

Social business environment and transnational corporations' loyalty: the executives' perceptions in Tanzania

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Abstract

The economic growth of the host low-income countries, which depends on foreign investments, among other things, has been impacted by the disloyal behaviours of foreign firms, including transnational corporations (TNCs). The demonstrated disloyal behaviours include the closure of operations and productions, scaling back expansion plans, and shifting income-generating operations to other countries with favourable business settings. This study examines the influence of the social business environment (SBE) on TNCs loyalty towards the host country, Tanzania. A cross-sectional design was employed to collect data from 131 TNCs in Tanzania using a structured questionnaire. The hypotheses were tested by hierarchical regression analysis. Findings reveal that the SBE has a positive and significant effect on TNCs loyalty through social attitudes, language, consumer preferences, and attitudes towards foreign businesses. Other dimensions of SBE, including age structure, gender roles, and the population's literacy level, have negative and insignificant effects. Among all dimensions of the SBE, language is the best predictor of TNCs loyalty in Tanzania, followed by social attitudes, customer preferences, and attitudes of society towards foreign businesses. Based on the results, it is suggested that policymakers establish consistent social policies that encourage favourable social attitudes and beliefs, local and international language usage and proficiency, predictable customer preferences, and amicable attitudes of society towards foreign businesses to stimulate high TNC loyalty in Tanzania, which is crucial for sustainable economic development.

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1. Introduction

Foreign investments, including those from transnational corporations (TNCs), are crucial for the host country's economic growth (TA et al., 2021; Van Bon, 2019). This has shaped the foreign investment policies of most low-income countries, which are designed to attract foreign firms such as TNCs (Pandya, 2016). According to Nazzal et al. (2023), TNCs contribute to the host country's economic development by improving standards of living through direct employment of local people, bringing in foreign currency and advanced technology, as well as increasing the host country's revenues and hence gross domestic product. Scholars have reported that low-income countries benefit more from foreign investments (Coetzee et al., 2016; Xiao & Tian, 2023). Thus, it is crucial for low-income countries to attract and retain foreign investments, such as TNCs, in order to achieve economic growth.

According to Mwadime (2020), TNCs are foreign-owned business enterprises operating overseas and owning subsidiaries in many countries other than their home country. These corporations have adequate capital, which can be transferred to other countries with a conducive SBE that support operations and hence achieve higher profitability (Finger & Svarin, 2018). Jozef et al. (2019) described TNCs loyalty as their willingness, as service users, to continue consuming the services provided by the host country government. Based on the Jozef et al. (2019) concept, this study conceptualizes TNCs loyalty as the willingness of the TNCs to continue operations in the host country, reinvest earnings, and give positive recommendations in favour of the host country. This implies that loyal TNCs are even committed to continuing production and operations regardless of the business environment's ups and downs, which might cause the TNCs to either scale back operations or shift investment activities to another country. Unfortunately, in sub-Saharan Africa, foreign firms, including TNCs, have been showing disloyal behaviours towards the host countries (Coetzee et al., 2016; Houreld et al., 2016; Ofori et al., 2023). For instance, disloyal behaviours demonstrated by TNCs in Tanzania include the closure of operations and production, the reduction of growth and expansion plans, and shifting income-generating activities to other countries with more favourable business settings (Houreld et al., 2016; Ngowi, 2018). These disloyal actions pose serious economic challenges in low-income countries like Tanzania (Houreld et al., 2016; Obsuwan et al., 2021).

Scholars have associated low loyalty levels among TNCs in Tanzania with poor business performance, caused by the unconducive SBE (Maziku et al., 2014). More specifically, Maziku et al. (2014) established that dimensions of SBE such as age structure, family roles, and a lack of proper skills and knowledge hinder business performance in Tanzania. Other researchers have associated the poor performance of TNCs in Tanzania with an unsatisfactory SBE caused by the poor education system, unemployment, and land conflicts between local and foreign investors (Coetzee et al., 2016; Mtengwa, 2014). TNC executives perceive the Tanzanian SBE as having unstable social institutions, social inequalities, negative social beliefs and attitudes, and inconsistent changes in policies that unfavourably affect short- and long-term TNC performance (Kapinga & Montero, 2017; Mtengwa, 2014). According to findings by Mtengwa (2014), the quality of the SBE in Tanzania has not sufficiently met the level of TNCs' expectations. The question is, do executives' perceptions of the SBE explain TNCs' disloyal behaviours? Unfortunately, to the best of the authors' knowledge, no study has empirically conceptualized TNCs loyalty to the host country, connecting the SBE. Therefore, this study aims to uncover the underlying truth.

