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The Mediating Role of Resource Acquisition in the Managerial Ties–Firm Performance Link in the Ethiopian Manufacturing Sector

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ABSTRACT

Social capital has become a valuable asset for multinational corporations as a result of the need for appropriate resources to compete effectively in global markets. Previous studies have shown the importance of managerial ties in emerging economies, but not in developing economies. The purpose of this study is to investigate the impact of political ties and business ties on MNCs' performance in Ethiopia using a resource dependency approach. Integrating resource dependency theory and the social capital view, we examine the mediating effect of resource acquisition on managerial ties (political and business ties) and firm performance. In this regard, the survey data was gathered using a purposive sampling method based on a list of foreign direct investment projects recognized by the Ethiopian Investment Commission from 1992 to 2019. The hypotheses were also tested using hierarchical regression analysis, and the results were further validated using process macro models. An examination of survey data from 232 multinational corporations in Ethiopia's manufacturing industry, both business and political ties have a positive and significant impact on firm performance. Furthermore, resource acquisition has a positive and significant effect on firm performance. Second, our study found that political and business ties are important determinants of firms' resource acquisition activities. This research implies that top managers' political and business ties have a significant influence on firm performance by facilitating the acquisition of external resources. This means that resource acquisition mediates the relationship between managerial ties and firm performance.

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1. Introduction

Managers' external social networks, defined as their systems of ties with other actors outside their firm, are widely recognized as an important predictor of their access to resources, information, and knowledge (Gulati, Nohria, & Zaheer, 2000). Managerial ties, which are described as the boundary-spanning interpersonal connections of senior managers (Boisot and Child, 1996; Li, 2005), are particularly essential mechanisms for resource acquisition. Firm managers frequently commit significant amounts of time, money, and other resources to developing and maintaining external social ties (Li, 2005).

Managers' social networks, for example, tie with business partners and government officials that could be employed for organizational purposes (Luo, Huang & Wang, 2012). The setup of a network needs time and energy, and the network at different stages influences resource acquisition of the firm differently. Firms develop; the social network will change, impacting the amount of resources acquired and thus the firm's performance. The variety and number of connections (Burt 1982; 1992), the broader the external network is, the easier it is to have access to resources. Then the firm can obtain the resources according to demand (Burt 1992), which illustrates strong resource acquisition capability. Therefore, the managerial network can facilitate the firm’s ability to obtain intangible and tangible resources quickly.

On the other hand, resource dependency theory suggests that firms are limited in their resources due to the presence of outside factors (AbouAssi, 2013). When this happens, individuals are reliant on their environment, including the people and things around them, for everything they need, including financial, physical, and human resources. This means that the resource dependency theory focuses on a firm's need to access resources from other environmental actors and explains how resource scarcity drives businesses to seek performance that uses alternative resources (Pfeffer & Salancik, 1978/2003). In addition, Elfring and Hulsink (2003) posit that the core strategy of the firm is to get resources needed at the lowest cost and that a social network plays an important role in capturing resources. That is to say, close and sparse managerial ties can both provide MNCs with resources. Because of the large range of the managerial ties, the amount and quality of the resources can be improved, which can enhance and advance the efficiency of resource acquisition to obtain sustainable competitive advantages.

From the above theoretical perspective, previous studies have found that the effects of managerial ties on firm performance are contingent (Gu, Hung, & Tse, 2008) or depend on the type of ties (Sheng, Zhou, & Li, 2011). For example, (Wu W., 2007) investigates the role of knowledge exchange as a mediator in the relationship between social capital dimensions and firm competitiveness. In addition, (Fan, Liang, Liu, & Hou, 2013) investigates whether contextual factors such as culture type, market environment, and company size influence the relationship between managerial ties and performance. Likewise, (Sami, Rahnavard, & Alavi Tabar, 2019) investigated the mediating role of product innovation in the relationship between managerial links and firm performance in the emerging economy. The previous research looked at how institutional distance, environmental instability, industry type, and firm size affected the relationship between managerial ties and firm performance. Furthermore, the above research on the relationship between managerial links and firm performance relied on a variety of theoretical integrations and was primarily focused on emerging economies (Chen, Liu, Wei, & Gu, 2018; Chung, Wang, Huang, & Yang, 2016; Sami, Rahnavard, & Alavi Tabar, 2019; Yeniaras, Kaya, & Dayan, 2020).

Nonetheless, in developing economies, the integrating role of social capital and resource dependency theories to explain MNC performance remains unexplored. There is little information to assess if MNCs are forming social networking ties with host government officials and domestic firms in developing economies and whether these relationships increase/or alter MNC performance. From this perspective, this study explores the impact of political ties and business ties on firm performance as well as we analyzed the mediating role of resource acquisition on the relationship between managerial ties (political ties and business ties) and firm performance.

2. Theory and hypothesis development

2.1 Social capital and firm performance

Managerial relationships can help businesses deal with uncertainty in formal institutional systems and secure external resources (Fan, Liang, Liu, & Hou, 2013). Furthermore, Li (2005) and (Peng & Luo, 2000) demonstrate that establishing links with external bodies, such as political bodies, is a critical driver of superior firm performance. According to Peng and Luo's (2000) research, managerial networking relationships and ties with top managers at other firms and government officials help improve organizational performance. Previous research (Wu, Wang, Chen, & Pan, 2008) found that an external organizational networking system can help a company gain a competitive advantage. Similarly, (Burt, 1997) proposed that organizations with strong external networking ties to other national/international companies can quickly obtain a significant amount of resources, which is very useful for competitive advantage and improves firm performance. Managerial relationships can provide critical information as well as legitimacy, both of which can be used to achieve positive outcomes (Chow & Lee, 2008; Luo, Huang, & Wang, 2012). This means that social capital reflects the ability of actors to benefit from their social structures, networks, and memberships (Davidsson & Honig, 2003).

