**MNE market entry and social investment in battle-weary countries: evidence from Heineken**

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**Abstract**

To contribute to our understanding of MNE strategy in battle-weary countries, we explore the case of Heineken as it entered and made social investments in these countries prior to 2020. In a first analysis we explore links between host country violence and entry strategy. In a second analysis we compare post-entry social investment in an improving context (Ethiopia) with a worsening context of violence (Myanmar). The case helps to integrate various streams of international business literature pertaining to strategy in conflict zones. It underlines the need to consider violence, entry strategy and subsequent social investment in the same analytical frame.

**Key words**: Market entry strategy; violent conflict; social investment; Heineken; Ethiopia; Myanmar

1. **Introduction**

The links between the nature of violence in a war-torn country, MNE entry strategy into such a country, and the subsequent assistance that MNEs bring to local communities are not well understood by the academic literature. Scholars do acknowledge that conflict and strife in international business hinder trade, industrial cooperation and foreign direct investment (FDI). It is reported that violence in a host country will deter multinational enterprises (MNEs) from undertaking FDI into the country (DeGhetto, Lamont and Holmes, 2020; Henisz, Mansfield and Von Glinow, 2010). While scholars have used terms such as conflict zones, countries with conflict risk and fragile states to describe these environments for MNE investment (Dai, Eden and Beamish, 2013; Kolk and Lenfant, 2015; Oh and Oetzel, 2017), such locations are battle-weary, having experienced enduring and traumatic armed conflicts over many years. Many remain in a perilous state with acute security concerns and risk of a relapse into armed violence (Kolk and Lenfant, 2015; Turner, Aginam and Popovski, 2008). Citizens inevitably suffer as armed conflict has become increasingly intra-state, with civilian casualties accounting for the vast majority of deaths (75% in 2010 compared to less than 5% in World War I) (Anderson, Markides and Kupp, 2010). Into this type of setting many MNEs have been keener than ever to identify and exploit new opportunities.

When pursuing opportunities in battle-weary countries, MNEs increasingly include local social investment activities as part of their overall investment. Such social investment can help in the process of economic development and peace-building following many years of armed conflict in a country (Lenfant and van Cranenburgh, 2017; Kolk and Lenfant, 2015; Turner, Aginam and Popovski, 2008) as it provides “support [for] humanitarian efforts or finance [for] community projects” (Lenfant and van Cranenburgh, 2017: 40). Social investment sits between elements of Corporate Social Responsibility (CSR) integrated into core business operations (such as environmentally-friendly efficiency gains - Jones, Hillier and Comfort, 2013) on the one hand and more ambitious policy dialogue (such as lobbying warring parties) on the other hand (Lenfant and van Cranenburgh, 2017: 40). It can augment the FDI that brings skills, knowledge, technology and new working practices in order to contribute to peaceful economic development in local communities. Nevertheless, MNEs need to tread with care; regimes can be hostile and informal sanctions can force MNEs to exit from these perilous areas (Holliday, 2005). MNEs can also exacerbate problems, for instance, by helping to finance combatants (Ballentine and Nitzschke, 2004). This has happened for global brewers indirectly supporting combatants in conflict zones in Africa, contributing to the ‘roadblock economy’ when distributing crates of beer by road (Miklian and Schouten, 2014). Indeed, there are opposing views on whether MNEs help or worsen the situation in such countries (Miklian, 2017).

While MNEs do include social investment as they enter battle-weary countries, international business (IB) scholarship has only touched the surface of how violent conflict (from where risk arises), entry strategy (how the MNE deals with the risk at entry) *and* subsequent social investment (how the MNE may contribute towards peace post-entry) are possibly inter-linked. On the one hand, an emerging stream of IB literature examines the conflict – entry (or exit) strategy relationship (Barry, 2018; Dai et al., 2013; Driffield et al., 2013; Oh and Oetzel, 2017; Witte, Burger, Ianchovichina and Pennings, 2017). On the other hand, a different stream examines the qualitative substance of subsequent social investment (Kolk and Lenfant, 2010; Miklian and Schouten, 2014; Lenfant and van Cranenburgh, 2017), largely without consideration for entry strategy. However, there is a recent literature on the links between entry strategy (i.e., ownership structure and establishment mode of a new subsidiary) and subsequent CSR (including environmental innovation) in a host country (Konara et al., 2021; Park and Cave, 2018; Tian et al., 2021). While these literatures have emerged in a rather decoupled fashion, IB scholars have called for more research on the entry *and impact* of MNEs in these types of violent environments (Beamish and Lupton, 2016; Driffield, Jones and Crotty, 2013; Oh and Oetzel, 2017).

In response to this decoupled literature and the various calls within the IB field, we pose the following research question: *what are the inter-relationships between the nature of violence in a host country, MNE entry strategy into the host country and subsequent social investment by the MNE in the violent host country?* We explore this in an integrated analysis using data from the case of one large MNE in the global beverage industry – Heineken. Large global brewers have increasingly looked to battle-weary countries for market opportunities. They have also placed a strategic emphasis on CSR; it is not just a localized activity undertaken by local managers in a few selected countries (Isaksson, Kiessling and Harvey, 2014). Using a mixed methods approach, our goal is to explore both (a) how MNE entry strategy is influenced by the violent nature of the host country (in the tradition of Barry, 2018; Dai et al., 2013; Driffield et al., 2013; Oh and Oetzel, 2017; Witte, Burger, Ianchovichina and Pennings, 2017) and (b) how this entry strategy is linked to subsequent outcomes in terms of socially-responsible investment in the location (in the tradition of Kolk and Lenfant, 2010; Miklian and Schouten, 2014; Lenfant and van Cranenburgh, 2017).

We find it is the trend of violent deaths (improving vs. worsening) - and not an overall level of violent deaths - that influences MNE ownership choice in a host country, and that establishment mode (acquisition vs. greenfield) is not affected by levels or trends in violence. We also observe that where ownership choice implies full control as opposed to minority or partial control, a more extensive and sustained social investment in the violent host country is pursued by the MNE. Using these insights, we develop a new framework for understanding the links between host country violence, market entry and social investment. This framework suggests there will be certain combinations of violent trend - ownership choice - social investment priorities that are more likely to be interpreted as genuinely responsible efforts, while other combinations are more likely to be interpreted in an irresponsible light.

Our study adds to the literature in a number of ways. Firstly, the analysis advances a new way of understanding the determinants of MNE contribution to peaceful development in battle-weary countries. This approach places entry strategy (and ownership choice in particular) at center-stage. In order to understand the pattern of social investment by MNEs in countries that have been beset by violence, it is first necessary to understand how the ownership structure of the MNE in the host country has been influenced by violent trends. Secondly, our emerging framework proposes that an alignment between violent trends, entry strategy and social investment priorities will determine how social investment will be perceived. This contributes to debates on CSR vs. Corporate Social Irresponsibility (CSIR) (Kotchen & Moon, 2012) in that the misalignment of these three factors heightens the chance for MNE actions in a host country to be perceived as being socially irresponsible. Thirdly, our study contributes to the scant literature on strategy of firms in the global beverage industry as they increasingly seek opportunities in violent countries. The extent to which global brewers engage in social investment post entry needs to be considered in light of the ownership structure chosen at entry, which in turn is determined by the underlying violent trend in the country.

1. **Background and Literature Review**
	1. *Host country violence and MNE entry*

IB scholars have investigated the challenges faced by - and strategic choices made by - MNEs as they invest in battle-weary countries (Buhmann and Ryngaert, 2012; Chen, 2017; Dai, Eden and Beamish, 2013; Driffield, Jones and Crotty, 2013; Oh and Oetzel, 2017). In terms of overall FDI, there is an underlying thread in the literature that violent and war-torn countries dissuade foreign investors because of the risks of property damage and direct and indirect destruction of assets (Mihalache-O’keef and Vashchilko, 2010; Witte et al., 2017), the safety and security of skilled staff (Anderson, Markides and Kupp, 2010), the threat of adverse consumer behavior in the home country (Driffield et al., 2013) and the stability of supply and distribution chains (Barnes and Oloruntoba, 2005). Nevertheless, the expected negative relationship between violence and inward FDI into war-torn countries is actually rather nuanced. Barry (2018) notes while this relationship is negative in theory, the reality is different and empirical work has been inconclusive. Indeed, reports indicate that, in the decade from 2003 and 2012, 5% of the world’s greenfield FDI went to countries actually experiencing a war, while 13% went to countries where there were more than 25 battle-related deaths per year (Witte et al., 2017). In Dai, Eden and Beamish’s (2013) sample of 670 Japanese subsidiaries, 10% were located directly inside conflict zones. In Driffield, Jones and Crotty’s (2013) study, out of 2509 firms in their sample that invested in countries with weak institutions, 540 had directly invested in conflict zones. Clearly, wars and battles in host countries do not deter all FDI.