To a large extent, TNCs depend on the host country's social business settings for successful operations (Masovic, 2018). Teryisa and Comfort (2017) point out that social business factors affect demand for TNC products and how the TNCs operate in the host country. Furthermore, scholars have established that SBE factors such as age structure, literacy and education quality level, gender roles, and culture interrupt demand, production, and hence TNCs performance in terms of profitability (Masovic, 2018). Frankly, the SBE presents a shock through the host country's cultural diversity, which affects TNCs decision-making concerning products, markets, employee motivations, and strategic growth and expansion plans (Teryisa & Comfort, 2017). These scholars emphasize that the SBE affects TNC product consumption and how the TNCs operate in the host country. Therefore, the TNC's performance level depends on the host country's SBE (Manzoor & Ashraf, 2020). Accordingly, a conducive SBE is vital for the host country to fully reap the benefits of foreign firms, including TNCs. Conversely, a poor SBE negatively influences TNCs productivity and profitability, resulting in reduced motivation for TNCs to continue either operating or investing in a host country (Abdallah & Alnamri, 2015).

Previous research has examined the influence of social and cultural factors on TNCs business performance. For example, Masovic (2018) found that the socio-cultural environment affects the performance of TNCs in terms of product demand, sales, and profitability. Apsalone and Sumilo (2018) found a significant relationship between the host country's cultural environment and TNCs performance. Farole et al. (2018) and Mwadime (2020) investigated the effect of the business environment on TNC performance. They revealed that the host country's business environment influences TNC performance. However, none of these studies investigated the effect of the business environment, and SBE in particular, on TNCs loyalty to the host country. Since the SBE has been found to influence TNCs performance, it is also likely to influence TNCs loyalty through reciprocity (Blau, 1964). Therefore, the purpose of this study is to examine the influence of the SBE on TNCs loyalty to the host country. This study is one of the first to explore TNCs loyalty to the host country from the viewpoint of SBE.

Due to a lack of research investigating the effect of SBE on the TNCs loyalty to the host country, this research has both theoretical and practical implications. Theoretically, the study proposes and tests the model of TNCs loyalty to the host country from the SBE perspective. This knowledge improves the overall understanding of TNCs loyalty to the host country. Practically, the study provides policymakers, particularly in low-income countries, with an understanding of the differential contributions of various dimensions of the SBE to TNCs loyalty. This knowledge will enable policymakers to design and develop appropriate policies that focus on key SBE dimensions to attract and retain TNCs in low-income countries, thereby achieving economic growth.

The current study is organized as follows: The next section reviews the existing literature to arrive at hypotheses. This is followed by the research methodology, the presentation of results, and the discussion of findings. Finally, the conclusion, implications, limitations, and directions for future studies, are presented.

2. Literature review and hypotheses

2.1 Institutional theory

The development of basic social norms and behaviours is emphasized by institutional theory (Scott, 2001). The theory merges together the combination of normative and cognitive structures that give solid meaning to social behaviours (Dacin et al., 2002). The social values, beliefs, and assumptions about the behaviours and nature of the human being are embedded in the normative structures, which explain the shared social norms and culture that are carried by an individual (Vecian & Urbano, 2008). The aspects of social skills and knowledge that people in a given society share are well distinguished from others in

the form of cognitive structures (Dacin et al., 2002; Scott, 2001). Amenta and Ramsey (2010) documented the institutional theory's sociological standpoint of mutual interactions between business entities and society.

The institutional theory is considered relevant for the current study because it demonstrates how social and cultural challenges in normative and cognitive structures could distress or disturb TNCs and their ultimate performance, which is likely to influence TNCs loyalty. Therefore, the institutional theory is vital in the current investigation as it offers an eminent framework for understanding the SBE dimensions such as age structure, gender roles and responsibilities, the population's literacy and education, social customs, social values, social attitudes, social beliefs, language, customer tastes and preferences, and the attitudes of society towards foreign businesses. Based on this theory, the challenges facing TNCs have to be tackled in different social dimensions because their intensity varies across social structures.

2.2 Social exchange theory (SET)

The study also employed the social exchange theory (SET) of Blau (1964). SET explains social existence in terms of exchange principles upheld when partners observe the "rules of exchange". These rules incorporate the dual components of reciprocity and repayment (Cropanzano & Mitchell, 2005). Over time, relationships mature into trusting and loyal commitments that are reciprocated (Cropanzano & Mitchell, 2005). Thus, partners form and maintain relationships because they expect enjoyment from social trade, which comprises a sequence of exchanges that generate commitments through reciprocal obligations (Blau, 1964). This means that any benefits received create debts that can be relieved only by reciprocation. Thus, parties will stay in the relationship (loyalty) through the principle of reciprocity as long as they receive adequate incentives (both economic and social). In the context of this study, TNCs will be loyal to a host country whose SBE is conducive to their business operations through reciprocal obligations. SET underlines the possible link between the host country's SBE and TNCs loyalty, which this study aims to confirm.

2.3 Social business environment (SBE)

The SBE refers to the social factors that have an influence on business operations (Masovic, 2018). It includes social and cultural factors such as customs, traditions, values, beliefs, language, and marriage (Masovic, 2018). These are factors that influence spending behaviours, decisions, and consumer responses. On the other hand, Kinyanjui (2019) and Lucas (2017) describe the SBE as social factors comprising culture and demographic factors such as norms, values, beliefs, gender, age, population, poverty, and ethnicity. Moreover, Oboreh and Arukaroha (2021) explained the SBE as the characteristics of the population of human beings in a given society that surround TNCs and greatly affect TNCs markets and performance, and thus, as indicated earlier, they are likely to affect TNCs loyalty to the host country.