2.2 The impact of political ties (ties with government officials) on firm performance

According to Wu and Cheng (2011), political relations play a constructive and effective role in securing government assistance. As emerging economies transition to a more market-centered and rule-based system, an increasing number of academics are emphasizing the importance of firms' political ties, which is especially true in weak-institutionalized emerging and developing economies (Acquaah M., 2007). A manager’s contacts with government officials include shortcuts to scarce resources such as real property, bank loans, subsidies, and tax advantages, all of which are governed by emerging economies (Faccio M., 2006). Similarly, ties to policymakers and regulatory bodies have been found to have a positive impact on firm value (Faccio, 2006; Park & Luo, 2001; Hillman, Zardkoohi, & Bierman, 1999). Furthermore, political ties allow businesses to collaborate closely with governments and gain access to privileged knowledge and services that the general public does not have, giving them a competitive advantage (Peng & Luo, 2000; Sheng, Zhou, & Li, 2011). Companies can obtain legal and key resources, such as proper policies, limited resources, and political credibility, as well as operational support, such as regulatory interpretation, contract enforcement, and negotiation resolution, by leveraging political relationships (Dong, Li, & Tse, 2013).

Companies with strong political ties will have a better chance of obtaining critical government resources such as land and financial loans (Khwaja & Main, 2005). Such tools are critical to a company's ability to strengthen its production processes and gain a competitive advantage. Overall, empirical studies conducted in China have revealed that political ties have a positive impact on corporate performance (Guo, Xu, & Jacobs, 2014). Political ties increase a firm's political legitimacy or the extent to which government officials or agencies believe the focal firm's actions are desirable and appropriate (Suchman, 1995). Business organizations rely more on political parties in political relationships because they control scarce regulatory resources (Li, Zhou, and Shao, 2009). Overall, empirical studies conducted in China have revealed that political ties have a positive impact on corporate performance (Heide & John, 1992; Peng & Luo, 2000).

Based on the empirical evidence presented above, we contend that partnerships with government officials assist businesses in obtaining scarce resources such as access to finance, assets, and human resources. Organizational performance, growth, and effectiveness are all directly influenced by social capital (Sherman, 2007). The positive correlations between the firm's social capital and performance are demonstrated by this empirical research. Furthermore, the strategic use of resource-based social capital has the potential to affect business growth. As a result, in this study, we focus on the social capital of managerial ties established by an organization's top managers through personal and social networking relationships with external entities.

H1: Political ties positively and significantly influence firm performance.

2.3 The impact of business ties (ties with top managers at other firm) on firm performance

Business ties represent a company's managers who have links with their local business partners (Li, Lee, and Zhang, 2018). Business ties are informal, interpersonal social relationships that a company has with other members of the business community, such as customers, suppliers, competitors, and other collaborators.

Previous studies suggest that, business relationships assist companies in improving their performance (Ang, 2008). According to a recent study on Iranian manufacturers (Sami, Rahnavard, & Alavi Tabar, 2019), business ties have a significant impact on company performance. Furthermore, business ties earn credits between companies by cooperating to solve common problems (Uzzi, 1997). In this regard, business relationships provide companies with valuable resources (Heide & John, 1992) and then firms have a common interest in maximizing their economic gains in business relationships, so the parties work together to set up exchanges (Ghosh & John, 1999). Similarly, (Guillen, 2000) discovers that close relationships within business groups enable businesses to gain a resource advantage in areas such as securing technology and know-how, coordinating financial packages, purchasing land and establishing plants, and recruiting and training employees.

Building relationships with the local business community, in particular, is an excellent way to mitigate the risk of being foreign because it allows for the transfer of local knowledge, shared learning, and resource sharing. Ties with suppliers, for example, enable a company to obtain high-quality materials and timely delivery, which is often difficult to obtain in emerging economies; connections with top executives at other companies in the same industry also facilitate information exchange, which can reveal valuable insider information (Boisot & Child, 1996; Xin & Pearce, 1996). Close ties with buyers help foreign firms understand the tastes and preferences of local customers, allowing them to better serve their customers and earn customer loyalty (Li, 2005). These arguments lead to the following hypothesis.

H2: Business ties positively and significantly influence firm performance.

2.4 The impact of political ties on resource acquisition

Governments and politicians are sources of reliance for businesses due to their regulatory power (Laster, Hillman, Zardkoohi, & Cannella, 2008). This is especially true in developing countries, where politicians have a firmer grip on vital resources and information (Acquaah 2007; Guo et al. 2014). Firms must be able to acquire resources from outside sources on a continuous basis in order to build and maintain a competitive advantage (Madhok, 2002; Wu, Wang, Chen, & Pan, 2008). In this case, managerial ties, as one type of social capital, can help firms acquire and obtain scarce resources, thereby providing a source of competitive advantage (Gu, Hung, & Tse, 2008). Thus, in order to obtain the necessary resources, (Frynas, Mellahi, & Pigman, 2006) demonstrated that MNCs that can develop and exploit effective political relationships with host country governments have a competitive advantage over rivals. These networking relationships act as conduits for the exchange of information, resources, and opportunities that can benefit a company (Gargiulo & Benassi, 2000). Previous research has found that management relationships improve the exchange and sharing of scarce resources (Li, Poppo, & Zhou, 2008; Wu, Wang, Chen, & Pan, 2008).

Due to the fact that the government manages many scarce resources, such as low-cost real estate, bank loans, grants, special incentives, and tax breaks, and then relationships with government officials provide these strategic resources (Khwaja & Main, 2005). Furthermore, governmental authorities generally direct economic activities by developing business growth strategies and management policies. This means that political connections enable corporations to gain access to these advantages and data ahead of their competitors (Hillman, Zardkoohi, & Bierman, 1999). Furthermore, political relations may give businesses political credibility or increase the degree to which government officials consider the organization's actions to be satisfactory and reasonable (Suchman, 1995). This political credibility then enables businesses to obtain one-of-a-kind government endorsements, preferential treatment, and other strategic tools. Political ties are positively related to corporate success because the government controls a significant percentage of scarce resources, such as low-cost real estate, bank loans, subsidies, special incentives, and tax breaks (Khwaja & Main, 2005; Faccio, 2006).