Certain conditions must allow MNEs to embrace the risk of entering battle-weary countries. One line of literature points to external country-level factors such as the nature of the conflict and the geography of strife within the country (Dai et al., 2013; Witte et al., 2017). Dai et al. (2013) examine Japanese MNE investments in 25 conflict zones around the world between 1987 and 2006, finding subsidiaries are less likely to survive when they are exposed to geographically defined threats. This reduces as their distance from the conflict zone within the host country increases. Scholars point to host country characteristics, such as the role of post-conflict justice in attracting FDI into countries previously traumatized by war (Appel and Loyle, 2012). Post-conflict justice is seen as a way of restoring stability and institutional quality to a country that had previously deterred FDI through violent conflict. Others focus on home country characteristics, such as the quality of the institutional environment in the home country. Driffield et al. (2013) show the weaker the institutional environment in the home country, the more likely an MNE from that country will invest in a country afflicted by conflict.

 Another line of research examines features of the investing MNE, including prior experience in violent locations (DeGhetto, Lamont and Holmes, 2020; Oh and Oetzel, 2017) and how the MNE seeks to control its investments in such countries. For instance, Chen (2017) examines profitability of subsidiaries in conflict zones, finding prior experience in host countries engaged in conflict to have a positive influence on subsidiary performance. Chen (2017) identifies an S-shaped relationship between conflict experience and subsidiary profitability. MNEs with little conflict experience will suffer initially, but as this specific experience increases, they are able to turn a profit in the subsidiary. At high levels of conflict experience there is also a high level of exposure to risk, which then harms performance. Oh and Oetzel (2017) show that investing MNEs will actually increase the number of wholly-owned subsidiaries in countries beset by conflict when the MNE has prior experience in the specific country. DeGhetto, Lamont and Holmes (2020) identify an important weakening moderating effect for relevant firm experience in dangerous countries on the negative relationship between safety risk (assault and crime against the person and their property – an indicator of a violent state) in a host country and the likelihood of entry. Barry (2018) provides a different perspective based on built-in resilience in the MNE. Ongoing military conflict post-entry will not necessarily lead to an exit decision if the subsidiary has this built-in resilience to cope with low levels of armed conflict. These literatures show that MNEs do not shun violent settings and that features of home and host countries, as well as firm-specific experience, can combine to assuage concerns relating to risks emanating from host country violence.

* 1. *MNE social investment in battle-weary countries*

Through their investment in battle-weary countries, MNEs can bring about economic development and growth. In a literature review on MNE investment in post-conflict zones, Hacioglu, Celik and Dincer (2012) highlight Gladwin and Walter’s (1980) description of assertiveness and cooperativeness as applied to the MNE in conflict situations; there has to be open communications on the ground as well as a willingness to help on the part of the MNE. Kolk and Lenfant (2010) show how MNEs operating in conflict zones of central Africa contribute not only through CSR initiatives, but also by paying local taxes and royalties, purchasing from local suppliers, and providing employment opportunities for locals. Investment in community development projects – often in collaboration with a non-governmental organization (NGO) – is not an uncommon practice in battle-weary countries. Jamali and Mirshak (2010) develop a typology for understanding MNE intervention in conflict zones involving three categories: coping (a low level of CSR, passively reacting to public policy, avoiding conflict behavior), compromising (moderate CSR, positive anticipation of public policy), and conflict resolution (high CSR, proactive engagement and shaping public policy). A key point in this literature is that MNEs can be assertive through their own choice (Gladwin and Walter, 1980), taking steps to resolve conflict and stabilize the institutional structures. Jamali and Mirshak (2010) show how MNE subsidiaries contribute in an improvised way following break out of war in host country: shock in the subsidiaries on the commencement of war; setting up emergency rooms to make day-to-day decisions; responses unplanned and improvised. Help offered by the MNE subsidiary to local communities includes assisting reconstruction efforts post-conflict – “modest attempts at proactive engagement” (p. 459), this being somewhat passive and no public shaping policy, corresponding to a compromise strategy. Kolk and Lenfant (2015) put a spotlight on the role of partnerships involving MNEs with a range of stakeholders (NGOs, governments, other MNEs) in bringing peace to fragile states. Such partnerships fill institutional gaps and operate in different forms: philanthropic, transactional, engagement, and transformative.

 Notwithstanding these scholarly insights into the ‘positives’ of MNE activity in battle-weary countries, it has also been noted how MNEs need to tread with utmost caution as they can exacerbate the issues. Such exacerbation can be seen in light of corporate social irresponsibility (CSIR), i.e., the “set of actions that increases externalized costs and/or promotes distributional conflicts.” (Kotchen & Moon, 2012: 2). When MNEs demonstrate irresponsible business practices that are in conflict with social issues, their reputation and performance will suffer (Wang & Li, 2019). If these practices are present at corporate level, they may be transferred to foreign subsidiaries where there are low quality host country institutions (Surroca, Tribó & Zahra, 2013), as is often the case in battle-weary locations. Battle-weary locations may even encourage CSIR behaviors, especially where press freedom is low. Ballentine and Nitzschke (2004) highlight the complex intersection between business and conflict in war zones. Combatants may benefit financially – either directly or indirectly – as a consequence of MNE involvement in a war-torn country, receiving finance or resources that can be traded for arms in international markets. Ballentine and Nitzschke (2004) note how MNEs are not the only business actor that can potentially fuel conflict – local businesses and various middlemen and brokers also have a role to play. As stated by Ballentine and Nitzschke (2004: 51) “…some CSR-plus remedies prescribed and adopted, such as building schools, inoculating children, or providing other public goods, however salutary, have little relevance to conflict mitigation”. Banfield, Haufler and Lilly (2005) note how the private sector can be a contributory factor in fueling conflicts. For instance, commerce surrounding the trade in diamonds, fuels and other natural resources can be used to provide funding for arms, and accountability made problematic when the source of the resource is difficult to trace. Host country government and institutions influence the conduct of foreign MNEs and can encourage them to engage in activity that benefits combatants. MNE operations can also impact local relationships, not just employees and communities, but also with local security forces, a dynamic that can contribute to local tension (Banfield, Haufler and Lilly, 2005). Miklian and Schouten (2014) observe Heineken’s engagement with a wide range of local actors during decades of Congolese conflict, including paying checkpoint taxes to rebel groups and procuring services of companies owned by groups committing human rights abuses elsewhere. Such ‘roadblock economies’ represent ethical dilemmas for foreign MNEs hoping to show their contribution to the business for peace agenda.

Table 1 shows insights from selected empirical studies on FDI in battle-weary countries. While much of this literature draws from large sample sizes and statistical analysis, there have been calls for case-based approaches and more deeper insight into the dynamics of entry strategy in battle-weary countries (Driffield et al., 2013; Kolk and Lenfant, 2015). The implications for the IB field of the links between violent nature of the host country, MNE entry strategy, *and* subsequent social investment in battle-weary countries over time, however, is not answered in this emerging conflict FDI literature (Table 1) nor the literature on MNE CSR post entry.

Table 2 juxtaposes the two literature streams (Stream 1: host country violence and MNE entry and Stream 2: MNE social investment in battle-weary countries) alongside an emerging third stream which has made progress on the relationship between MNE entry strategy and subsequent CSR. In this third stream, researchers examine how ownership structure and links with local actors in a developing host country influence subsequent CSR practice (Tian et al., 2021). This literature suggests a wholly-owned governance mode will lead to higher levels of CSR compared to a joint venture (Park and Cave, 2018). A key feature of shared ownership in a joint venture is the increased likelihood of a clash of interests and conflicting goals (Beamish and Lupton, 2016). The question arises as to whether a local partner in a battle-weary country will share the same concerns and objectives as the investing MNE in terms of social investment. According to Tian et al. (2021), the foreign MNE will more likely be accustomed to practice and pursue CSR. As Park and Cave (2018: 1217) state, local partners will be “less inclined to pursue CSR activities as they may not be as overly concerned in general with the positive image associated with CSR…”. In terms of establishment mode (acquisition vs greenfield), Stream 3 in Table 2 also raises useful points. Konara et al. (2021) find differences between acquisitions and greenfields in terms of how a subsidiary will engage in environmental innovation. The authors’ main effect concerns the influence of home country institutional forces (home-ecological institutions) that influence environmental innovation in a subsidiary, this depending on whether the subsidiary was an acquisition (where pre-existing resources and capabilities may be difficult to integrate or change) or a greenfield (where it is easier to transfer resources and capabilities from the home country).