In Tanzania specifically, SBE factors that were examined to ascertain their degree of influence on TNCs loyalty included age structure, gender roles and responsibilities, the population's literacy and education level, social attitudes and beliefs, local language, customer tastes and preferences, as well as the attitudes of the society towards foreign businesses. These factors were chosen for this study because they are relevant contextual representatives of Tanzania's SBE (Barnard & Mamabolo, 2022). Significant improvements are portrayed in the Tanzanian legal frameworks and government policy plans about social affairs. On one side, researchers have identified the Tanzanian SBE as one of the most social and culturally diverse in the world, with rich social classes, beliefs, attitudes, practices, and wealth, among others (Mtengwa, 2014).

On the other side, the country is faced by challenges such as high risks of inconsistent social policies, an underdeveloped education and training system, and increased social inequalities, which include disproportionate social protection (Shitindi, 2023), as well as negative social attitudes and beliefs rising from prejudiced cultural values, attitudes, practices, and traditions of male-controlled cultures (Kapinga & Montero, 2017). Additionally, studies document other social problems in the country, such as moral decay, low or lack of income, and unemployment, which lead to regular social violence and crimes (Ngowi, 2018). As a consequence, the government of the United Republic of Tanzania has been taking inconsistent actions to address the aforementioned problems, which are attributable to a poor SBE, leading to poor TNC performance. Based on SET, poor TNC performance may be the source of TNC disloyalty (Ngowi, 2018).

2.4 Hypothesis development

Based on the studies reviewed, institutional theory, and SET, it can be hypothesized that the host country's SBE significantly influences TNCs loyalty towards the host country. However, as mentioned

earlier, individual dimensions of the SBE that influence performance in Tanzania include age structure, gender roles and responsibilities, the population's literacy and education level, social attitudes and beliefs, local language, customer tastes and preferences, and attitudes towards foreign businesses (Dacin et al., 2002; Kapinga & Montero, 2017). Accordingly, these eight individual SBE factors are expected to influence TNCs loyalty in Tanzania, as hypothesized below:

2.4.1 The influence of age structure on TNCs loyalty

According to Kinyanjui (2019) and Lucas (2017), age is a time of life accompanied by qualifications and power increases. It is used by researchers to classify individuals in a given society and explain their differences (Lucas, 2017). According to the studies by Kinyanjui (2019) and Lucas (2017), the age groups or structure of people in a given country is an important social factor that influences TNCs performance. At a younger age, individuals in the workforce are active, creative, and energetic enough to impact TNCs performance (Baruch & Budhwar, 2006) and thus likely to stimulate loyal behaviours through reciprocity (Blau, 1964). Similarly, younger individuals are more likely to enhance TNC success than older ones because they have higher aspirations, more energy, and are more likely to be committed to working long hours (Woldie et al., 2008). According to these researchers, older individuals have attained their final aspirations and reached performance limitations. On the contrary, other studies report that outstanding performance is more related to maturity and having acquired enough expertise and experience (Baruch & Budhwar, 2006). These findings suggest that the host country's age structure is likely to affect TNCs performance and, hence, loyalty through reciprocal obligations. Accordingly, it is hypothesized that:

H1: Age structure positively influences TNCs loyalty.

2.4.2 The influence of gender roles on TNCs loyalty

According to Lucas (2017) and Masovic (2018), gender refers to socially constructed characteristics that differentiate female and male, or girls and boys. According to Kinyanjui (2019), the balance between female and male roles and responsibilities suggests a better life in society, which might impact TNC sales and revenues. Studies suggest that gender roles have an impact on firm performance (Lucas, 2017; Masovic, 2018). Gender is an important determinant of behaviors, intentions, and performance (Quan, 2012). Also, gender roles and responsibilities can influence consumer taste, preference, and choice of TNC products, thereby affecting sales and revenues (Kinyanjui, 2019). According to Quan (2012), males seem to have more intention to create and innovate than females. This scholar further establishes that male gender defines the degree of ambition, enthusiasm, and taking risks that are necessary for performance and is thus more likely to stimulate TNCs loyalty to the host country through reciprocal obligations (Blau, 1964). Lucas (2017) reported that male roles and responsibilities in society are associated with better TNC performance. Hence, it can be assumed that:

H2: Gender roles positively influence TNCs loyalty.

