tablets and computers to demonstrate how our e-commerce model works. As part of this community engagement, we ask the people to place an order from the tablets we are using to demonstrate, and we deliver the product they ordered to them as proof.” (G26)</p>
<ul style="list-style-type: none"> • <i>Engaging key stakeholders</i> 	<p>“Aside from customers and suppliers of products on our e-commerce platform, we had to engage with other stakeholders like some government agencies and regulators, for example, to register and seek approval for some of our activities [...] could you believe that some of these agencies were not familiar with e-commerce and [...] for that matter our business model.” (G11)</p>
Building coalition	
<ul style="list-style-type: none"> • <i>Engaging the Media</i> 	<p>“[...] Yes! You cannot implement a new business idea like ours without engaging the media. So we invited and engaged the media in all our programs and activities, which helped us win the public's trust in business.”(G5B)</p> <p>“Even though I was not an employee of Jumia, I was responsible for providing media coverage for all their programs and key activities. I believe the strong acceptance of Jumia’s business here [in Ghana] was due to the intense media engagement.” (G30)</p>
<ul style="list-style-type: none"> • <i>Engaging civil society groups</i> 	<p>“We partnered with some civil societies to carry some critical social interventions in deprived communities in the area of education and environment. For us working with these civil societies serve as way of validating what we do in the communities.” (G5B)</p>
CONSOLIDATION NMS PERSPECTIVE	
Lobbying regulators and government	
<ul style="list-style-type: none"> • <i>Lobbying to secure an operational license</i> 	<p>“Well, you know, when you start a business and begin to do well, you certainly will attract the attention of the regulatory authorities—government agencies and so on. And so the other thing we needed to do and are still doing is to find ways of lobbying with government agencies to get their blessings to move on. [...]”(G27)</p>

- *Engaging government*

“If even your documents are intact, you will still find someone delaying you or even denying you something you need. [...] So we have had to lobby and try to be in the good books of the regulatory authorities so that they will always be in favor of what you do and not try to frustrate your efforts. Once the authorities are fine with what you do, you know you’re good to go.” (G27)

Sponsoring regulators' or government officials' program

- *Sponsoring government agencies' program*

“On many occasions, we have sponsored or supported government agency programs in cash and kind. For us, we see these support and sponsorship as part of giving back to society, but in return, these gestures put our company in their good books.” (G7)

“We have always been on good terms with them [Jumia]... they support us [the district assembly] in many ways. They [Jumia] have supported the assembly’s development program with cash and kind.” (G31)

Creation of political ties

- *Aligning with the interest of politicians*
- *Partnering with government agencies*

“Yes! I can speak of one member of parliament; I mean an MP who wrote to us for support in promoting ICT education in his constituency. We welcomed this invitation and allied with him to carry this out. We donated some ICT equipment.”(G27)

“Our company has partnered with some district and municipal assemblies to provide waste bins to help improve sanitation.” (G12B)

“The Assembly, on many occasions, have received dust bins, for example, from Jumia to support the Assembly’s initiative to improve sanitation.” (G31)

“Our company relied heavily on Jumia for most of our supplies, and our partnership with them [Jumia] saved us so much money because of the free delivery of our supplies [...] Their [Jumia] operations are legitimate and endorsed by individuals and many reputable organizations.” (G34)

DIFFUSION NMS PERSPECTIVES

Philanthropic activities

- *Executing CSR activities*
- *Giving back to society through sponsored initiatives*

“After operating for some time, we felt we needed to make our business activities more widely known and accepted, and one way to do this, we realized, was starting to give back to society. [...] So we decided to carry out some philanthropic activities with NGOs. [...] When these organizations endorse your activities, news of them travels fast and more people get to know you and what you do.” (G8)

“As part of our policy, we carry out various philanthropic activities every year.” (G19)

“CSR is a core element of our business model; we are involved in many projects and initiatives to support communities within Africa. For example, we recently introduced the “1 book 1 child” initiative to provide books to children in primary schools in the Lagos community.” (G27)

“In the same way, if you ignore them...I mean giving back to social activities, if you ignore them, these same advocacy groups will spread bad news about your business, and that will certainly bring you down.” (G2A)