Political relations may also provide businesses with political legitimacy or increase the degree to which government officials regard the corporation's actions as satisfactory and reasonable (Suchman, 1995). Due to insufficient legal institutions, the interpretation and enforcement of rules and regulations are at the discretion of local authorities (Luo, 2007). Political ties enable businesses to get significant insights into the policy environment from the government, as well as limited access to the most recent policy information (Hillman & Hitt, 1999). Furthermore, political ties assist businesses in learning about the opportunities, channels, and procedures of government resources, as well as understanding the relevant policy systems for government resource allocation, which can improve enterprises' chances of obtaining political subsidies and other asset resources.

2.5 The impact of business ties on resource acquisition

Business ties are connections between managers and their equivalents (e.g., buyers, suppliers, and competitors) in other organizations (Peng & Luo, 2000). Because social links enhance knowledge transmission, knowledge learning, and resource exchange (Adler & Kwon, 2002), and it is an important mechanism for a company and its management to absorb tacit and explicit knowledge, expertise, and know-how through collaboration with partners.

Furthermore, ties with other firms can provide valuable knowledge services, such as market information, that may not be available in an arm's length market, and a company's business conduct reflects the company's image. Thus, business ties may enable companies to gain a high level of credibility within the network (Rao, Chandy, & Prabhu, 2008). Companies must obtain outside resources on a consistent basis in order to build and maintain a competitive advantage (Madhok, 2002).

Thus, establishing relationships with business actors, for example, may provide additional opportunities to obtain valuable information and resources from partners' external resources

(Peng & Luo, 2000), Relationships between managers and customers, on the other hand, may provide their companies with highly loyal customers as well as important market demand information (Li, 2005). As a result, managerial relationships are one type of social capital that can assist businesses in obtaining and acquiring scarce resources and can be used to gain a competitive advantage (Gu, Hung, & Tse, 2008).

2.6 The impact of resource acquisition on firm performance

According to Ahuja (2000), the deeper the link between members, the faster the pace of sharing resources is, allowing firms to obtain resources needed to improve the competency and efficacy of that process. Bowman and Collier (2006) argue that alliances and network interactions are an important route to resource acquisition. Firms can leverage external relationships to draw resources and adjust the limitations impacting the firm to achieve this goal (Pfeffer and Salancik 1978).

We anticipate that the firm's competitiveness will improve as a result of acquiring significant resources from networks, putting it in a better position to provide more distinctive goods and respond to new customer demands faster than competitors (Sirmon, Hitt, & Ireland, 2007). The empirical findings show a positive relationship between a firm's resource acquisition and performance. Previous researcher suggests that resources are a critical factor in improving business performance (Zhu & Chen, 2010).

Previous research has demonstrated that a social network may help a company find new resources, resulting in rapid expansion and greater performance (Black and Boal 1994, Waston, 2006). Furthermore, as a company grows, its social network evolves, influencing the amount of resources collected and, as a result, its performance. When the overall results are considered, they reveal that it is desirable for a corporation to create a strong network in order to acquire the resources required for growth and success. The favorable relationship between social networks and corporate success is taken to a new level by identifying the critical function that a network plays in resource acquisition.

Likewise, other researchers show that a social network can assist a business in identifying new resources, resulting in increased growth and performance (Black & Boal, 1994). As a result, close relationships between managers and government officials assist their companies in overcoming institutional barriers and obtaining a variety of privileges to obtain external resources (Peng & Luo, 2000), because managerial relations necessitate the use of external resources, businesses should combine them with internal resources to improve company performance (Tortoriello, 2015). We expect that the acquisition of valuable resources from networks improves a firm's competitiveness over its counterparts', and puts it in a favored position in providing more differentiated products and satisfying customer needs promptly (Sirmon, Hitt, & Ireland, 2007). Therefore, resource acquisition is positively related to firm performance. These arguments lead to the following hypothesis.

H3: Resource acquisition positively and significantly influence firm performance

2.7 The mediating role of resource acquisition

Recent social network studies show that other factors, such as organizational characteristics, market competition, and industry-level factors, influence the importance of managerial relationships (Li, Poppo, & Zhou, 2008). Furthermore, (Wu W., 2007) investigates the mediating role of knowledge exchange in the relationships between the dimensions of social capital and firm competitiveness, and the result shows that knowledge exchange plays a mediating role in the relationship between three dimensions of social capital (network ties) and firm competitiveness improvement.

Furthermore, (Zhu, Su, & Shou, 2017) investigate how business and political ties affect firm performance by integrating dynamic capacities and relational governance theories. The findings indicate that increased firm adaptability and decreased opportunities mediate the contribution of political and business ties to firm performance. Furthermore, when legal enforcement is lax, political ties help firms perform better by limiting supplier opportunities, whereas when demand uncertainty is high, adaptive competence plays a larger role in mediating the relationship between business ties and firm performance.

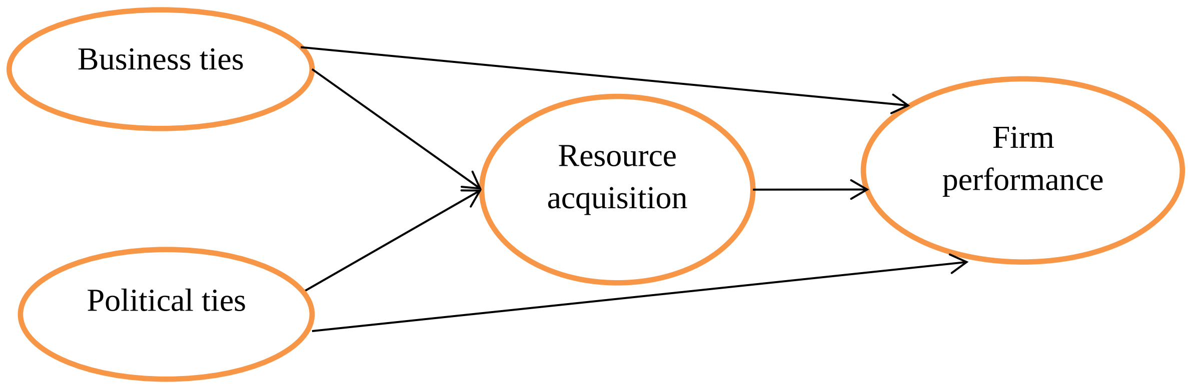
Furthermore, (Sami, Rahnavard, & Alavi Tabar, 2019) look into the role of product innovation as a mediator in the relationship between managerial ties (political and business ties) and company performance. The data from 267 Iranian manufacturing firms suggest that business ties influence firm performance through product innovation, but the role of innovation as a mediating variable in the linkages between political ties and company performance has not been established.