2.4.3 The influence of literacy level on TNCs loyalty

Cooper et al. (1994) termed education a major element of human capital, which is a source of skills, knowledge, self-confidence, discipline, and motivation. Aswathappa (2010) stated that the quality level of the population's education varies among countries and tends to increase the quality of individual members of society, including managers of TNCs. According to Masovic (2018), education affects the way of thinking of a population in a given society and significantly influences the society's lifestyle, including society's attitudes towards time, work, jobs, changes, and achievements. Research indicates that the literacy and education levels of a particular country are indicators of the quality of its potential workforce and consumer buying behaviours (Apsalone & Sumilo, 2018; Lucas, 2017; Masovic, 2018). Studies also reveal that progress and economic potential for TNCs depend on the host country's literacy level (Aswathappa, 2010). Consequently, the host country's literacy level attracts competitive TNCs with a higher proportionality of success, as well as having a remarkable impact on TNC performance and increased profitability (Leicht-Deobald et al., 2021; Manzoor & Ashraf, 2020). Accordingly, it is hypothesized that:

H3: Literacy level positively influences TNCs loyalty.

2.4.4 The influence of social attitudes on TNCs loyalty

Masovic (2018) described attitudes and beliefs as a set of cultural factors that influence TNC operations in terms of demand, productivity, and profitability. According to Apsalone and Sumilo (2018), socio-

culture is society's shared identity comprised of motives, beliefs, and the meaning of important events that are common experiences of members. The way society interprets significant events leads to the collective experiences of its members that are transmitted from generation to generation (Dlabay & Scott, 2011). These experiences form acceptable attitudes and beliefs within a given society and are regarded as elements of culture that relate to the host country's people (Apsalone & Sumilo, 2018). These components in every foreign country significantly affect TNCs business success (Apsalone & Sumilo, 2018).

Individual members of society's attitudes towards jobs, work, leisure, achievements, and change, as well as attitudes towards time, influence the subsidiaries performance in various countries (Masovic, 2018), which eventually influence or hinder TNCs satisfaction and loyalty towards the host country (Manzoor & Ashraf, 2020). Akvipororo et al. (2018) documented that the effects of SBE dimensions in a particular country directly or indirectly reflect on the realized TNC performance. Millan et al. (2013) indicate that the SBE factors usually challenge TNC managers in carrying out tasks, suggesting that managers with a greater understanding of the host country's socio-cultural dimensions are likely to significantly impact higher sales, revenues, and profitability. Moreover, TNCs that perform better develop understanding, acceptance, adoption, and adaptation of cultural diversity among host countries and are able to take advantage of opportunities (Apsalone & Sumilo, 2018). Since the host country's culture influences TNCs performance, it is expected to influence TNCs loyalty through the reciprocity principle (Blau, 1964). Hence, the following hypothesis is stated:

H4: Social attitudes positively influence TNCs loyalty.

2.4.5 The influence of local language on TNCs loyalty

Language is described as a country's or society's way of communicating that consists of words (Masovic, 2018). According to Fatehi (2008), language is at the heart of international business activities. Understanding the host country's language streamlines the operations of foreign firms, including TNCs. Most of the challenges facing TNCs in different host countries originate from language diversity (Hargie, 2011). Although the English language is accepted as a universal language for business, TNCs recognize that it also inflames resistance by locals in various countries of operations (Fatehi, 2008). Language's nonverbal components, e.g., facial expressions, gestures, and eye contacts, additionally complicate business communication (Hargie, 2011). Hargie (2011) emphasizes that vocal elements, for instance, pitch, volume, and speaking rate, may worsen communication. Being knowledgeable about fundamental language elements in host countries can help the TNC's subsidiaries arrive at desired outcomes, which may stimulate TNCs loyalty (Hargie, 2011; Masovic, 2018). Likewise, Fatehi (2008) reported that multiple local languages mean a diversified population and increase language difficulties. Thus, equipping managers with a good understanding of multiple local languages is reflected in managers and TNC subsidiaries performance (Masovic 2018). Since language influences TNCs performance, it is expected to influence TNCs loyalty based on reciprocal obligations (Blau, 1964). Hence, it is hypothesized that:

H5: Language positively influences TNCs loyalty.

2.4.6 The influence of consumer preferences on TNCs loyalty

According to Masovic (2018), consumer taste can be subjective, but consumer preference may simply refer to consumer likes and dislikes. Consumer needs and tastes in different countries have been significantly similar (Akpoviroro & Owotutu, 2018). Experts have termed this social trend "global convergence" (Masovic, 2018). Some social behaviours globally are converging in a similar way due to the increase and spread of communication and travel opportunities (Obsuwan et al., 2021). At a global level today, people's needs, tastes, and habits have become identical (Masovic, 2018). Further, Frynas and Mellahi (2015) reported that the young population is the group most experiencing global convergence, and as a result, the same or similar products are offered in many different foreign countries. Nevertheless, visible cultural and social differences between different countries still exist, which could affect TNCs performance (Frynas & Mellahi, 2015). Therefore, in order to maximize their prospects of high profitability, TNCs must modify and adapt their products and operations to the unique demands, interests, and preferences of the host countries (Masovic, 2018). Thus, since consumer tastes and preferences influence TNCs performance, they are likely to influence TNCs loyalty through the reciprocity principle (Blau, 1964). Hence, it is proposed that:

H6: Consumer preferences positively influence TNCs loyalty.