Ethical behavior

- *Respecting legal requirements of business processes*

“Even though there exist a lot of inefficiencies in the legal system, we in Jumia always aim to operate within the legal requirement of the law. For example, we ensure that our riders delivering products obey and respect road traffic rules. [...] Before opening a branch or any operating facility, we engage the appropriate authority to secure the required approvals before operation.”(G23A)

“[...] from where I sit, I think the company has been responsible all these years. They have complied with all our tax regulations... and we have not had any issues with them.” (G32)

- *Respecting consumer rights*

For example, our “free return” and “payment on delivery” policies are ways to demonstrate that we respect the right of consumers. After purchasing a product from our platform, a consumer is free to return the product and receive cash back. We implemented these and many more policies to ensure that consumers receive our best service.”(G3)

4.3 Jumia's legitimacy process in the institutionally voided environment

After identifying the institutional voids that pose the legitimacy problems for Jumia in its business environment, and the specific NMS strategies employed by it in solution to those problems, we now focus on how these NMS strategies were deployed to enable Jumia to gain recognition and legitimacy for its operations across the countries within our study area. Specifically, we discuss the process Jumia went through in deploying NMS to gain legitimacy in its institutionally deficient business environment. From our data, it emerged that Jumia, in all instances, made a deliberate decision by deploying NMS to obtain the needed acceptance and recognition. However, the acceptance and recognition did not occur instantaneously but in a processual fashion. Following the literature on legitimacy, we observed that Jumia obtained three main types of legitimacy—*cognitive legitimacy*, *regulative legitimacy*, and *normative legitimacy*—with each phase applying specific NMS as the situation required at that particular moment. Figure 3 presents the three main types of legitimacy and the specific NMS deployed to achieve each of them.

Cognitive legitimacy: Our data show that the first kind of recognition that Jumia received was cognitive legitimacy. Cognitive legitimacy stems from the acceptance and recognition of critical stakeholders and the public who see Jumia's business and offering as authentic because Jumia adopted Amazon.com as a frame of reference or template for advancing its e-commerce business model. At this stage, Jumia was entirely new and suffered from "liability of newness", coupled with many institutional challenges. Therefore, to survive at this stage, Jumia targeted Amazon as a reference point to structure its operations based on the Amazon model. Through this, customers who had experienced Amazon.com gained some trust and confidence in Jumia's business model because it was a direct replica of Amazon's. This issue was illustrated in an interview by a manager in the quote below:

“Well, Jumia’s business model is designed after that of Amazon. In fact, we have Amazon as our target, so we try to do things as Amazon [...] because Jumia’s e-commerce business model is new to the Nigerian market.” (G6B)

From our data, it was discovered that gaining cognitive legitimacy was made necessary by the fact that, culturally, people were not used to the method of doing business that Jumia was introducing. Thus, the firm needed to engage the public about its business model to boost the credibility and trustworthiness of Jumia’s products and services, with the intention of attracting many early adopters and users. A senior executive had this to say:

“When we started, we did not have enough information about the market and people did not trust us, suppliers for example, were unwilling to work with us. Hence we focused on employing various means [specific NMS] to engage the public and all stakeholders for them to know us.” (G20)

Regulative legitimacy: Our data show that the regulative phase of Jumia’s legitimacy process began while the cognitive phase of the firm’s legitimacy process was still ongoing. Regulative legitimacy emanates from the acceptance and recognition from regulators and government agencies that the firm's operations conform to the rules and regulations. At this stage, the firm is still in the early growth stage and needs to be legally established and act per the required laws and regulations. Therefore, the regulative legitimacy process begins at the point when operational and other related licenses were being acquired. In our case, we observed that regulative legitimacy was the second legitimacy obtained in Jumia's legitimacy process. To achieve this, Jumia employed NMSs such as lobbying and the use of political connections. For example, it emerged from our data that, because of the regulative voids prevalent in Jumia’s business environment, there were unnecessary delays and excessive bureaucratic systems to go through in securing an operating license, a document that would grant regulative legitimacy to the firm’s operations. Jumia had to lobby a top government official who facilitated the process of securing the required license. Some senior executives of Jumia had the following to say about how the firm obtained regulative legitimacy.