Also, resource acquisition facilitates these firms outperforming other rivals by developing a competitive advantage (Jiang et al., 2018). Many studies have shown that resource shortages are the main obstacles hindering the survival and growth of firms, and the government is also controlling the scarce resources of firms. Political ties help companies obtain resources from the government and thus improve firm performance. Si (2014) proved that the political ties of firms played a decisive role in helping the innovation performance of enterprises through resource acquisition. There is a clear positive relationship between the development of social networks and the performance of firms (Baum et al., 2000). These arguments lead to the following hypothesis.

H4: Resource acquisition mediates the positive relationship between business ties and firm performance.

H5: Resource acquisition mediates the positive relationship between political ties and firm performance.

Conceptual framework of the study



3. Methodology

3.1 Data collection

Data collection is essential in research because the data is intended to contribute to a better understanding of a theoretical framework (Bernard, 2002). The questionnaire was a research tool in our study that consisted of a series of questions and other prompts designed to elicit information from respondents. The questionnaire is divided into two sections. The first section focused on firm characteristics such as industry, ownership type, number of employees, and number of years since the firm was founded. The second section will include items concerning the measurement of independent variables (business and political ties), mediators (resource acquisitions), moderators (institutional support), and dependent variables (firm performance). On the basis of a thorough, in-depth review of related literature, we created an English version of the questionnaire. The survey was sent to the manager in charge of business operations or the most senior member of the firm's staff. Top managers (firm general managers and marketing managers) were required to complete the questionnaire used to analyze the proposed hypothesis in our study. General Managers and marketing managers in firms are appropriate respondents because they are specifically in charge of day-to-day operations as well as the reception of government officials and top executives from business partners.

Data for this study were gathered through a survey, which was carried out with the assistance of industry park and cluster center coordinators. According to the Ethiopian Investment Commission's list of firms, questionnaires were distributed on-site, along with instructions and available input on completion, as well as a recommendation letter from the Federal Democratic Republic of Ethiopia's Trade and Industry Minister. For sample sizes calculation we follow Yamane (1967) simplified formula. As a result, we distributed 260 questionnaires on the spot and received 240 responses. This indicates that the response rate was approximately 92 percent. Due to incomplete responses, eight questionnaires were discarded, leaving 232 for final analysis. Furthermore, in-depth interviews were conducted as a preliminary phase to collect valuable insights, experiences, and perspectives that are difficult to obtain through other research techniques (Creswell and Clark, 2007; Zhao and Ha-Brookshire, 2018). In this regard, we interviewed eight managers from four multinational corporations: one from China, one from India, one from Spain, and one from IJV (Ethiopia and India). As a result, we adjusted our questionnaire preparation based on the interview results.

3.2 Measurement development

3.2.1. Dependent variable

Firm performance: The concept of firm performance is central to the literature on strategic management. Venkatraman and Ramanujam (1986), for example, distinguished between financial and non-financial performance. The achievement of the firm's economic goals is implied by financial performance. In addition, Zahra (1996) proposed that growth and profitability could be used to define various aspects of a company's success. Similarly, (Stam, Arzlanian, & Elfring, 2014) proposed that firm performance was comprised of three components: growth, profitability, and non-financial performance.

In the management research field, organizational performance (a construct) is one of the most important, and studies almost all assume it as a dependent variable. Organizational performance is commonly referred to be financial performance in the classical approach. An in-depth study published in 2010, which was published in the Journal of Corporate Finance, revealed that the most often utilized indicators of business performance include profitability, sales growth, ROI, and return on equity (ROE).

Furthermore, previous studies (Halaazovich & Lundan, 2015; Li J., 2005, for example) used market-based or accounting measures, which have obvious advantages. Nonetheless, due to firm unwillingness and difficulties, we tend to use perceptual indicators from other studies. Due to the unwillingness of most firms to provide such data, it is difficult to obtain publicly available information about firms' objective performance data in Ethiopia. When objective evidence is either unavailable or difficult to obtain, it is common practice to solicit subjective performance information (e.g., Acquaah, 2007; Bowman and Ambrosini, 1997; Li & Zhang, 2007; Tan and Peng, 2003). In this regard, we adapted firm performance measures from (Chen, Liu, Wei, & Gu, 2018; Li Zhang, 2007; Zhou, Yim, & Tse, 2007). More specifically, perceptual measures of overall success of international business or success in achieving organizational goals have been recommended by researchers (Cavusgil & Zou, 1994; Morgan, Kaleka, & Katsikeas, 2004). Based on the findings of the preceding studies, we devised a four-item scale ranging from 1 (fear below) to 7 (fear above).

Therefore, in terms of sales growth, market share growth, return on assets, and profit growth rate, the measure compares a company's performance to that of its major competitors in the same industry. Respondents were asked to rate their company's performance over the last three years in comparison to its main competitors based on four performance indicators: such as, sales growth, market share growth, return on asset, and profit growth rate. As a result, the four performance indicators' scores were combined to produce a composite measure of firm performance. As a result, a single measure of firm performance is used to capture the multidimensionality of the performance construct as well as for parsimony (Bae and Lawler, 2000).