As Table 2 shows, while research on the links between different dimensions of entry strategy and subsequent CSR and social investment is new (Stream 3 in Table 2) there are clear limitations with all streams. Stream 1 does not answer our research question because it does not consider subsequent social investment. Stream 2 does not explicitly consider entry strategy. Stream 3 is only recently emerging to bridge these two limitations but does not, as yet, consider violent contexts.

\*\*\* Tables 1 & 2 Here \*\*\*

1. **Methodology**

The beverage industry is an ideal one to use for this study as it has increasingly expanded into regions beset by violent pasts, such as Africa (Jernigan and Babor, 2015). Many of the countries in sub-Saharan Africa have been blighted by internal armed conflict since independence (Meredith, 2011), leaving an institutional void into which foreign MNEs, including global brewers, operate (Kolk and Lenfant, 2015). The beverage industry has also shifted towards a deeper integration of responsibility and business strategy (Jones, Hillier and Comfort, 2013). Kim and Lee (2012) note how the industry has been perceived as socially-stigmatized while Majláth and Ricordel (2019) describe it as ethically-questionable, being associated with harmful effects to society (along with industries such as tobacco and fast-food). Beverage companies do campaign to raise awareness of the harmful effects of excessive alcohol consumption as part of their overall corporate communication (Kim and Lee, 2012; Majláth and Ricordel, 2019).

We conducted our analysis as a mixed method design in two inter-related parts, using data on Dutch MNE Heineken’s internationalization between 2002 and 2019 into developing and violent countries. Figure 1 shows the research framework. The two-part approach allows us explore the links between host country violence and entry strategy for the focal MNE (Study 1), and then entry strategy and subsequent social investment by the same MNE in different violent settings (Study 2). This approach captures the benefit of statistical tests on a larger sample of foreign market entries (Stream 1 in Table 2) as well as a deeper chronological examination of social investment in contrasting host countries (Stream 2 in Table 2). While large sample statistical modelling is ideal for analyzing entry strategy into conflict zones (Table 1), the case approach is a better choice for revealing the unfolding of key events retrospectively (Piekkari, Welch and Paavilainen, 2009; Yin, 2017). Appendix A shows the main variables and sources of data we used in each of the studies.

While mixed methods are relatively rare in organizational studies (Gibson, 2017) and traditionally uncommon in IB research (Hurmerinta-Peltomäki & Nummela, 2006), they do offer “empirical intricacy…to match the complexities” of organizational phenomena (Molina-Azorin et al., 2012, p. 180). Following this tradition, we seek to integrate the strengths of both quantitative and qualitative analysis in our approach, as opposed to choosing one over the other (Hurmerinta-Peltomäki & Nummela, 2006; Molina-Azorin et al., 2012). Benefits include establishing independence of the data (i.e., avoiding single source bias) (Gibson, 2017) by collecting data published by the focal company as well as many other independent sources. Gibson (2017), citing Creswell (2003), argues that mixed methods create value when one analysis is used to elaborate and expand the findings of another. Greene et al. (1989) explicitly label this as ‘expansion’: using different methods to assess different facets (or inquiry components) of the phenomenon. We adopt this approach, noting it is different from the corroboration of pure triangulation, the clarification of complementarity, the development of measurement instruments or the discovery that comes with initiation (Greene et al., 1989).

\*\*\* Figure 1 Here \*\*\*

* 1. *Study 1: Host county violence and MNE entry*

The purpose of this study was to examine possible links between the nature of violent deaths in a host country, and Heineken’s entry strategy into the country. First, we used the company’s annual reports between 2002 and 2019 to identify instances of new market entries into developing countries. In common with prior IB research we coded these entries on two dichotomous variables: WOS (wholly-owned subsidiary), taking the value of 1 where we established a majority or full control over the subsidiary (stake > 50% and qualitative description indicating control of the investment), and 0 where we established the entry to be a minority stake); and ACQ (acquisition), taking a value of 1 where the investment was a clear acquisition, and 0 where it was a greenfield, most commonly the construction of a new brewery. These two dimensions (WOS and ACQ) comprise two of the most fundamental aspects of MNE entry strategy (Chen, 2008). Timing (year) and location (host country) were known. We identified 79 discrete entries, reduced to 71 and 43 for regression models after applying additional criteria for economic development and levels of violence. Secondly, we calculated two variables to capture the nature of violent deaths in the host country in the *5 years prior to each of the entries*. Following Collier et al. (2003), we used this prior timeframe because the potential for recurring violence is present within a 5-year measurement and a shorter trend timeframe could omit vital information pertinent to managerial assessment of risks connected to violence. Following Barry’s (2018) insights into intensity and duration of conflict negatively impacting probability of entry because of managerial assessment of future risk conditions, we measured overall violent deaths as an average of yearly total deaths over the prior five years. However, we then calculated a new measure of violent death trend based on the slope (linear fit) of chronologically sequenced yearly totals of total violent death over the five years, divided by the population of the country at the year of entry. As a robustness test we also computed violent death trend denominated by GDP / capita. Higher positive values of this variable indicate a worsening violent context. Higher negative values indicate an improving context. The violent deaths data were collected from the Uppsala Conflict Data Program (UCDP) website and supported with additional reading of violent trends in country profiles. Thirdly, in preparation for a logistic regression test, we collected a number of control variables that have the potential to influence entry strategy in battle-weary countries. We controlled for year, region (Africa, South America, Asia, Middle East), prior experience in the host country (as indicated by a previous entry within the current dataset), the extent of irregular payment and bribes (sourced from World Economic Forum Global Competitiveness Reports) (a lower number equates to a greater problem with bribery) and GDP per capita. As with the violent death average and trend variables, bribes and GDP per capita were captured at - or as close as possible - to the year of entry with the data sources used.

Descriptive statistics and correlations between variables of interest are shown in Table 3. Analysis was done to compare the differences between violent deaths (levels and trend) for both categories (i.e., 1 and 0) of the WOS and ACQ variables. For this we used various tests: oneway anova and post-hoc tests, visual examination using box plots, and logit regression models which include the control variables (reported in Section 4 below).

\*\*\* Table 3 Here \*\*\*

* 1. *Study 2: Entry strategy and subsequent social investment in Ethiopia and Myanmar*

The purpose of this study was to understand patterns of subsequent social investment by Heineken in countries with contrasting violence profiles and entry strategies consistent with the findings from Study 1. This criterion was satisfied for Ethiopia and Myanmar, allowing us to use these countries as a basis of comparison. One limitation of the timeframe of our data is that it was before the commencement of the Tigray war in 2020 in Ethiopia and the 2021 military coup d'état in Myanmar. We discuss this limitation below. According to UCDP, Ethiopia had experienced all forms of organized violence since World War II (interstate, intrastate, non-state and one-sided). In the timeframe of our analysis (2002-2019) there had been 7,361 conflict related deaths; 1,532 state-based, 3,676 non-state, and 2,153 one-sided (UCDP, 2020a). This was an *improving context*, given that there had been, in an earlier timeframe, 170,538 violent deaths between 1989 and 2001 inclusive (UCDP, 2020a). A negative value for our violent death trend variable at the year of initial entry (2011) for Ethiopia confirmed this. The entry strategy used in this improving context in 2011 was a wholly-owned acquisition. Myanmar had also experienced all categories of organized violence since 1946. Between 2002 and 2019 there had been 9,475 deaths of which 5,540 were state-based violence, 353 non-state violence and 3,582 one-sided violence (UCDP, 2020b). Unlike Ethiopia, this was *a worsening context* for violence; our violent death trend variable for Myanmar was positive at the initial year of entry (2013) and the entry strategy used was a partially-controlled greenfield. We note a much higher level of state-based violence in Myanmar compared to Ethiopia in the timeframe of study.

Ethiopia emerged from civil war in 1991 (from 1974) and Myanmar, led by a military dictatorship since 1962, endured a long civil war which included the 8888 uprising that killed over 3000 people in 1988. It also experienced human rights violations and suppression of pro-democracy groups, persecution against the Rohingya people – one of the most persecuted groups in the world in 2013 according to the UN. Ethiopia generally had been open to outside investors throughout its years of unrest; unlike the South African apartheid regime, it did not have a broad based international trade or investment embargo placed on it. However, a weapons and arms embargo had been in place since 2000 in the form of UN Security Council Resolution 1298. Myanmar, by contrast, had become cut off from international trade and investment from the West in the 1990s, although it continued to attract inward investment, particularly in construction and infrastructure, from China. It had managed to persuade the international community to relax the embargo and once again invest from the early 2010s following a series of decisions that appeared to encourage pro-democratic movements (Lukoianova, Williams and Burns, 2013). Various arms embargos had been in place on Myanmar since the early 1990s.