2.4.7 The influence of attitudes towards foreign businesses on TNCs loyalty

Masovic (2018) established that the attitudes of a particular country can bring both total trust and acceptance or complete distrust and antagonism. According to Shenkar et al. (2015), if the host society is friendly towards TNCs and their products, the TNCs will surely benefit from supportive local environments. They added that if the societies of a particular host country are antagonistic in terms of foreign politics, laborers, characters, ethnicity, and race, among other things, then the TNCs face difficulties, including boycotts of their products and services. Shenkar et al. (2015) also showed that antagonistic social attitudes that TNCs may encounter overseas are often the outcome of their government's position on some political issues. Generally, negative or positive social and government attitudes towards legality, fairness, relations, or political affairs do affect the operations of TNCs and can result in losses or profits and disloyalty or loyalty behaviours (Gillespie & Hennessey, 2016). Based on the above argument, it is hypothesized that:

H7: Attitudes towards foreign businesses positively influence TNCs loyalty.

3. Research methodology

3.1 The study area and population

The current study was conducted in Dar es Salaam, Arusha, and Mwanza commercial cities, as well as Morogoro municipality, within Tanzania, where the majority of the TNC head offices are located [Tanzania Investment Centre (TIC, 2018)]. All 211 TNCs registered at the TIC were the population for the current study.

3.2 Research design, sample size, and data collection

This study was bonded to the positivism paradigm and embraced a cross-sectional design to explain the relationship between the study variables (Hair et al., 2019). All 211 TNCs in Tanzania were individually and physically given survey questionnaires, with the exception of 30 TNCs that took part in the pilot study. The drop-and-pick strategy was applied by an investigator. The information was provided by TNC executives by filling out the questionnaire. Only 131 questionnaires were collected, recording a 72.4% response rate. The researchers ensured free participation and anonymity throughout the process of data collection.

3.3 Measurement of study variables

To ensure construct validity and reliability, items from existing empirical literature were used, and the variables were operationalized using multiple items (Hair et al., 2019). Specifically, social factors, including age structure, gender roles, literacy, and education level, were adapted from Lucas (2017), while cultural factors, which include social attitudes, local language, customer preferences, and the attitude towards foreign businesses, were adapted from Masovic (2018). TNCs' loyalty items were adapted from Swoboda and Hirschmann (2016) and Tegambwage and Kasoga (2022a, b).

A five-point Likert scale was used for all variables, with (1) very poor to (5) very good, to assess the situation of the SBE, while (1) disagree strongly to (5) agree strongly was applied for TNCs' loyalty. The adaptation, modification, and verification of questionnaire items were contextualized for TNCs, and five international business experts validated the items in order to ensure their validity and clarity (Kpolovie, 2016). Adjustments and additional propositions from the expert review were accommodated. The revised questionnaire was further subjected to a pilot test among 30 different TNC chief executive officers in Dar es Salaam city before the final version for collecting data was ratified. The TNCs that participated in the pilot study did not take part in the main study, as these TNCs were removed from the actual list of TNCs.

3.4 Data analysis

Confirmatory factor analysis (CFA) and the hierarchical multiple regression (HMR) model (Hair et al., 2019) were carried out using Stata version 17. The assessment of measurement variables' validity was performed in the first stage by carrying out the CFA (Snijders & Bosker 2012), whereas the study hypotheses were tested by applying the HMR model. The HMR model was chosen because of its ability to analyze multiple factors at different stages of analysis and make it easy to weigh the link between cause and effect between predictors and dependent variables (Kpolovie, 2016). This model was employed specifically to come up with two models. Model 1 tests the effects of SBE dimensions on TNCs loyalty without control variables, as seen in equation (i), while model 2 tests the effects of the SBE

dimensions on TNCs loyalty in the presence of the control variables: TNC experience (E), TNC size (S), and TNC industry type (I), as indicated in equation (ii).

$$LOY = \alpha + \beta_1SBE1 + \beta_2SBE2 + \beta_3SBE3 + \beta_4SBE4 + \beta_5SBE5 + \beta_6SBE6 + \beta_7SBE7 + \epsilon \dots\dots\dots (i)$$

$$LOY = \alpha + \beta_1SBE1 + \beta_2SBE2 + \beta_3SBE3 + \beta_4SBE4 + \beta_5SBE5 + \beta_6SBE6 + \beta_7SBE7 + \beta_8E + \beta_9I + \beta_{10}S + \epsilon \dots\dots\dots (ii)$$

Whereas, LOY=TNCs loyalty, α =constant coefficient, β_s =Regression coefficients; E=TNC experience; S=TNC Size; I=Industry type; SBE1=Age structure; SBE2=Gender roles; SBE3=Literacy level; SBE4=Social attitudes; SBE5=Language; SBE6=Customers preferences; SBE7=Attitudes towards foreign businesses.

4. Results and discussion

4.1 TNC characteristics

Table 1 shows the TNC characteristics. The majority of TNCs are medium-sized corporations with 50–99 employees (50%). The majority of these TNCs have operated in Tanzania for 5–10 years (30%). Table 1 also indicates that among all sectors, the business services industry sector is the sector that attracts more TNCs (63%).