3.2.2 Independent variables

We explored social network in two dimensions, business ties such as relationships with the top managers of buyer firms, top managers of supplier firms or top managers of competitor firms, and political ties such as a relationship with political leaders in various levels of the government, officials in industrial bureaus, or officials in regulatory and supporting organizations such as tax bureaus, banks, commercial administration bureaus, and the like (Peng & Luo, 2000). Previous studies suggest that administrators are extremely protective of confidential information due to corporate secrets (Peng and Luo, 2000). In this sense, we adhere to perceptual measures of relationship utilization (Batjargal and Liu, 2004; Peng and Luo, 2000; Sheng et al., 2011).

Thus, political ties measures were adapted from (Acquaah, 2007; Peng & Lou, 2000; Sheng et al., 2011; Li & Zhang, 2007; Xin & Peace, 1996), and the study developed a five-item scale ranging from 1 = strongly disagree to 7 = strongly agree. Political ties, according to Acquaah (2007), are social capital derived from networking relationships with government officials in various industrial bureaus and officials in regulatory and supporting organizations such as tax bureaus, banks, and commercial administration bureaus. As a result, the measures assess the strength of firm managers' political ties by taking into account managers' perceptions of the importance of developing strong political ties, their efforts to do so, and the perceived quality of the political ties they have developed.

Business ties were measured using scales developed by (Peng & Lou, 2000; Liu et al., 2013; Li et al., 2009; Sheng et al., 2011), and the study created a four-item scale for managerial business ties. Managers' ties with buyers, suppliers, distributors, competitors, and some other key firms in the host market are used to estimate business ties. Each item was scored on a seven-point Likert scale, with 1 being strongly disagree and 7 being strongly agree.

3.2.3 Mediator variable

Resource Acquisition: We developed a response scale that captures the various outcomes of resource acquisition as perceived by managers. The measurement of resource acquisition mainly refers to (Wang & Wang, 2016; Sirmon et al., 2007; and Wang, Jiang, Yuan, & Yi, 2011). Resource acquisition was explored in three aspects: information resource acquisition, managerial expertise resource acquisition, and financial and human resource acquisition. We administered five items in a Likert-type response format, with responses ranging from 1 "strongly disagree" to 7 "strongly agree."

3.2.4 Control variables

A control variable is a variable that the researcher suspects to be influencing the relationship between the dependent and independents variables (Rubin, 2009; Al-Surmi, Gao & Duan, 2020). We will keep an eye on a number of factors related to the firm's performance. Because previous studies have suggested that both organizational (e.g., firm age, firm size, experience) and environmental factors may affect managerial networking (Li and Zhang, 2007; Luo, 2003; Park & Luo, 2001), we control for these effects in our analyses. This is due to previous research indicating that these variables have the potential to influence a firm's performance. As a result, the control variables used in this study are firm size, firm age, manager education, and environmental turbulence.

To assess the strength and statistical significance of the relationship between variables, we used a number of procedures. In this regard, we used the AMOS computer program to test validity and reliability (Byrne, 2010; Kline, 2005; Schumacher & Lomax, 2004). In addition, to estimate the proposed hypothesis, we used hierarchical regression analysis. Further, process models 4 (simple mediation) was used to test the robustness of the results (Hays, 2018). Based on these comprehensive methods, we estimated the impact of management ties on MNCs performance in Ethiopia using the resource dependency approach.

4. Analysis and result

4.1 Respondent demographic characteristics

As shown in Table 1 the study sample includes food and beverages (16.8%), textiles, garments, and apparel (31.8%), steel and metal products (13%), rubber and plastic products (17.6%), leather and leather products (3.9%), and other covers (16%). In Ethiopia, most MNC companies are operating in textiles, garments and apparel, food & beverage, and rubber and plastic products respectively. Therefore, our data reflects this fact and the firms’ variety enhances the generalizability of the result.

Table 1: Distribution of sample companies

Industry Type	Frequency	Percent (%)
Food & Beverage	44	19
Textile, Garment and leather product	74	32
Leather and Leather product	9	4
Steel and metal product	30	13
Rubber and Plastic product	41	17
Pharmaceutical industry	6	3
Furniture Manufacturing	7	3
Others	21	9

Our sample respondents also indicates that most of the respondents (54%) have attained a first degree and 39% have completed a master’s degree or above. This shows that the majority of respondents were well-educated, with four-year college degrees and masters. There were 30 companies with less than 100 employees, those with 100 to 500 employees were 147 companies, those with more than 501 to 1000 employees were 44 companies, and those with more than 1001 employees were 24. Firms between the ages of 3 and 5 were (42%), those between the ages of 6 and 10 were (32%), firms between the ages of 11 and 15 were (11%), and firms between the ages of 16 and above were 10%. As a result, the diversity of industries, geographic distributions, manager education, company size, and age demonstrate that our sample was representative.

4.2 Common Method Bias

We used a standard process bias test to determine whether the results of our measurement model were influenced by a method bias because the data for both independent and dependent variables were collected by the same respondents. I used three tests to look for bias: I Harman's single-factor test (Podsakoff, Mackenzie, Lee, & Podsakoff, 2003); ii) the correlation matrix (Bagozzi, Yi, & Phillips, 1991); and iii) variance inflation factors (Kock, 2015). As a result, Harman's single-factor test shows that the extracted number of square loadings is 43 percent and meets the requirement (below 50 percent). Second, (Bagozzi, Yi, & Phillips, 1991) proposed an additional test for the existence of CMB: if the correlation table shows extremely strong correlations (greater than 0.90) between variables, there is a typical process bias. In this case, the result indicates that the correlations between constructs are not extremely high, with a value of less than 0.75. Third, the study model is considered CMB-free if all VIF values from a complete collinearity test are equal to or less than 3.3 (Kock, 2015). The result shows that the variance inflation factor (VIF) for all variables is less than 1.92. These findings provide evidence that common technique bias did not pose a substantial concern to this study.