There were concerns regarding potential irresponsibility in both locations. In Africa, while Heineken invested in healthcare initiatives (Van Cranenburgh and Arenas, 2014), and renewing barley value chains and assisting farmers (Rashid, Tefera, Minot and Ayele, 2013), there were serious allegations concerning Heineken’s approach across the continent, including aggressive advertising and tax policies, impact on alcoholism, and complicity in wider African strife (van Beemen, 2019). In Myanmar, the company re-entered in 2013 following avoidance of the market under international sanctions. However, concerns had been raised on whether it was possible to do business in Myanmar without supporting the military dictatorship (Holliday, 2005).

The key data sources for our analysis were Heineken’s annual reports from 2002 – 2019, coupled with other secondary data obtained in the form of published books, expert commentaries and blogs, local news websites, websites of collaborating companies and NGOs, as well as academic articles (selected sources are shown in Appendix A). All instances of CSR initiatives were interpreted as social investment as they did not stretch to include direct intervention in peace or mediation and facilitation of dialogue between antagonistic parties, i.e., not coded as policy dialogue (Lenfant and van Cranenburgh, 2017). We analyzed the data through a comparison of the chronological sequencing of key social investment events as well as new product launches following the initial entry for each country.

1. **Findings**
	1. *Study 1: Host country violence and MNE entry*

The strongest correlation between main independent and dependent variables in Table 3 is a negative coefficient (r=-0.25) between violent death trend (which denotes an improving situation when negative, i.e., less deaths) and WOS. This indicates a worsening violent context in the previous 5 years being associated with minority ownership and partial control at entry. There is a negative correlation between prior experience in the country and ACQ (r=-0.23), indicating a tendency for building greenfield breweries when the firm already had prior FDI in the country. There is a negative association between average violent death and GDP / capita (r=-0.24), underscoring the draining effect of violence on economic development. There is also a positive correlation between bribes and GDP / capita (r=0.42) indicating the more economically developed countries in the developing country sample were less likely to harbor undocumented payments (the bribes variable indicated common use of bribes at lower levels). Overall, these patterns support our expectations for the sample while highlighting a potentially relevant finding for violent death trend and WOS.

The results of the oneway anova test provide additional support for the negative impact of violent death trend on WOS. The mean differences for violent death average (5 year) are not significant for WOS (F=0.79, p=0.38) or ACQ (F=2.57, p=0.11). The mean differences for violent death trend (5 year) are significant over WOS (F=4.48, p=0.04; WOS = 1, mean = -1.17, n=40; WOS = 0, mean = 0.04, n=0.09; Scheffe test = -1.26, p=0.04). The mean differences for violent death trend (5 year) over ACQ are not significant (F = 1.17, p=0.28). Examination of box plots for violent death trend (5 year) over WOS confirmed positive values of the trend variable being associated with minority partial control entries.

Table 4 shows the result of the logistic regression models for WOS. Table 5 shows logistic regression models for ACQ. After taking the control variables into account, the models show a negative and significant coefficient for violent death trend (5 year) on WOS in both looser (GDP / capita < 12,375 USD, n=71) and constrained (violent death average >0, n=43) models. $12,375 was used as the defining point for developing countries following the UN defined middle- and lower-income thresholds while violent death average > 0 was used as a more stringent criterion for countries recently experiencing violence. Impacts of violent death average (5 year) on WOS or ACQ are not significant. The impact of violent death trend (5 year) on ACQ is not significant. Figure 2 shows the marginal effect for violent death trend (5 year) on WOS, indicating a clear difference in probability of ownership choice depending on the extent to which violence is improving (higher ownership preferred) or worsening (lower ownership preferred).

\*\*\* Tables 4 & 5 Here \*\*\*

\*\*\* Figure 2 Here \*\*\*

* 1. *Study 2: Entry strategy and subsequent social investment in Ethiopia and Myanmar*

2011 was the first year of entry for Ethiopia and 2013 for Myanmar. Heineken was well established across the respective continents and the timing indicates Ethiopia had not been a priority in Africa earlier. Indeed, Lenfant and van Cranenburgh (2017: 41) note “substantial market positions in 15 African countries” which did not include Ethiopia at the time of their analysis. International sanctions prohibited investment prior to 2010 in Myanmar. Table 6 shows the main strategic activities for the two countries.

\*\*\* Table 6 Here \*\*\*

In Ethiopia, Heineken acquired Bedele and Harar Breweries in 2011 from the government. In 2012, it began constructing a greenfield brewery (Kilinto), operational in January 2015. Kilinto’s capacity was then expanded in 2016. The Kilinto Brewery was designed with CSR in mind (i.e., core business CSR in Lenfant and van Cranenburgh’s (2017) terms). 280 new local jobs were created, barley was sourced locally from smallholder farmers, local materials were used in the design of the brewery, and new health and safety practices implemented. It was also used to launch a new brand – Walia – a 5% alcohol local beer. For Myanmar, there was only one main entry (in 2013) and this was a greenfield by joint venture with the established brewer and distributor Alliance Brewery Company. Alliance was owned by a former Army general (Aung Moe Kyaw) who also held a position in the Ministry of Commerce (Miklian, 2019). A highly-automated greenfield brewery was then built (operational in 2015), located in Hmawbi township of Yangon region. The entry in Myanmar occurred with a new product launch in mind. The new product, Regal Seven, which was named after the workers who helped build the brewery, was launched immediately in 2015.

We identified nine episodes of social investments for Ethiopia in addition to the CSR embedded in the Kilinto brewery build and including a multi-year programme known as CREATE. The first social investment was reported in the year after the initial market entry. Investments were made for a health center in Bedele (the location of the acquired brewery) including one ambulance, health facilities and training. We then note water protection plans at the Kilinto location (2013) and related water stewardship (2015). In 2013, Heineken announced a sustainable local sourcing programme: CREATE. The company dropped its sponsorship in 2014 for local pop star Teddy Afro under protests from the country’s largest ethnic group, Oromos. Afro had allegedly made controversial statements concerning Ethiopian rulers and Oromos land in the past. In 2016, Heineken contributed to a number of community initiatives in wereda 9 (the Kilinto location), including support for businesses in the community such as shower rooms for youth to rent out for income. It also entered into a collaboration with the AllAfrica Foundation to provide ambulances to transport pregnant women. Three new low or zero local brands were launched in 2017 and 2018 – Walia Radler (2.5% alcohol), Walia 3.3 (3.3% alcohol) and Sofi Buna (a zero percent beer using locally sourced coffee). The company announced a continuation and extension of its CREATE programme in 2018, further supporting farmers with a commitment to source 60% of all ingredients and in collaboration with various local (e.g., the Ethiopian Agricultural Transformation Agency) and international (e.g., the Dutch government, NGO EUCORD, the International Finance Corporation (IFC)) stakeholders (Table 7 shows an overview of the evolution of the CREATE programme). There was a reforestation initiative to protect local water resources running in the background; water governance was an issue of particular concern for Ethiopia where the share of deaths from unsafe water sources had risen from 7.72% in 2011 to 8.53% in 2015 (Ritchie and Roser, 2019). In Ethiopia, the social investments appear to be ongoing and reported with regularity between 2013 and 2019 and the CREATE programme appears to have had local impact and continued expansion (Table 7).

\*\*\* Table 7 Here \*\*\*

In Myanmar, we note fewer instances of social investments. Heineken introduced three new brands, none of which was low or zero alcohol. These were Regal Seven (5% alcohol, 2015), Tiger Crystal (4.5%, 2017) and Bawdar (5%, 2019). The latter was brewed using locally sourced rice. In Myanmar, the social investments appear to be concentrated around the 2017-2018 period and include a “Making Myanmar’s Roads Safer” campaign done in partnership with the transport and communication ministry (2016). Road safety had become a social issue in Myanmar. According to the World Economic Forum Global Competitiveness Report (GCR) for 2013, Myanmar was ranked 138 out of 148 countries in terms of quality of roads. In 2017 Heineken reported social investments in a wastewater treatment facility, water discharge pipeline, an onsite health clinic and eco-friendly fridges for bars. There was also mention of efforts to reduce carbon emissions in 2017.