Table 1. TNCs characteristics (N = 131)

Characteristic	Description	Frequency	Percent
Experience (years of operations in Tanzania)	Less than 5 years	35	27
	5-10 years	40	30
	11-15 years	27	21
	16-20 years	20	15
	21 years and above	9	7
Size (number of employees)	5 - 49 employees	25	19
	50 - 99 employees	66	50
	100 employees and above	40	31
Industry	Agriculture	5	4
	Manufacturing	32	24
	Business services	83	63
	Other business services	11	9

Source: Table by authors

4.2 Respondent demographic characteristics

Table 2 shows the demographic characteristics of the respondents. Males were the majority of respondents (75%), suggesting that women are behind men in assuming managerial positions in TNCs in Tanzania. The age of the majority respondents was 40 to 49 years, which accounted for 45%. The youngest respondents recorded 2%; while the older respondents were only 4%. This implies that the individuals managing the TNCs in Tanzania belong to the middle age group with sufficient skills and knowledge from postgraduate degrees (50%).

Table 2. Respondent demographic characteristics (N = 131)

Characteristic	Description	Frequency	Percent
Age	20 – 29	2	2
	30 – 39	34	26
	40 – 49	59	45
	50 – 59	30	23
	60 or older	6	4
Education	College certificate or diploma	6	5
	Bachelor degree	59	45
	Postgraduate degree	66	50

Source: Table by authors

4.3 Common method bias test

Harman’s single-factor test was employed to check whether a single factor explains the majority of the variance (Podsakoff & Organ, 1986). All factors were loaded using the principal axis factoring method and Promax rotation (Podsakoff et al., 2003; Liu et al., 2017). The solution of the unrotated factor was examined to determine the number of factors that account for the variable’s variance. The findings confirmed that no single factor was dominant, and the variance explained 23.25%, which is much lower than the 50% threshold limit, confirming that there is no common method bias problem (Podsakoff et al., 2003).

4.4 Descriptive statistics and multicollinearity test

Table 3 presents the mean scores, which reveal that executives perceive the situation of the SBE in Tanzania as moderate in regard to age structure, gender roles, the population’s literacy level, social attitudes, local language, customer preferences, and the attitudes of the society towards foreign businesses. This is proven by mean scores ranging from 3.42 to 3.95. However, the situation of the country’s SBE as far as literacy level is concerned was perceived as not satisfactory, as demonstrated by the mean score of 2.89. Consequently, the mean score of 3.62 proves that TNCs’ loyalty to Tanzania was fair. These results are different from those of [Hourelid et al. \(2016\)](#), who established that Tanzania is faced with a poor business environment that significantly affects foreign firm performance. This could be clarified by the recent changes in some social affairs brought about by the new government of the United Republic of Tanzania, which assumed leadership in the year 2020. On the other hand, for each measurement, the variance inflation factor (VIF) was used to check the degree of multicollinearity among the loaded factors ([Hair et al., 2019](#)). Table 3 indicates that VIF values range from 1.40 to 2.33, which are within the ideal limits and below the cut-off threshold of 10 ([Hair et al., 2019](#)). Hence, the components are not strongly correlated with one another.

Table 3. Descriptive statistics

Statistics	SBE1	SBE2	SBE3	SBE4	SBE5	SBE6	SBE7	LOY
Mean	3.68	3.57	2.89	3.42	3.95	3.66	3.61	3.62
SD	0.74	0.58	0.79	0.75	0.77	0.79	0.72	0.61
Swilk Test	0.99	0.25	0.18	0.23	0.09	1.00	0.09	0.42
Min	2.00	2.00	1.00	1.00	2.00	2.00	1.00	1.80
Max	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
VIF	1.81	1.50	1.29	1.76	2.33	1.47	1.40	

Source: Table by authors

4.5 Correlation between constructs

Table 5 indicates that correlations between factors in the study were not strong ($r < 0.80$), demonstrating that the current investigation was not affected by the common method bias ([Snijders & Bosker, 2012](#)). In addition, results in Table 4 reveal that TNCs loyalty has positive and significant correlations with most of the measurements of the SBE, except age structure, agender roles, and literacy level, which have negative and insignificant correlations. This implies that the SBE elements are related to TNCs loyalty to the host country, with the exception of age structure, gender roles, and literacy level.