4.3 Linearity

Scatter plots and curve estimation regression were used to assess linearity for all direct effects in our model. The results show that the variables' relationships are sufficiently linear (i.e., all p-values were less than 0.05). In addition, the scatter plot demonstrates a linear relationship.

4.4 Multicollinearity test

To control for multicollinearity in the output, the tolerance values or Variance Inflation Factors (VIF) can be used. Low tolerance levels (Tolk 0.2 or VIF > 5) indicate the possibility of multicollinearity. Then, before proceeding to test the hypotheses, we performed a series of tests to ensure that our test statistics were appropriate for the sample data. Furthermore, the largest variance inflation factor (VIF) was found to be less than 1.8, well below the benchmark of 5 (Neter, Kutner, & Nachtsheim, 1996). The results show that there are no multicollinearity issues because the tolerance values are above the 0.2 threshold and all VIF values are below the 5 threshold. Furthermore, to reduce the risk of possible multicollinearity while testing the moderation effect, all of the independent variables were mean-centered (Aiken & West, 1991).

4.5 The reliability and validity test

The reliability and validity of the scale must be evaluated in order to reach confirmation and correctly interpret the representation of the constructs by the observed variables (Hair et al., 2009). Table 2 describes the indicators as well as the sources from which they were derived. First, a coefficient alpha test examined the internal consistency of the scales of business ties 0.84, political ties 0.87, resource acquisition 0.88, and firm performance 0.85. All scales were well above the 0.7 cut-off, as suggested by Nunnally (1978). Furthermore, in the composite reliability test, all variables scored greater than 0.85. The composite reliability values and Cronbach's values exceeded the criterion of 0.7, indicating reasonable reliability (Hair, Larcker, Babin, & Anderson, 2010).

Secondly, Hair et al. (1998) state that validity is the extent to which the concept one wishes to measure is actually being measured by a particular scale or index and is concerned with how well the concept is defined by the measure(s). In this regard, we tested discriminant and convergent validity among constructs. In terms of convergent validity, Table 4.4, indicates that all item loadings were greater than 0.70. Furthermore, all of the average variance extracted (AVE) scores were greater than 0.50. The convergent validity criteria, according to Fornell and Larcker (1981), are that the average variance extracted (AVE) is greater than 0.5. Our measures' convergent validity was confirmed by the results.

Table 2: Convergent validity and reliability test

Variables	Items	Factor loading	Cronbach alpha	CR	AVE
Business ties	BT1	0.789	0.845	0.8448	0.5773
	BT2	0.789			
	BT3	0.739			
	BT4	0.720			
Political ties	PT1	0.736	0.881	0.8834	0.6034
	PT2	0.721			
	PT3	0.771			
	PT4	0.817			
	PT5	0.833			
Resource acquisition	RA1	0.771	0.889	0.8910	0.6212
	RA2	0.811			
	RA3	0.740			
	RA4	0.761			
	RA5	0.853			
FP	FP1	0.773	0.853	0.8537	0.5936
	FP2	0.762			
	FP3	0.798			
	FP4	0.748			

Next, to assess the discriminant validity, Fornell & Larcker's (1981) criterion, the square root of the AVE for each construct should be higher than the correlation between constructs. Also, the maximum shared squared variance (MSV), and average shared squared variance (ASV) should be less than AVE (Hair et al. 2010; Alhaddad, 2015). Table 3, displays the discriminant validity test results of the factor correlation matrix. We checked for discriminant validity after estimating AVE by examining whether the square root of AVE for each construct (within-construct variance) is greater than the correlations between constructs (between-construct variance) (Fornell & Larcker, 1981). The AVE square root (the numbers on Table 4.5's diagonal) should be greater than the correlation of that construct with others in the model. In the test of discriminant validity, as shown in the Table 4.5, the AVE square root of each variable is greater than the correlation coefficient of the variable with other variables (Fornell & Larcker, 1981), and results explains that variables have better distinguish validity.

Table 3: Discriminant validity test

	BT	PT	RA	FP
BT	**0.759**			
PT	0.624	**0.776**		
RA	0.645	0.659	**0.788**	
FP	0.729	0.759	0.747	**0.771**

BT-Business ties; PT-Political ties; RA-Resource acquisition; FP-Firm performance

The values in the diagonal line (in bold) in Table 3, which are the square root of the AVE for each construct, are significantly greater than the correlation coefficients, indicating that the constructs have discriminant validity. The outcome demonstrates that the square root of the AVE of the reflective constructs of firm performance, resource acquisition, business ties, and political ties is greater than the corresponding latent variable correlations (LVC). As a result, the estimation results for reliability and validity measures show that our measures are sufficiently reliable and valid.

Third, AMOS provides a chi-square value and five additional fit indices that assess the path models, the goodness-of-fit index (GFI), the adjusted goodness-of- fit index (AGFI), the normed fit index (NFI), the comparative fit index (CFI), and root mean square error of approximation (RMSEA) (Li, Huang, & Tsai, 2009). The five-factor CFA model includes the following constructs: political ties, business ties, resource acquisition, and firm performance. The results, shown in Table 4.6, indicate that our model offers a good fit to the sample data: GFI=0.92 =0.90, NFI = 0.93, IFI = 0.98, TLI = 0.98, CFI = 0.98, RMSEA= 0.039, PNFI=0.78 and PCFI=0.82. All item loadings were significant and matched the hypothesis ($p < .01$). The chi-square/df value for this model is 1.35 which is less than the threshold of 3 indicates a good fit model. Hence, the model is stable and converges correctly.

The following cutoff criteria were used: (1) for 'acceptable' model fit: RMSEA < 0.08; GFI > 0.90; CFI > 0.90; NFI > 0.90; IFI > 0.90; and (2) for 'good' model fit: RMSEA < 0.06; GFI > 0.95; CFI > 0.95; NFI > 0.95; IFI > 0.95. These criteria are generally accepted (Hu and Bentler 1999; Kline 1998).