Overall, we note both market entries resulted in new local brands being launched, as well as a range of social investments. Both cases report sensitivity to environment (water stewardship), health investment, and local sourcing. However, there were some clear differences: (1) a higher volume and a broader range of social investment in Ethiopia (extending to assistance for youth entrepreneurship, ethnic culture sensitivity, reduced alcohol content in new products, and support for reducing import dependency on barley in Ethiopia); (2) a more protracted period of time in which social investments were made in Ethiopia (every year following entry in Ethiopia compared to two concentrated years in Myanmar); (3) a greater emphasis on social investment in the greenfield build in Ethiopia; (4) more of an emphasis on launching new full alcohol products on a regular basis after entry in Myanmar. The picture that emerges is one of a deeper and more sustained pattern of social investment where there the governance mode involves full control and the violent death trend is improving. On the other hand there is a more concentrated cluster of social investment and more new alcoholic product launches where the governance is shared with a partner connected to the military and the violent death trend had been worsening.

*4.3 Robustness check: entering Ghana as a minority partner*

Heineken took a minority 20% stake in Heineken/Guinness Ghana Breweries Limited (GGBL) in 2004. Our violent death trend variable indicates this was a worsening context at that point in time and a minority stake is consistent with our main finding in Study 1 for a worsening context. In terms of subsequent events reported for Ghana in company reports, we see no statements indicative of social investment in subsequent years and a divestment to Diageo in 2015. A report on GGBL published by Dutch trade union umbrella FNV in 2006 (Britwum, Enu-Kwesi and Akorsu, 2006)[[1]](#footnote-1) indicated lack of fairness in negotiations, labour conditions not meeting expectations, a lack of forewarning regarding outsourcing and redundancies, the local Kaasi community feeling disrespected (especially in terms of cultural rights), a glamorization of drinking in advertisements, and a dependence on imported, as opposed to local, raw materials. However, there were positive comments relating to health and safety standards, as well as the financial performance of the operation.

1. **Discussion and Conclusion**

The current study explores the pattern of market entry and subsequent social investment of a major global beverage company, Heineken, under contrasting violent conditions in battle-weary countries. The findings reveal new insights into the links between the nature of host country violence, the market entry strategy used by the MNE and how the MNE is then seen to contribute to social development in battle-weary countries. While there has been criticism of MNE involvement in conflict zones, including the issue of providing economic support to ‘roadblock economies’ (Miklian and Schouten, 2014), our study shows how large global MNEs can invest in a way that underpins both commercial gain and developmental support for war-ravaged countries over time. Our study reveals links between the nature of violence, the entry strategy adopted and the pattern of social investment, links that have not been shown in previous research. What previous research has done is - on the one hand - shed light on the relationship between conflict and entry (or exit) strategy (Table 2, Stream 1) (Barry, 2018; Dai et al., 2013; Driffield et al., 2013; Oh and Oetzel, 2017; Witte et al., 2017), and - on the other hand - describe in detail the substance and challenges of social investment by MNEs in conflict zones (Table 2, Stream 2) (Kolk and Lenfant, 2010; Miklian and Schouten, 2014; Lenfant and van Cranenburgh, 2017). The problem is – in our view – that the former stops short of shedding any insight whatsoever on how MNEs may contribute to peace, stability and development, while the latter does not take into consideration the establishment and governance constraints on the local subsidiary that may prevent it from behaving in an ‘ideal’ way (Table 2). We believe that recent work exposing links between entry strategy and subsequent CSR (Table 2, Stream 3) is very useful in bringing these decoupled literatures together (Konara et al., 2021; Park and Cave, 2018; Tian et al., 2021). However, this literature does not consider the nature of host country violence and conflict. Our dual study approach (Figure 1) addresses these deficits by following a chain of logic from violence, through entry strategy and into subsequent social investment.

The role of MNEs in violent countries is a hotly debated issue. Some remain critical of Heineken’s activities, including how the company may have been complicit in the strife (van Beemen, 2019) and how CSIR persists with local communities feeling disenfranchised (Britwum, Enu-Kwesi and Akorsu, 2006; Gereziher and Shiferaw, 2020). Gereziher and Shiferaw (2020) observe terrible smells from Kilinto brewery waste water discharge into the Akaki River resulting in parents removing children from local schools and fears over health. They raise concerns over the brewery diverting clean water away from local community use, a lack of responsiveness, communication and transparency from local managers that offended the community, a lack of climate change initiative (a missed opportunity for tree planting was singled out), delays in starting the Kilinto Health Center initiative, and a refusal to answer requests to sponsor a nearby school’s sports field fence and instead offering free crates of beer to teachers. On balance, however, our overall reading of the data collected suggests that the post-entry activities pursued in both Ethiopia and Myanmar had positive impacts (e.g., Table 7), and that there was a social investment mentality in place that was consistent with the overall entry strategy for these countries.

That said, the extent to which social investment is prioritized emerges as a key question. Our study shows this prioritization for social investment is linked to ownership choice at entry, which itself is influenced by the violent trend in the country. Where the level of organized violence is declining (i.e., an improving context), entering with a majority ownership and full control will face less risk than when seeking full ownership in a context of deteriorating violence. While this is broadly consistent with extant IB scholarship on the role of joint ventures in coping with host country risk (Beamish and Lupton, 2016), our Study 1 finding does add an important nuance by identifying the significance of a prior 5-year trend, yet no significance for a prior 5-year average (of violence). This extends Barry’s (2018) insights into conflict intensity and (peace and conflict) duration impacting likelihood of entry because of the firm’s beliefs about future conditions and its confidence (or lack thereof) in future stability. We propose our trend variable as a more meaningful reflection of anticipating future conditions and offers an alternative to both intensity and duration. Scholars of entry strategy (and ownership choice in particular) have all too often emphasized static measures of risk in host countries, as opposed to capturing their ‘direction of travel’. Our finding in this respect can open new lines of enquiry into risk trends and entry strategy at any given point in time.

The Study 2 findings expand on this. Heineken Ethiopia’s higher volume, wider range, and sustained pattern of social investments *in comparison to* Myanmar are clear (Table 6). This comparison provides qualitative support to the recent work showing higher levels of ownership and control being linked to higher levels of CSR undertaken by the MNE in host countries (Park and Cave, 2018; Tian et al., 2021). Indeed, our findings add substantive detail to these types of statistical analyses which do not reveal sequencing of social investments following entry. Having more control at entry may benefit social investment (and contribute towards peace-building) in various ways: control over new direct jobs, choice of new indirect jobs (suppliers and partners), technology transfer from a home country with higher environmental standards, and higher health and safety standards. Importantly, it may also provide more impetus for social investment because the interests of a local business partner demanding prioritization for market-oriented investments will be diminished or non-existent (Park and Cave, 2018; Tian et al., 2021). As Beamish and Lupton (2016) note, cooperative arrangements in host countries raise the prospect of different sets of potentially competing interests. The example of Ghana noted above provides a robustness check to this logic. Here we see a minority stake in a worsening context, and an absence of social investment in the following years; very much an opposite storyline to Heineken Ethiopia. The Myanmar case illustrates that partners can have a role to play on subsequent social investments. According to Miklian (2019), the Myanmar Ministry of Commerce pledged $13M in development projects for Rakhine aimed at encouraging the return of the Rohingya. This included Alliance Brewery, Heineken’s partner in Myanmar. We also note the “Making Myanmar’s Roads Safer” campaign was done in partnership with the Transport and Communication Ministry. Such ‘peace-building by proxy’ aligns with Barkemeyer and Miklian’s (2019) comment that “foreign firms can be prescriptive entities in the developing world, a reputable source of knowledge for local firms on societal best practice” (Barkemeyer and Miklian, 2019: 4). While some have contested this, Barkemeyer and Miklian (2019) do note how domestic firms in Myanmar are twice as likely to engage in philanthropy than MNEs in Myanmar, and are more likely to address the UN SDGs in Myanmar than international firms. This would be entirely consistent with a ‘peace-building by proxy’ strategy for Heineken in Myanmar – not as direct as in Ethiopia, but more substantial than in Ghana. This is a phenomenon that can be explored in future research.