Table 4. Correlations between variables

SBE	SBE1	SBE2	SBE3	SBE4	SBE5	SBE6	SBE7
SBE1	0.86						
SBE2	0.65***	0.86					
SBE3	0.16**	0.24**	0.73				
SBE4	0.20**	0.27***	0.12	0.85			
SBE5	0.40***	0.48***	0.10	0.37***	0.61		
SBE6	0.29***	0.27***	0.25***	0.37***	0.20**	0.73	
SBE7	0.39***	0.32***	0.14	0.12	0.31***	0.39***	0.75
LOY	-0.096	-0.09	-0.027	0.33***	0.21**	0.34***	0.29**

Note(s): Diagonal elements are the square root of AVE. *** $p < 0.001$, ** $p < 0.05$

Source: Table by authors

4.6 Assessment of the measurement model

Exploratory factor analysis (EFA) was conducted on SBE dimensions and TNCs loyalty using principal component analysis (PCA) ([Kpolovie, 2016](#)). The PCA, together with varimax rotation for scale item reduction, was used during EFA for factor extraction and small component set identification with eigenvalues ≥ 1 ([Hair et al., 2019](#)). Also, the output indicates a variance of 56.8%. Moreover, the connection of items to the extracted factors by means of a rotated component matrix adequately confirms the association of items and proves that eight itemized factors were applied to measure the predictors and five items were used to measure the TNCs loyalty to the host country (Table 5).

The suitability of data for factor analysis was explored by using Kaiser-Meyer Olkin’s (KMO) in order to ascertain sampling adequacy and Bartlett’s test of sphericity for each factor ([Hair et al., 2019](#)). Table

5 shows the results of factor analysis, revealing KMO values of 0.77 and 0.68 for SBE and TNC loyalty, respectively. However, the overall KMO for both constructs recorded a value of 0.71. The values were within the advised range of above 0.5 with a significant Bartlett’s test of sphericity ($p < 0.001$), signifying the adequacy of the sample size for factor analysis (Kpolovie, 2016). In addition, all item factor loadings were above 0.5 and significant. Hence, factor loadings give a definite structure and confirm measurement reliability (Hair et al., 2019).

Likewise, Cronbach alpha (CA) coefficients for SBE (0.71) and TNCs loyalty (0.71) are above the accepted guideline (0.70), confirming construct reliability (Hair et al., 2019), as shown in Table 3. Meanwhile, the amount of convergent validity was also recognized by factor loadings, composite reliability (CR), and average variance extracted (AVE) (Fornell & Larcker, 1981). Definitely, the values of factor loadings, CR, and AVE are greater than 0.50, 0.70, and 0.50, respectively (Table 3), supporting convergent validity (Fornell & Larcker, 1981). Moreover, the larger square root of AVE than correlations between constructs approves discriminant validity (Table 5) (Fornell & Larcker, 1981). Additionally, the Shapiro-Wilk test was used to test the normality of the data. In Table 4, the results show that values were not significant ($p > 0.001$), implying that there was no concern regarding non-normal distribution within the data sample (Hair et al., 2019).

Table 5. Assessment of measurement model

Standardized Measurement	Coefficient	t-value	KMO	CA	CR	AVE
<i>Social Business Environment (SBE)</i>			0.77	0.71	0.71	0.66
SBE1: Age structure	0.86	7.86***				
SBE2: Gender roles	0.86	7.86***				
SBE3: Literacy level	0.73	2.58***				
SBE4: Social attitudes	0.85	8.06***				
SBE5: Language	0.97	17.21***				
SBE6: Consumer preferences	0.61	5.15***				
SBE7: Attitudes towards foreign businesses	0.73	5.50***				
<i>TNCs Loyalty (LOY)</i>			0.68	0.71	0.71	0.67
LOY1: New investments and reinvestments of earnings in the host country	0.62	1.32***				
LOY2: Considering the host country as first choice of investments, reinvestment, and expansion plans	0.78	5.16***				
LOY3: Positively recommending the host country to other TNCs and international investors	0.93	7.43***				
LOY4: Willingness to exert considerable effort to promote the host country’s investment opportunities to potential international investors	0.90	16.16***				
LOY5: Strong desire to maintain current business operations in the host country	0.81	12.2****				
<i>Overall KMO = 0.71; Bartlett’s Test of Sphericity: Chi-Square = 765.72, Sig = 0.000</i>						

Source: Table by authors

4.7 Hypotheses testing

The objective of the current study, specifically, was to investigate the influence of the SBE on the TNCs loyalty towards the host country. Table 6 shows the results of the hypothesis testing. SBE dimensions in Model 2, such as social attitudes ($\beta = 0.28, p < 0.001$), language ($\beta = 0.40, p < 0.001$), consumer preferences ($\beta = 0.20, p < 0.05$), and attitudes towards foreign businesses ($\beta = 0.18, p < 0.05$), have a positive and significant influence on TNCs loyalty, supporting H4, H5, H6, and H7. The results suggest that positive and supportive attitudes (in terms of time, work, leisure, job, change, and achievement), usage and proficiency of Swahili and English languages, predictable customers’ preference, and friendly attitudes towards foreign businesses increase TNCs loyalty towards the host country. The findings are consistent with Kinyanjui (2019), who established that SBE significantly affects performance. Moreover, the findings support the institutional theory, which explains the socio-cultural factors such as social attitudes, beliefs, values, and customs that surround foreign firms as well as enlightens about the impact of social and cultural factors on the performance of TNCs. Studies by Manzoor and Ashraf (2020) and Teryisa and Comfort (2017) establish that SBE factors have a significant impact on the performance of foreign firms, including TNCs. The results of the present study imply that there is a relationship between TNCs performance and their loyalty to the host country. Other SBE factors, such as gender roles, age structure, and the population’s literacy level, have a negative and insignificant influence on TNCs loyalty (Table 6). Thus, H1, H2, and H3 are not supported. This implies that age structure, gender roles, and literacy levels do not influence TNCs loyalty in the study setting. It is worth noting that the results of Model 2 were similar to those of Model 1 in terms of significance but with minor variations in magnitudes,

which confirms the robustness of the results (Table 6). Overall, the dimensions of the SBE explain 27% of the variance in the construct of TNCs loyalty.