4.6 Regression analysis

The summary statistics and correlation coefficients for all variables in this study are shown in Table 4. The correlation coefficients between the independent and control variables were low, indicating that there was no significant multicollinearity between the variables. There were no abnormally high correlations observed between any of the variables in the correlation matrix (Field, 2005). The values of the variance inflation factor (VIF) were examined to determine whether multicollinearity existed in the regression model. As a result, multicollinearity was not a significant issue in our models.

Table 4: Mean, standard deviation, and correlations

	M	SD	EDU	EXP	Age	Size	EM	BT	PT	RA	FP
EDU	3.33	0.61									
EXP	7.47	4.8	-0.14*								
Age	8.26	4.57	0.24**	0.08*							
Size	395	451	00.31**	0.04	0.29**						
EM	4.44	0.91	0.17**	-0.07	0.20**	0.17**					
BT	4.73	0.75	0.23**	-0.06	0.23**	0.29**	0.53**				
PT	5.11	0.64	0.31**	-0.10*	0.28**	0.37**	0.41**	0.54**			
RA	4.59	0.69	0.25**	-0.14**	0.16*	0.23**	0.47**	0.56**	0.59**		
FP	4.54	0.74	00.31**	-0.07	0.34**	0.39**	0.57**	0.62**	0.66**	0.65**	1

Note: N- 232; **. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.7 The mediating effect of resource acquisition

This study looked into the direct impact of political ties and business ties on firm performance, as well as the mediating effect of resource acquisition between independent and dependent variables. To test the hypotheses, a hierarchical multiple regression was used. In this sense, we used the procedure recommended by (Baron & Kenny, 1986), which requires four conditions to be met: the effect of the independent variable on the dependent variable must be significant, the effect of the independent variable on the mediating variable must be significant, the effect of the mediating variable on the dependent variable must be significant, and when the mediating variable is included in the model, the independent variable's effect on the dependent variable must be insignificant for full mediation or reduced in size for partial mediation.

In this regard, H1 proposed that political ties positively and significantly related to firm performance. Additionally, H2 proposed that business ties positively and significantly related to firm performance. Table 4.8, presents the hierarchical regression used to examine Hypotheses 1 to 5. First, we looked at the effects of the control variables on firm performance by regressing performance against each of the four control variables (Model 1). Thus, in model 1, we estimated the relationship between control variables and firm performance. The results show that control variables for example education ($b= 0.16$, $t=2.8$, $p=0.05$); firm age ($\beta = 0.14$, $t = 2.6$, $p = 0.01$); firm size ($\beta = 0.22$, $t = 4.1$, $p = 0.000$), and environmental munificence ($\beta = 0.47$, $t = 9.4$, $p = 0.000$) were significant and positively related to firm performance, while experience and ownership type has insignificant effect on firm performance ($\beta=-0.03$, $t= -0.05$, $p=0.96$) and ($\beta =0.06$, $t=1.1$, $p=0.28$) respectively. This means that education, firm size, firm age, and environmental munificence all have positive and significant effects on firm performance in the base line model, whereas experience and ownership type have insignificant effect on firm performance. Afterward, in step 1, to test the effects of political ties and business ties on firm performance, we added these two independent variables. Thus, in model 2, the results show that both business ties ($\beta = 0.21$, $t = 3.8$, $p= 0.000$) and political ties ($\beta = 0.40$, $t = 6.7$, $p=0.000$) are positively and significantly related with firm performance. This demonstrates that ties with local firms and ties with government officials have a significant positive effect on MNC performance in Ethiopia. Thus, both H1 and H2 are supported by these findings.

Accordingly, in the second step, we test the impact of business and political ties on resource acquisition (mediating variable). As we have shown in model 3, both business ties ($\beta =0.26$, $t =3.9$, $p =0.000$) and political ties ($\beta =0.38$, $t=5.9$, $p =0.000$) have a positive and significant effect on resource acquisition. H3 also predict that resource acquisition positively and significantly influence firm performance. In this regard, resource acquisition has a positive and significant effect on firm performance ($\beta =0.27$, $t = 5.0$, $p = 0.000$). The result shows that resource acquisition positively influences MNCs' performance, indicating support H3. In the third step, when resource acquisition is included in the model, the effect of business ties on firm performance ($\beta =0.21$, $t = 3.8$, $p =0.000$ vs $\beta =0.14$, $t = 2.6$, $p =0.009$) and the impact of political ties on firm performance (β = 0.36, t = 6.7, p =0.000 vs = β = 0.26, t = 4.7, p =0.000) were significant and weaker. Here, H4 predicts that resource acquisition mediates the positive link between business ties and firm performance. Additionally, H5 argues that resource acquisition mediates the positive relationship between political ties and firm performance. The result supports H4 and H5 by indicating that resource acquisition partially mediates the relationship between two types of managerial ties (business and political) and MNC performance.

Table 5: Mediated hierarchical regression result

	Firm Performance									Resource acquisition		
Variables	Model 1			Model 2			Model 4			Model 3		
	B	**t**	**p**	**B**	**t**	**p**	**B**	**t**	**p**	**B**	**t**	**p**
Control												
EDU	0.16	2.6	0.01	0.08	1.8	0.07	0.07	1.6	0.11	0.05	0.9	0.36
EXP	-0.03	-0.05	0.96	0.03	0.69	0.48	0 .05	1.1	0 .26	-0.01	-1.1	0.25
OT	0.06	1.1	0.28	0.05	1.1	0 .25	0.05	1.1	0.29	0.02	0.42	0.67
Age	0.14	2.6	0.01	0.08	1.8	0.06	0.09	2.2	0 .03	-0.04	-0.77	0.44
Size	0.22	4.1	0.000	0.09	2.1	0 .04	0.10	2.2	0.02	-0.02	-0.29	0.77
EM	0 .47	9.4	0 .000	0.26	5.2	0.000	0.21	4.3	0 .000	0.18	3.0	0.003
Independent variables												
BT				0.21	3.8**	0.000	0.14	2.6*	0.009	0.26	3.9**	0.000
PT				0.36	6.7**	0.000	0.26	4.7**	0.000	0.38	5.9**	0.000
Mediator												
RA							0.27	5.0**	0.000			
Model summery												
R^2	.465			.619			.658			.467		
ADJ. R^2	.450			.606			.644			.447		
R^2 Change				.463			.039			.187		