Figure 3 shows an emerging framework reflecting the findings from both studies. The nature of violence as a trend (improving vs. worsening) and corresponding ownership choice is shown on the x-axis and the prioritization for social investment by the MNE (higher vs. lower social investment) on the y-axis. Our interpretation places Heineken in Ethiopia in the top right and Heineken in Myanmar towards the bottom left. We consider this to be a ‘zone of responsibility’ because a higher emphasis (sustained, broad scope, direct) social investment is facilitated by full ownership at entry while a lower emphasis on social investment clearly does not mean zero social investment and can only be carried out given the constraints of a business partner with potentially less of an interest in social investment. What is interesting are the two zones in the top left and bottom right of this schematic. At the top left, we would have a situation in which the MNE makes direct social investments while being tied to a local partner in an increasingly violent environment. Firstly, this might heighten conflict with the partner because of competing interests (Park and Cave, 2018). Such partner conflict would not be conducive to effective social investment and critics are more likely to expose the MNE as engaging in ‘social washing’ in its social investments while actually being bound to the commercial interests of its partner. Secondly, deteriorating violence in the country could result in the prioritization for sustained, broad scope, direct social investment being unsuccessful. It could even contribute to fuelling the violence further, particularly if some of the social investments were (inadvertently) linked with combatant interests. Meanwhile, at the bottom right of the schematic in Figure 3, we would have a situation of improving violence, a higher emphasis on control and ownership, yet a lower prioritization for social investment over local brand development. Here, the MNE will be accused of greedy actions and wanting to secure all financial returns for itself in a context that, while improving, will still be in need of social investment. Barry (2018) points about future beliefs of conditions and stability would be ignored in favour of self-interest and economic gain. Because the MNE is not being directly associated with investments in an improving situation, critics will point to the failure of the MNE to engage proactively and in a sustained way.

\*\*\* Figure 3 Here \*\*\*

 While this model can provide a basis for further research, a number of other discussion points arise with implications for IB research. Firstly, findings provide new insight into the assumed negative relationship between intensity of violence and probability of entry into a host country (e.g., Barry, 2018; DeGhetto, Lamont and Holmes, 2020; Henisz, Mansfield and Von Glinow, 2010; Witte et al., 2017). In the case of Ethiopia, the fact that the intensity of organized violence was improving and that this encouraged two wholly-owned acquisitions and one greenfield, is supportive of the assumed relationship between conflict and probability of entry (Barry, 2018). However, the Myanmar case offers a counterpoint; here we do not see an improving position, but we still find evidence of a broader entry strategy including social investment. Our findings suggest the assumed negative relationship between conflict and probability of entry needs to be reconsidered in light of the nature of the market opportunity, the specific modes of entry that MNEs choose and how the entry strategy incorporates relevant social investment and the interests of local partners. In other words, our findings for Myanmar suggest the assumed negative relationship is moderated (reversed) with an appropriate engagement-oriented entry by the MNE. This is a contingency variable not identified in prior work (e.g., Witte et al., 2017).

Secondly, in terms of the nature of engagement in the host country following entry, our data suggests a proactive form of engagement with “intentional corporate contributions” (Jamali and Mirshcak, 2010, p. 446; Wolf, Deitelhoff and Engert, 2007) although these do not seem to be directly related to public security or visibly linked to policy dialogue (Lenfant and van Cranenburgh, 2017). While Jamali and Mirshak (2010) observed a passive strategy with some modest attempts by seven MNEs with pre-existing operations in Lebanon to help reconstruct the country following a short war with Israel, Heineken’s social investments in Ethiopia and Myanmar did not follow any specific and intense conflict situation. The Tigray conflict in Ethiopia and the military coup in Myanmar only occurred after our timeframe of analysis. They do not seem to be aimed at short-term compromising in order to ‘muddle through’ in the immediate aftermath of a specific conflict (Jamali and Mirshak, 2010). Instead, they relate to a more strategic engagement with the local governments on issues of concern to the governments (water governance and barley supply in Ethiopia, infrastructure development in Myanmar). This is supportive of Wolf, Deitelhoff and Engert’s (2007) notion of pro-active engagement in a conflict zone, albeit of a nature that is not directly aimed at public security in a military sense or policy dialogue with factions (Lenfant and van Cranenburgh, 2017). Nevertheless, Jamali and Mirshak (2010) do interpret proactive engagement in a broader way to include strategic philanthropy and in-kind donations. The cases then appear to be a proactive form of engagement that may not explicitly address armed conflict, but which indirectly contribute to the conditions for long-lasting peace, health and stability.

Thirdly, our work provides little support to the point made in Driffield et al.’s (2013) study that MNEs from CSR-oriented home countries are “less likely to engage in conflict FDI” (p. 151). Consistent with European countries at large, the Netherlands is in the top quartile of all countries in the world in terms of the Global Sustainable Competitiveness Index (Solability, 2020). While it is not in the top 10, it certainly possesses a relative advantage over Ethiopia and Myanmar in terms of CSR knowledge, skills and networks within its economy. The argument made by Driffield et al. (2013) that such countries will not invest in conflict countries because of the nature of home country institutions, does not seem to hold for Heineken. That said, these authors also discuss the importance of ownership advantages of MNEs investing in conflict zones. This does resonate with our case as Heineken would have brought a broad international experience, know-how and technology into the upgrading of Harar and Bedele breweries, as well as the Kilinto and Yangon brewery greenfields. Nevertheless, our findings do question the importance of CSR in the home country as a factor that reduces the probability of investing in a battle-weary country.

 IB researchers can investigate these issues in more detail in future work. Work can also help to address the limitations with the approach taken in the current study. As a mixed method investigation on one MNE, generalization to other industries and different types of companies is cautioned. Using secondary data sources we were not able to tap into the political processes and problems ‘on the ground’ as well as how Heineken may have dealt with day-to-day challenges. Indeed, tracing the true political processes is extremely difficult given the multiple actors involved and complex nature of the business - development relationship (Miklian, 2019). Work along the lines of Dieleman and Sachs (2008) which shows the coevolution of a major MNE with governmental and political institutions in a developing country over a protracted period of time is only possible with primary data and access to ‘insiders’. Such an approach could be attempted for Heineken in order to understand the co-evolution of MNE entry, expansion, social investment, and meaningful impact in selected battle-weary countries. This could help develop the framework in Figure 3 and, perhaps more importantly, help to close the loop on the links between violence – MNE entry strategy – MNE social investment – and peace. In the current study, the latter is missing. This approach could also provide a more nuanced evaluation of the nature of violence beyond deaths data, for instance to also include civilian injuries, and instances of violent oppression and repression. Given the selection of Ethiopia and Myanmar for Study 2, as well as the 2002-2019 timeframe for our data, recent violent events (the Ethiopian Tigray war and the Myanmar military coup d'état) were omitted. While this does not detract from the fact that our violent death trend variable was negative for Ethiopia and positive for Myanmar at the time of Heineken’s entries into those countries, it does raise the question for future research to examine the impact of surging conflicts following periods of relative calm on MNE strategy. We suggest a new variable – similar to our trend variable - could be created to capture this surge effect. While we selected only two of Heineken’s host countries, it is possible that issues faced in other conflict zones (such as the Middle East) would provide different strategic patterns to those seen in Ethiopia and Myanmar. Future research could address the links between entry strategy and social and economic development involving MNEs with different case-based approaches and in different war-torn countries around the world. These links will be important to establish in support of a coherent theory for MNE internationalization into battle-weary regions that goes beyond the decoupled nature of literature to date.

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**FIGURES**

Study 1

**Social investment**

Non-market social investment vs. market product investment

**Context**

Host country violent death levels and trend (improving vs. worsening)

**Market entry**

Entry strategy into host country: level of ownership; acquisition vs. greenfield

Study 2

**Figure 1.**  Research framework

****

**Figure 2.**  Study 1: marginal effect plot for WOS

Increased potential for CSIR

HIGH

Emphasis on Social Investment

**Zone of responsibility**

Increased potential for CSIR

LOW

Improving Violence

* Seek higher control

Worsening Violence

* Seek lower control

**Figure 3.**  Emerging model

**TABLES**

**Table 1.** Selected literature on MNE strategy for entering battle-weary countries

|  |  |  |
| --- | --- | --- |
| Author(s) | Sample | Key messages |
| Driffield, Jones and Crotty (2013) | 2509 firms investing in regions with a low level of human development between 1997 and 2009, including 540 investments into conflict zones | Violent conflict does not deter all firms: Differences exist in the propensity of MNEs from home countries to invest in conflict regions; firms based in CSR-oriented home countries “less likely to engage in conflict FDI” (p. 151). |
| Barry (2018) | 77 MNEs investing in developing countries between 1994 and 2008 | Degree of hostility matters: Conflict in the host and home country reduces the probability of a firm’s entry into the host country, this negative effect increasing with intensity of conflict. Increasingly hostile relations lead to reduction in probability of entry. |
| Oh and Oetzel (2017) | 379 MNEs from 29 countries investing in 117 host countries between 1999 and 2008 | Experience matters: The investing firm’s experience matters for certain types of conflict contexts. For one-sided and armed conflict: corporate level experience is not important, while country specific experience is. There are experiential advantages emanating from country-specific experience. |
| Witte, Burger, Ianchovichina and Pennings (2017) | 51,800 greenfield investments made by 1413 MNEs in 90 developing countries between 2003 and 2012 | Type of violence, nature of sector and MNE diversification matter: Negative effect of violence on greenfield FDI moderated by type of violence (nationwide vs localized), whether the industry is a resource-related, geographic diversification of the MNE (undiversified MNEs more sensitive to violence) |