Additionally, findings reveal that the dimensions of the SBE have a differential influence on TNCs loyalty towards the host country, with language having the largest influence. Next are social attitudes, followed by customer preferences and attitudes towards foreign businesses. Nevertheless, the robustness test results in Table 6 reveal that TNC size was positive and significant, unlike TNC experience and the TNC industry sector, which were found to be positive but insignificant. Therefore, this study suggests that Tanzania should encourage more labour-intensive TNCs in order to enhance TNCs loyalty.

Table 6. Direct effect on TNCs Loyalty

Variable/Factors	Model 1			Model 2		
	Coefficient	Std. err.	t-value	Coefficient	Std. err.	t-value
SBE1: Age structure	-0.09	0.02	-4.44	-0.08	0.03	-2.63
SBE2: Gender roles	-0.06	0.03	-2.092	-0.07	0.02	-3.42
SBE3: Literacy level	-0.02	0.03	-0.634	-0.01	0.00	-6.84
SBE4: Social attitudes	0.26	0.01	29.63***	0.28	0.03	9.64***
SBE5: Language	0.43	0.01	45.07***	0.40	0.01	26.75***
SBE6: Consumer preferences	0.19	0.03	7.05**	0.20	0.05	4.25**
SBE7: Attitudes towards foreign businesses	0.17	0.05	3.50**	0.18	0.02	9.84**
TNC experience (E)				0.03	0.05	0.59
TNC industry sector (I)				0.00	0.02	0.06
TNC size (S)				0.08	0.02	4.43**
R ²	0.26			0.27		
Adjusted R ²	0.19			0.20		
F-Statistic	6.58***			7.01***		

Note(s): ***p < 0.001, **p < 0.05

Source: Table by authors

5. Conclusion and implications

The study examined the influence of the SBE on TNCs loyalty to the host country. The findings revealed that the SBE has a significant influence on TNCs loyalty through social attitudes and beliefs, language, consumer preferences, and attitudes towards foreign businesses. Further, SBE factors related to gender roles, age structure, and the population’s literacy level have a negative and insignificant influence on TNCs loyalty. Consequently, language is the superior predictor of TNCs loyalty in Tanzania; next are social attitudes, followed by customer preferences and attitudes towards foreign businesses. This suggests that a better understanding of Swahili and English languages, favourable and supportive attitudes and beliefs towards job, work, leisure, change, and achievement, accompanied by predictable consumers’ tastes and preferences, and amicable attitudes towards foreign businesses are crucial for enhancing sustainable TNCs loyalty in Tanzania.

The findings of the study pose important implications for researchers, academics, and practitioners. On the side of researchers and academics, this work strengthens the loyalty concept by proposing and testing a model of TNCs loyalty to the host country from the SBE perspective. To the authors’ knowledge, no prior study has examined the SBE of a particular host country and TNCs loyalty. From a practical viewpoint, this research is beneficial to host countries’ policymakers in low-income countries by offering them insights regarding the different contributions of each dimension of the SBE to TNCs loyalty, enabling them to design and develop policies on key dimensions of the SBE that enhance the country’s ability to attract and retain TNCs. Eventually, this will help the host country achieve socio-economic development.

To be more specific, policymakers should ensure policies that encourage favourable social attitudes in terms of attitudes towards work and leisure, attitudes towards a job, attitudes towards change, attitudes towards achievement, and attitudes towards time. Also, policymakers should ensure a better environment that encourages both local and international language usage and proficiency, predictable consumer tastes and preferences, and the best social beliefs for catalysing and maintaining high TNCs loyalty in Tanzania. To practitioners, the finding that size influences TNCs loyalty suggests that they should invest in more labour-intensive projects.

6. Limitations and directions for future studies

This study concentrated on the influence of the SBE on TNCs loyalty, leaving aside other business environment factors such as economic, political, and technological. In the future, researchers should focus on the influence of economic, political, and technological business environment factors on TNCs loyalty.

In addition, since the SBE is a contextual issue (Apsalone & Sumilo, 2018), the findings and the proposed model might not be generalized across countries. Hence, future researchers should confirm the proposed model in other countries, mostly low-income ones. Moreover, this current work employs a quantitative approach. A qualitative approach can be employed in future research in order to explore and gain more insights on the SBE of the host country and its influence on TNCs loyalty.

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