"You know the delays and bureaucratic system in Ghana, even the license to operate was difficult, considering the timelines we had set for ourselves. [...] Our manager engaged a top official, a politician,

to facilitate the license acquisition process. [So this] was done, and this was how we got recognition by the government and other related agencies." (G14B)

"Yes, you know the delays in the system in Nigeria, it took us [Jumia] a while to finally secure our operating license [...]. We were officially recognized by many government agencies after the license was approved, and this was great news for us." (G11)

"Let me tell you something; when we started, we could not fully come out to announce our presence in Lagos because we have not completed our licensing with the licensing authority. The time you began to hear about Jumia was when our license had been approved. But we operated on a small scale for a while before we obtained all the necessary approvals from the government." (G15B)

"Now we have the support of the public, key government and non-government agencies because now they know and understand what we are doing. [But], it was not like that when we [Jumia] started." (G18)

"We received an invitation from a [regulatory body] to support and sponsor an annual program that had been organized by them, and I think this is just an indication that they accept and recognized Jumia as legitimate." (G23A)

"We follow all the laid down rules; for example, we file our tax as required, and we pay our employees' social security contributions." (G27)

"I remember it took quite some time before the company finally completed the licensing requirement [...] But eventually, they met all the requirements and finally secured all the required licenses to cover their operations." (G33)

Normative legitimacy: The normative legitimacy phase commences after the firm has gained regulative legitimacy (i.e., the firm and its offerings are recognized and accepted by the local people, regulators, and other related government agencies). At this stage, the firm's business model, despite institutional voids, is established and the firm has begun to operate on a large scale in urban and rural areas. Thus, the corporate culture and organizational structure of the firm are becoming stable and, in addition to economic benefits, the firm begins to focus on its social benefits with the strategic objective of pursuing stability and sustainable development. Therefore, the firm starts to seek *normative legitimacy*, which emphasizes what is morally desirable (rather than legally required) and operates in a way that conforms to societal standards and principles. Our data show that Jumia employed specific NMSs, such as corporate social responsibility activities and ethical operations to gain normative legitimacy, as demonstrated in the quotes below by senior executives in an interview.

"If you want to see how we [Jumia] are supporting our communities look around and ask the people in the community. We have executed a number of CSR activities to give back to the society that accepted our operation, and this is one way to prove that we are committed to the wellbeing of society." (G24)

“[...] We have been operating for over four years now, and as you can see, we have set the standard in the e-commerce industry, and we are recognized for that [...] because as [...] part of our operating procedure [we] align our processes, products and services with conforming to the standards of society.” (G23B) (G28A)

“Jumia exists to serve society [...] aside from the various employment we provide and the taxes we pay. We are involved in several projects and initiatives to support communities within Africa.” (G5A)

At this phase of the legitimacy process, the firm’s strategies and actions are directed at addressing any issues that may negatively impact the legitimacy gained so far. Figure 4 illustrates Jumia’s legitimacy process.