**Table 2.** Relevant literature streams on the three aspects of the research question

|  |  |  |  |
| --- | --- | --- | --- |
| Characteristic | Stream 1:Host country violence and MNE entry | Stream 2:MNE social investment in battle-weary countries | Stream 3:Links between entry strategy and CSR by MNEs entering a host country |
| Nature of literature stream | Relatively recent (>2010s), growing | A subset of well-established literature on MNE CSR (>2000s) | Recent (>2018), small |
| Examples (chronological order) | Appel and Loyle (2012); Dai et al. (2013); Driffield et al. (2013); Chen (2017); Oh and Oetzel (2017); Witte et al. (2017); Barry (2018); DeGhetto et al. (2020) | Ballentine and Nitzschke (2004); Holliday (2005); Jamali and Mirshak (2010); Kolk and Lenfant (2010, 2015); Miklian and Schouten (2014); Van Cranenburgh and Arenas (2014); Lenfant and van Cranenburgh, (2017); Miklian (2019) | Park and Cave (2018); Tian et al. (2021); Konara et al. (2021) |
| Predominance of method | Quantitative / secondary data / statistical tests on large samples | Qualitative / descriptive / narrative analysis | Quantitative / secondary data / statistical tests on large samples and survey data |
| Main emphasis / variables of interest | Overall FDI trends in violent contextsEntry mode (ownership, greenfield vs acquisition) Performance outcomes and exit decisionsLevels of violenceRole of MNE experience in violent settings | Critique of irresponsible behavior by MNEs in war zonesHow the MNE subsidiary copes with continued violenceDistinguishing social investment from core business CSR and policy dialogueBenefits of MNE social investment post-entryComplexity of business-development interactions for peace-building | CSR in host country seen in light of ownership form at entry and stakeholder relations in host countryEngagement in environmental innovation in the host country influenced by home country institutions and establishment mode at entry |
| Limitations / boundaries of scope | Does not consider subsequent social investment by MNEs in host countryDoes not consider trend of violence | Does not explicitly consider the entry mode / entry strategy used by the MNE to cope with the risk caused by violence at entry | Does not consider nature of violence in host country |

**Table 3.** Study 1: Correlation matrix and descriptives (n=71)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  Variables |  (1) |  (2) |  (3) |  (4) |  (5) |  (6) |  (7) |  (8) |  (9) |
| 1. WOS
 |  |  |  |  |  |  |  |  |  |
| 1. ACQ
 | -0.06 |  |  |  |  |  |  |  |  |
| 1. Year
 | 0.03 | -0.20 |  |  |  |  |  |  |  |
| 1. Region
 | 0.02 | 0.16 | -0.06 |  |  |  |  |  |  |
| 1. Prior Exp.
 | -0.03 | -0.23 | 0.12 | -0.28 |  |  |  |  |  |
| 1. Bribes
 | 0.11 | 0.18 | -0.13 | -0.02 | 0.06 |  |  |  |  |
| 1. GDP/Cap
 | 0.08 | 0.10 | 0.12 | 0.40 | 0.05 | 0.42 |  |  |  |
| 1. Violent death ave. (5 year)
 | 0.11 | -0.19 | -0.06 | -0.20 | 0.23 | -0.21 | -0.24 |  |  |
| 1. Violent death trend (5 year)
 | -0.25 | -0.13 | 0.17 | 0.10 | -0.07 | -0.00 | 0.18 | -0.21 |  |
|  |  |  |  |  |  |  |  |  |  |
| Mean | .56 | .85 | 2008.59 | 1.96 | .46 | 3.79 | 4328.28 | 322.27 | -.62 |
| Std. Dev. | .5 | .36 | 5.42 | .89 | .5 | .76 | 3146.39 | 627.37 | 2.57 |
| Min | 0 | 0 | 2002 | 1 | 0 | 2.3 | 324 | 0 | -11.57 |
| Max | 1 | 1 | 2020 | 4 | 1 | 5.9 | 11021 | 2432.2 | 6.12 |

**Table 4.** Study 1: Logistic regression (Ownership choice, WOS=1)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   |  (1) |  (2) |  (3) |  (4) |  (5) |  (6) |
|   |  WOS |  WOS |  WOS |  WOS |  WOS |  WOS |
| Year | .02 | .03 | .04 | .05 | .05 | .07 |
|   | (.05) | (.05) | (.05) | (.07) | (.07) | (.08) |
| Region | .01 | .05 | .02 | .04 | .06 | .04 |
|   | (.33) | (.33) | (.34) | (.39) | (.39) | (.44) |
| Prior Exp. | -.2 | -.38 | -.34 | -.66 | -.79 | -1.12 |
|   | (.52) | (.54) | (.54) | (.69) | (.72) | (.78) |
| Bribes | .31 | .42 | .33 | .07 | .13 | -.3 |
|   | (.38) | (.39) | (.41) | (.56) | (.57) | (.72) |
| GDP/Cap | 0.00002 | 0.00003 | 0.00005 | -0.00004 | -0.00004 | 0.0002 |
|   | (0.0001) | (0.0001) | (0.0001) | (0.0001) | (0.0001) | (0.0001) |
| Violent death ave. (5 year) |  | 0.0006 |  |  | 0.0003 |  |
|   |  | (0.0004) |  |  | (0.0005) |  |
| Violent death trend (5 year) |  |  | **-.33\*\*** |  |  | **-.41\*\*** |
|   |  |  | **(.17)** |  |  | **(.2)** |
|  \_cons | -40.23 | -56.04 | -83.88 | -93.91 | -107.56 | -133.83 |
|   | (95.25) | (96.43) | (99.64) | (135.65) | (137.3) | (161.23) |
|  Observations | 71 | 71 | 71 | 43 | 43 | 43 |
|  Pseudo R2 | .01 | .03 | .08 | .03 | .04 | .2 |
| *\*\*\* p<.01, \*\* p<.05, \* p<.1; Standard errors are in parentheses; Models 4 – 6 exclude non-violent countries over prior 5 years* |

**Table 5.** Study 1: Logistic regression (Establishment mode, ACQ=1)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   |  (1) |  (2) |  (3) |  (4) |  (5) |  (6) |
|   |  ACQ |  ACQ |  ACQ |  ACQ |  ACQ |  ACQ |
| Year | -.11 | -.13 | -.1 | -.19\* | -.2\* | -.21\* |
|   | (.07) | (.08) | (.08) | (.11) | (.11) | (.11) |
| Region | .41 | .41 | .61 | .13 | .14 | .41 |
|   | (.54) | (.56) | (.61) | (.57) | (.59) | (.64) |
| Prior Exp. | -1.37\* | -1.2 | -1.54\* | -2.33\*\* | -2.25\*\* | -2.84\*\* |
|   | (.81) | (.84) | (.85) | (1.1) | (1.14) | (1.26) |
| Bribes | .73 | .63 | .67 | .59 | .55 | .26 |
|   | (.59) | (.59) | (.61) | (.74) | (.74) | (.87) |
| GDP/Cap | 0.00006 | 0.00005 | 0.00008 | 0.0001 | 0.0001 | 0.0002 |
|   | (0.0001) | (0.0001) | (0.0002) | (0.0002) | (0.0002) | (0.0002) |
| Violent death ave. (5 year) |  | -0.0005 |  |  | -0.0002 |  |
|   |  | (0.0005) |  |  | (0.0006) |  |
| Violent death trend (5 year) |  |  | -.33 |  |  | -.32 |
|   |  |  | (.25) |  |  | (.21) |
|  \_cons | 221.47 | 260.82 | 205.19 | 385.84\* | 401.89\* | 418.59\* |
|   | (150.35) | (163.49) | (155.7) | (217.29) | (227.16) | (225.08) |
|  Observations | 71 | 71 | 71 | 43 | 43 | 43 |
|  Pseudo R2 | .16 | .18 | .2 | .24 | .24 | .3 |
| *\*\*\* p<.01, \*\* p<.05, \* p<.1; Standard errors are in parentheses; Models 4 – 6 exclude non-violent countries over prior 5 years* |