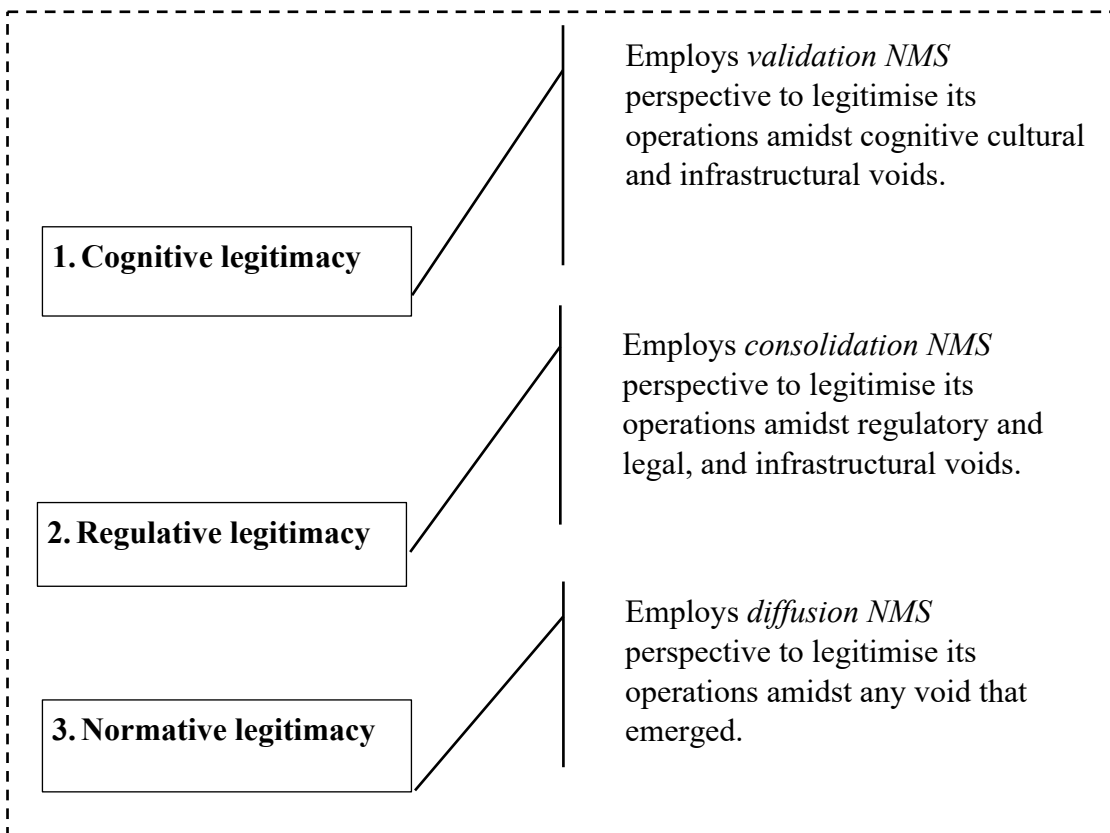


Fig. 3. Types of legitimacy obtained.