**Table 6.** Study 2: Chronology of Heineken’s entry and subsequent engagement in Ethiopia and Myanmar (2011-2019)

| **Year** | **Ethiopia (improving violence)** | **Myanmar (worsening violence)** |
| --- | --- | --- |
| **Market entry** | **New product** | **Social investment** | **Market entry** | **New product** | **Social investment** |
| 2011 | Acquired Bedele and Harar from Ethiopian government |  |  |  |  |  |
| 2012 | Greenfield: built wholly-owned brewery in Kilinto  |  | Contributions to health center in Bedele (ambulance, facilities, training) + follow up investments from Heineken Africa Foundation |  |  |  |
| 2013 |  | Water protection plans; Announcement of CREATE[[2]](#footnote-2) programme for sustainable local sourcing of barley (see Table 7) | Greenfield brewery in Yangon with partner Alliance Brewery Company (completed 2015) |  |  |
| 2014 | Walia brand (5%) launched from Kilinto | Drops sponsorship of Teddy Afro |  |  |
| 2015 |  |  | Joint stakeholder water stewardship workshops and reforestation | Regal Seven brand (5%) launched |  |
| 2016 | Expansion of Kilinto brewery |  | Kilinto / wereda 9: support for businesses in the community; collaboration with AllAfrica Foundation to provide ambulances to transport pregnant women |  |  | Making Myanmar’s Roads Safer |
| 2017 |  | Walia Radler (2.5%) launched as low alcohol brand |  |  | Tiger Crystal (4.5%) | Wastewater treatment facility, water discharge pipeline, onsite health clinic, eco-friendly fridges for bars |
| 2018 |  | Walia 3.3 (3.3%) and Sofi Buna (0%) (using locally sourced coffee) launched  | CREATE Ethiopia to expand (see Table 7) – to continue support farmers; collaborate with NGOs and others, enhanced commitment to 60% local sourcing |  |  |  |
| 2019 |  |  | Reforestation initiative to protect water resources in local watersheds |  | Bawdar (5%) launched; beer uses locally sourced rice |  |

**Table 7.** Study 2– Overview of the evolution of the Heineken Ethiopia CREATE programme

|  |  |
| --- | --- |
| **Year** | **Event** |
| 2013 | Launch: Heineken CREATE programme launched, to run from 2013 – 2017, in collaboration with the Dutch Ministry of Foreign Affairs and European Cooperative for Rural Development (EUCORD), along with a number of NGOs |
| 2014 | Internationalization of CREATE: The partnership explored opportunities to expand Heineken's Supplier Development Programme – connected to CREATE - to more countries in Africa |
| 2015 | Reinforcement at Kilinto: As Heineken inaugurated Ethiopia’s biggest brewery in Kilinto, CEO commented: “…The CREATE project that we announced in 2013, where the partners share the goals of improving the income of smallholder barley farmers and improving access to markets, will help us to increase our local sourcing of malt barley” |
| 2018 | Expanding network of CREATE partners: Through the CREATE Project, Heineken reached an agreement with The International Finance Corporation (IFC) to extend barley project in Ethiopia into new geographical areas in 2018 and 2019, when two new malteries are expected to be operational (not owned by Heineken) |
| 2019 | Impact of CREATE: An estimated more than 30,000 additional farmers have received high yielding Heineken seeds from farmers supported by CREATE. The project helped increase Ethiopian barley production (from 2.4 tons/ha in 2013 to 5 tons/ha), with 240,000 tons of two new varieties harvested in 2016. Results included increase in farmers’ income and Asella Malt Factory did not rely on European barley imports for the first time  |
| 2020 | Continuation: Extended CREATE in agriculture - expected to run until the end of 2022 |

**APPENDIX A** – Data Sources

| **Study 1 – Variable Labels and Sources** |
| --- |
| **Variable** | **Source / Definition** |
| WOS | Heineken annual reports (2002-2019); cross checked with various business news and industry reports on websites including Reuters.com, allafrica.com, beveragedaily.com, foodingredientsfirst.com, Diageo.com; WOS = 1 if ownership stake > 50%, else 0. Qualitative assessment made where stake not available. |
| ACQ | Heineken annual reports (2002-2019); cross checked with various business news and industry reports on websites including diaryreporter.com, quinenco.cl, chinadaily.com.cn, alfalaval.co.uk, Office of Fair Trading (gov.uk); ACQ = 1 if entry was acquisitive else 0 for a greenfield.  |
| Year | Heineken annual reports (2002-2019) |
| Region | Heineken annual reports (2002-2019) |
| Prior exp. | Value of 1 if a prior entry in current dataset for the same country, else 0 |
| Bribes | Global Competitive Reports (World Economic Forum) (2002-2019) Item 1.05 “Irregular payments and bribes” for nearest year (this item is not available in earlier years)  |
| GDP / Cap | [www.tradingeconomics.com](http://www.tradingeconomics.com) for same year as market entry; cross-checked with same item in GCR reports. |
| Violent death ave. (5 year) | Uppsala Conflict Data Program: <https://ucdp.uu.se/> Average of total conflict deaths per year in each of the 5 years prior to year of market entry |
| Violent death trend (5 year) | Uppsala Conflict Data Program: <https://ucdp.uu.se/> Slope of total conflict deaths per year over the 5 years ordered chronologically prior to year of market entry, divided by population in year of entry |

| **Study 2 – Sources for Key Events****(selected additional sources, accessed September 2021)** |
| --- |
| **Ethiopia** | **Myanmar** |
| **Item** | **Source** | **Item** | **Source** |
| Acquisitions of Bedele and Harar (2011) | https://www.foodingredientsfirst.com/news/heineken-completes-acquisitions-of-two-breweries-in-ethiopia.html | Brewery in Yangon (2013) | https://www.globenewswire.com/news-release/2013/05/13/1670646/0/en/HEINEKEN-signs-joint-venture-agreement-in-Myanmar.html |
| Kilinto brewery build (2014, 2016) | https://addisstandard.com/heineken-officially-inaugurated-its-new-brewery-in-ethiopia/ | Regel Seven launch (2015) | https://www.cnbc.com/2015/07/10/asia-beer-battle-bubbles-up-with-heinekens-return-to-myanmar.html |
| Walia brand launched from Kilinto (2014) | https://www.beveragedaily.com/Article/2015/01/19/Heineken-Ethiopia-Africa-brewery-Walia-Kilinto | Road safety initiative (2016) | https://www.mmtimes.com/national-news/19899-one-year-road-safety-campaign-kicks-off.html |
| Contributions to health center in Bedele (ambulance, facilities, training) (2012-2013) | Gereziher & Shiferaw (2020)<https://issuu.com/fdfworld/docs/food_digital_-_july_2014/65> | Water treatment and distribution; health clinic; eco-fridges (2017) | https://www.mmtimes.com/news/heineken-raises-sustainability-efforts-competition-heats.html |
| Water protection; CREATE sustainable local sourcing (2013) | Gereziher & Shiferaw (2020) | Tiger Crystal launch (2017) | <https://www.mmtimes.com/news/heineken-launches-new-tiger-crystal-beer-myanmar.html> |
| Dropping sponsorship of Teddy Afro (2014) | https://www.eastafro.com/2014/01/04/heineken-owned-beer-company-drops-sponsorship-of-teddy-afro-amid-protests-from-oromos/ | Bawdar launch (2019) | https://heinekenmyanmar.com/en/media/news-events/12 |
| Joint stakeholder water workshops and reforestation (2015) | <https://www.unido.org/news/heineken-unido-partnership-supports-sustainability-developing-markets> |  |  |
| Kilinto / wereda 9: support for businesses in the community; collaboration for ambulances for pregnant women (2016) | Gereziher & Shiferaw (2020)https://www.annualreports.com/HostedData/AnnualReportArchive/h/OTC\_HEIN\_2016.pdf |  |  |
| Walia Radler, Walia 3.3 and Sofi Buna launches (2017-18) | <https://www.thereporterethiopia.com/article/heineken-introduces-new-flavors> |  |  |
| CREATE Ethiopia initiative (2013 - 2019) | Gereziher & Shiferaw (2020)<https://www.theheinekencompany.com/our-sustainability-story/our-progress/case-studies/create-ethiopia><https://www.3blmedia.com/News/HEINEKEN-CREATE-s-local-sourcing-opportunities-Ethiopia-Rwanda-and-Sierra-Leone>https://www.theheinekencompany.com/our-sustainability-story/our-progress/case-studies/create-ethiopia |  |  |
| Continued reforestation initiative (2019) | https://en.acaciawater.com/nw-29143-7-3901171/nieuws/hydrological\_\_telemetric\_monitoring\_in\_ethiopia.html |  |  |

1. We thank Olivier van Beemen for bringing this report to our attention [↑](#footnote-ref-1)
2. CREATE = community revenue enhancement through technology extension in Ethiopia (partnership with Agricultural Transformation Agency) [↑](#footnote-ref-2)