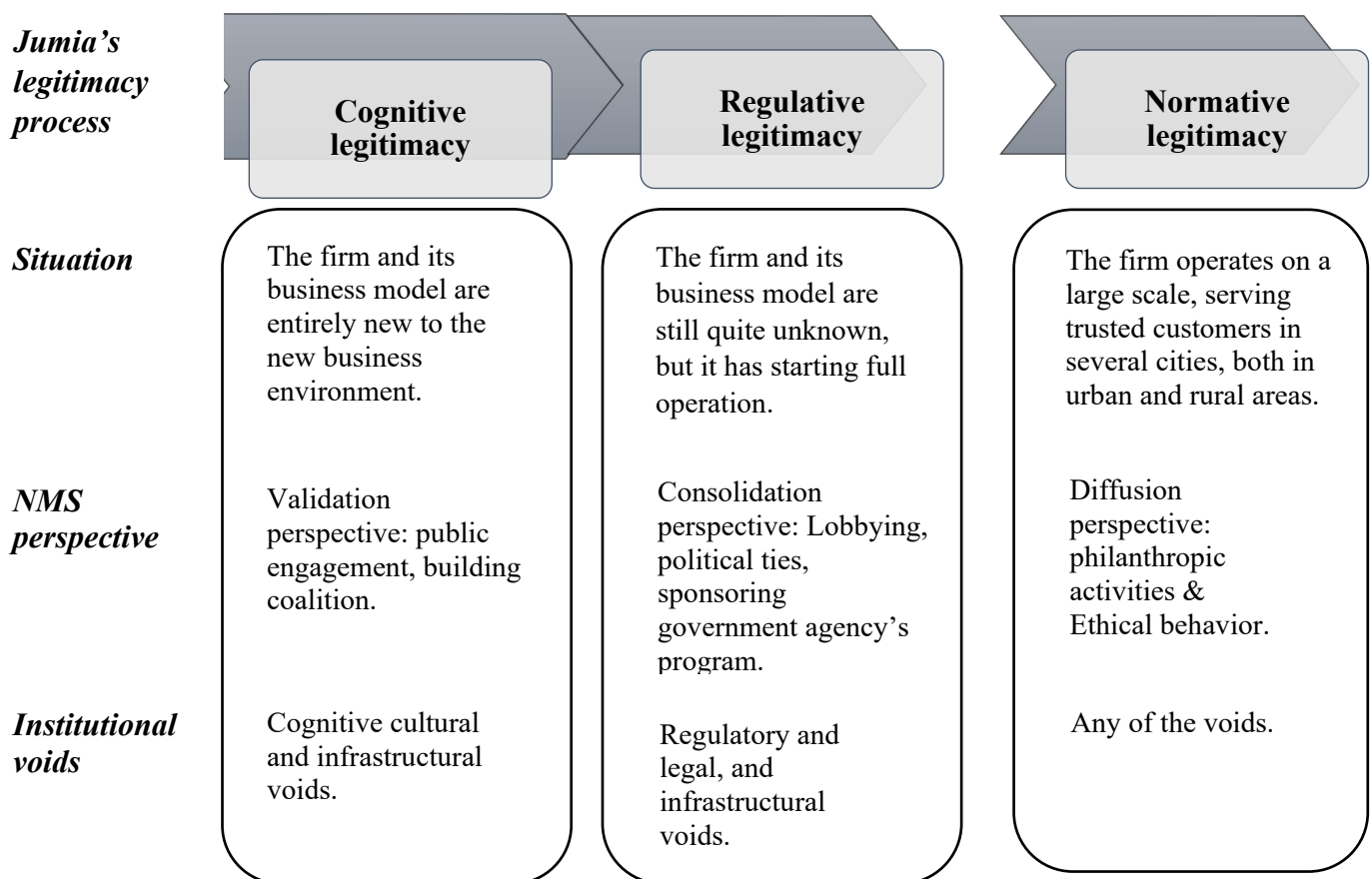


Fig. 4. Jumia's legitimacy process.

5. Discussion, limitations and conclusion

5.1 Discussion

In this paper, we theorize how a multinational firm operating in institutionally voided environments deploys NMS to gain legitimacy for its activities, despite the newness of its business model to the environments. First, we do so by identifying the institutional voids—*infrastructural, regulatory and legal, and cognitive cultural voids*—which pose legitimacy problems, that the firm must deal with to successfully operate in its environment. Second, we describe the various NMS and the aims they seek to achieve (i.e., *validation, consolidation, and*

diffusion of the firm's activities) in the legitimation process. Finally, we focus on how the NMS deployed aided the MNE in obtaining three kinds of legitimacy (i.e., *cognitive, regulative, and normative legitimacies*) in three phases.

Our conceptualization of Jumia's legitimacy process suggests that, as a MNE deploys a new business model in an underdeveloped business environment, the MNE needs to advance specific strategies (in our case NMS) that allow it to establish whether the core elements of the new business model will work in the new institutionally voided environment. The uncertainty of operating in a cognitive and culturally voided context forces the MNE to attain *cognitive legitimacy* by referencing an established company as a template to model its business processes and offerings. Indeed as Shepherd and Zacharakis (2003) rightly noted, from a cognitive perspective of legitimacy, businesses can be perceived to be legitimate when they are understood, meaning that a significant awareness of the product and offerings of the organization is necessary. By imitating the business model of a known reference target, that awareness is created—since the referenced firm is well known—and this is further accentuated when NMS are deployed to build trust and credibility, validate the firm's processes and activities, and offer authentic services to its clients. Furthermore, actively engaging the public and building a coalition (Baron, 1995; Baron, 1999, 2003) creates awareness for the new company and reduces the uncertainty of new ventures of this type. This can unlock market opportunities, particularly when the intuitional environment is taken into consideration (Doh et al., 2012).

Since the MNE and its business model are still relatively new and unknown, it needs to obtain *regulative legitimacy*, i.e., obtain the necessary and appropriate license and meet all legal requirements to be fully recognized by the regulators and all associated government agencies. The MNE employs CPA as an important NMS (e.g., lobbying, activating political ties, and sponsoring government agencies' activities) to respond to regulatory and legal voids in the business environment in order to consolidate the trust and acceptance that resulted from the

cognitive legitimacy and to attain the regulative legitimacy required at this stage. In the African context, informal networks— i.e., political ties—are distinct features of the business systems on the continent, and they play critical roles in the state–business actor(s) interaction (Wood & Frynas, 2006). Jumia’s ability to leverage its political connectedness and/or ties to influence political actors played a critical role in shaping the regulatory framework and obtaining licenses that governed its operation in the target markets. This supports the view by some scholars that firms will employ lobbying to influence public policy in a manner that advances the firm’s interests (Boddewyn, 2003; Hillman & Hitt, 1999; Hillman et al., 2004). By using lobbying, the company consolidated its business operations since it further won customers’ trust because it had gained regulatory legitimacy. This reinforces some scholars’ view that lobbying is ‘information based’ and involves different stakeholders, thereby strengthening a firm’s legitimacy (Banerjee & Venaik, 2018; Kline & Brown, 2019), a critical dimension to the success of Jumia.

Cognitive and regulative legitimacy were fundamental prerequisites to scale up the new business model; without them, the MNE could not have rolled out its expansion strategy. With these legitimacies attained, the MNE began to pursue various growth strategies, having validated and consolidated its business model. The pursuance of *normative legitimacy* became the mandate of the firm. Having deployed different NMSs to fill the cognitive cultural, infrastructural and regulative voids in its business environment to gain cognitive and regulative legitimacies, the MNE and its offerings are somewhat known, and it continues to operate on a large scale, serving customers in several cities, both urban and rural. The attention now shifts to operate in a way that aligns with societal standards and principles, mainly to give back to society through philanthropic activities and ethical behavior as part of its policy to be a ‘good corporate citizen’. By leveraging CSR as an NMS, the trust and recognition obtained by Jumia diffused across the entire population to further consolidate its acceptance and recognition, thereby helping it achieve *normative legitimacy*. This lends credence to Amaeshi et al. (2016)

view that CSR presents an appropriate mechanism by which firms gain legitimacy, especially in institutionally voided settings.

Our paper makes several significant contributions to the literature. First, we theorize on legitimation through deploying NMS within the context of institutionally voided countries. Our findings suggest that MNEs can use nonmarket approaches (in our case, lobbying, philanthropic activities, and leveraging on its political connectedness) in legitimation. As Suddaby et al. (2016) rightly noted, when organizations are new or come up with new products, they must engage in significant legitimacy to achieve success. This is premised on social entities (e.g., firms or industries) being deeply embedded in social systems. As such, firms must gain legitimacy at various levels, including in their society (Suddaby et al., 2016). Jumia deployed nonmarket strategies to achieve this legitimacy at the societal level, as our results show. The nuanced use of trust building in its service to customers, engaging in philanthropic activities, and lobbying political authorities to influence regulation were some of the nonmarket approaches *to validate, consolidate, and diffuse* the new business model to gain legitimacy. Using NMS to gain legitimacy, Jumia achieved social judgment of acceptance, appropriateness, and desirability as an ideal e-commerce platform. *Second*, we contribute to the literature on legitimacy since our results lend credence to the school of thought that legitimacy is a process (Johnson et al., 2006; Zimmerman & Zeitz, 2002). Indeed, we established that the success of Jumia in Africa, a continent characterised by voids, is because of its processual approach to gaining legitimacy (Johnson et al., 2006; Suddaby et al., 2016). By using this interactive and dynamic approach to gain legitimacy Jumia achieved *cognitive, regulative, and normative legitimacies*, thus, making Jumia a household name in the e-commerce space on the continent.

For example, in achieving *cognitive legitimacy*, Jumia spent time winning the trust of stakeholders even after replicating the business model of an established e-commerce giant (Amazon). By observing Jumia's legitimacy through a process lens, we build on the works of Barnett (2006), who suggested that a firm's effort to build legitimacy to gain a unique identity

occurs in waves and that, once that is established, the firm then tends to focus on competitive differentiation. Indeed, Jumia, in its early days, spent time gaining legitimacy through a processual approach rather than concentrating on the competitive landscape. This approach was a significant factor in Jumia's success story. Our research builds upon the scholarly investigation carried out by Peprah et al. (2022) by highlighting the crucial role of legitimacy as a mechanism for multinational enterprises (MNEs) to establish credibility and gain acceptance among stakeholders. Furthermore, our findings contribute to the understanding that legitimacy serves as a means to address voids and foster positive market perception. *Third*, we support and contribute to the findings of previous studies that indicate that the prevalence of institutional voids in an environment forces multinational enterprises to adopt NMS, such as social and political activities (Doh et al., 2015; Zheng et al., 2017), to be competitive. We extend these findings by adding that MNEs can employ NMS to fill the institutional voids by achieving validation from the population for their activities, consolidating that trust by winning the support of political and regulatory authorities, and diffusing news of their activities through philanthropic initiatives as well as ethical conduct. Thus, by achieving each of these, the MNE gains more trust.

5.2 Limitations and future research

It is essential to highlight some limitations of our study. First of all, it is well established in the literature that institutional voids are context-specific. That is, they vary significantly across countries and industries. Although the views of the various interviewees, particularly managers, cannot be considered exemplars of all businesses in our setting—hence the inability to generalize our findings—we believe that the value of this study is underpinned by the rich contextual insights that it offers. Therefore, our legitimacy attainment process developed after studying an e-commerce firm operating in African developing countries may not apply to other countries and industries. As a result, we recommend that future studies consider how firms in

other industries other than e-commerce operating in institutionally voided contexts gain legitimacy for their activities. This would significantly add to our knowledge of how firms gain legitimacy for their actions in institution-deficient environments.

Second, over more extended periods, institutional situations of countries evolve. It is unclear whether, over a longer period and under improved institutional conditions, firms still deploy NMS for the sake of gaining further legitimacy or not. Unfortunately, our study did not provide this knowledge. Last, given the complex and multi-level nature of NMS (CPA and CSR), understanding how it influences firms' attainment of legitimacy solely from multiple stakeholders' perspective, for example, is an avenue for further scientific enquiry.

5.3 Conclusion

To conclude, this paper provides a comprehensive analysis of how a newly established MNE leverages NMS to fill institutional voids in institutionally challenging contexts to gain legitimacy. Our findings have important theoretical and practical implications for the literature on nonmarket strategy, institutional voids, and legitimacy in the context of MNEs. Through an in-depth case study of Jumia, an African e-commerce MNE, we identify three types of institutional voids that hinder the implementation of the e-commerce business model; namely, infrastructural, regulatory and legal, and cognitive cultural voids. We further unpack the MNE's specific NMS used to validate, consolidate, and diffuse the new business model to gain legitimacy accordingly.

Our analysis reveals that an MNE, under various conditions of unstable institutional structures and mechanisms, employs NMS to achieve three kinds of legitimacy in the process—cognitive, regulative, and normative legitimacies. In particular, to gain cognitive legitimacy, the MNE deployed nonmarket mechanisms such as public engagement and building coalition. This helped create to awareness, understanding, and acceptance of the new business model among its stakeholders. The MNE also leveraged nonmarket approaches such as lobbying political ties and sponsoring government agency's programs to achieve regulative legitimacy.

Finally, the MNE deployed NMS to gain normative legitimacy by aligning its activities and values with the cultural norms and values of the host country through philanthropic activities and ethical behavior.

The theoretical contribution of this paper lies in the integration of three prominent streams of literature in IB—namely, nonmarket strategy, institutional voids, and legitimacy literature—to build a theory on how MNEs deploy nonmarket strategies to establish legitimacy in response to environmental uncertainty. Our findings demonstrate the importance of understanding how MNEs leverage nonmarket strategies to validate, consolidate, and diffuse new business models to fill institutional voids and gain legitimacy in institutionally challenging contexts.

From a practical perspective, our study highlights the importance of MNEs adopting NMS to achieve legitimacy in institutionally challenging contexts. MNEs should be aware of the institutional voids that exist in the host country and identify the appropriate NMS to fill these voids and gain legitimacy. Moreover, MNEs should engage with the stakeholders in the host country to create awareness, understanding, and acceptance of their activities, and align their values and activities with the cultural norms and values of the host country by adopting strategic nonmarket mechanisms.

In summary, this article makes a valuable contribution to the existing body of knowledge on nonmarket strategy, institutional voids, and legitimacy, particularly in the context of multinational enterprises. Through our empirical findings, we have effectively illustrated the significance of MNEs utilizing NMS to address institutional voids and establish legitimacy of their activities in demanding institutional environments

6. REFERENCES

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