*Note: N = 175; BT = business ties, PT = political ties, RA = resource acquisition, IS = institutional support, FP = firm performance. ** p < 0.01, * p < 0.05 (two-tailed test).*

Further, we employ process macro 3.35 analysis to validate (robustness check) the findings. The PROCESS macro was used to test our proposed hypotheses using the mediation Model 4 (Hayes, 2013). Education, firm age, firm size, and environmental munificence were all included as covariance (control) variables in both models. The indirect effects were tested using bias-corrected bootstrapping (n = 5,000) and the indices' 95 percent confidence intervals (CI). In this sense, the mediation process includes predictors such as business and political ties, a mediator in the form of resource acquisition, and firm performance as an outcome variable. Table 6, shows that business ties have a significant positive impact on firm performance (β =0.13, t = 2.6, p=0.009) and political ties have a significant positive impact on firm performance (β =0.29, t = 4.7, p = 0.000). In addition, business ties have a positive and significant impact on resource acquisition (β = 0.23, t = 3.9, p =0.0001), although political ties have a positive and significant impact on firm performance (β =0.40, t = 5.9, p =0.0000). Furthermore, the effect of resource acquisition on firm performance is (β = 0.28, t = 5.1, p =0.000) positive and significant. The results show that zero is not included in the lower (LICI) or upper (ULCI), confirming that the indirect effect of business ties on firm performance through resource acquisition is significant (Effect =0.068, LLCI =0.0210 to ULCI =0.1322), as well as the indirect effect of political ties on firm performance through resource acquisition is also significant (Effect =0.1163, LLCI =0.0475 to ULCI =0.1973). According to the mediation result, resource acquisition mediates the relationship between business ties and firm performance. These results indicate that a change in the predictor variable (business and political ties) results in a change in the mediator (resource acquisition), and that change results in a change in the outcome variable (firm performance).

Table 6: mediating results of process model 4

Ind. variable	Model	Coff.	SE	t	P	LLCI	ULCI
BT	BT→ RA (path a)	0.2376	0.0602	3.9**	0.0001	0.1191	0.3562
	BT→FP (path c’)	0.1392	0.0529	2.6*	0.009	0.0350	0.2434
	RA→FP (path b)	0.2847	0.0569	5.0**	0.0000	0.1725	0.3968
Indirect effect:	BT→ FP (a*b)	0.0676	0.0287			0.0210	0.1322
PT	PT→RA (path a)	0.4086	0.0689	5.9**	0.0000	0.2728	0.5443
	PT→FP (path c’)	0.2967	0.0630	4.7**	0.0000	0.1726	0.4208
	RA→FP (path b)	0.2847	0.0569	5.0**	0.0000	0.1725	0.2968
Indirect effect:	PT→FP (a*b)	0.1163	0.0387			0.0475	0.1973

Bootstrap sample size = 5000

*Note: N = 175; BT = business ties, PT = political ties, RA = resource acquisition, IS = institutional support, FP = firm performance, ** p < 0.01, * p < 0.05 (two-tailed test).*

The statistical results related to this mediation process highlights the partial mediation effect between managerial ties (business and political ties) and firm performance. Therefore, the process model 4 results are consistence with the hierarchical regression results.

5. Discussions, contributions and conclusions

5.1 Discussion

We propose a model that shows the relationship between managerial ties and firm performance using by incorporating social capital theory and resource dependency theory. This study also looked into the role of resource acquisition in mediating managerial ties (ties with various levels of government officials and ties with local firms) and firm performance. Thus, our research findings have important theoretical and practical implications, which are discussed further below.

First, we investigate the impact of business and political ties on firm performance. The strength of interpersonal relationships between managers with local firms and local government officials was used to operationalize managerial ties. First, this study looked at the direct effect of managerial ties (both business and political ties) on firm performance, and then it examined the independent effect of business and political ties on the performance of multinational corporations in Ethiopia. Empirical analysis using a sample comprising 232 MNCs operating in Ethiopia showed that the strength of managerial ties with both local firms and local government officials improved their performance. We discovered that both ties with local firms and ties with government officials have a positive and statistically significant impact on firm performance. In line with this, previous research (Peng and Luo, 2000; Li and Zhang, 2007; Zhang and Li, 2008; Sheng et al., 2011; Zheng et al., 2014; and Guo et al., 2014) has found that political ties have a positive impact on firm performance. In addition, (Acquaah, 2007; Acquaah and Eshun, 2010; Shirodkar and Mohr, 2015) discovered that business ties have a positive effect on firm performance, which is consistent with our findings. According to the findings of our study, managers of multinational corporations seek to establish relationships with both government officials and managers of other firms (domestic firms). This means that managerial business ties with local firms (suppliers, buyers, competitors) are a source of marketing opportunities for MNCs, whereas ties with government officials, who continue to be the primary source of infrastructure, finance, and import-export facilitation, as well as providing incentives to promote MNCs' day-to-day operations in order to improve their performance.

Second, we test the mediating effect of resource acquisition between managerial ties and firm performance. Social capital has emerged as a business strategy that thrives on the resources embedded in a group or networks to facilitate the flow of resources in recent decades. Managerial relationships are critical in resource acquisition. However, their effects on firm performance in developing economies have rarely been studied from a social capital standpoint. For this reason, we investigated resource acquisition as a mediating mechanism between managerial ties and MNC performance in Ethiopia to bridge this gap. According to our findings, there is a positive relationship between managerial ties (political and business ties) and resource acquisition. This finding implies that MNCs have developed close networking relationships with other firms and government officials. Accordingly, our research introduced a positive relationship between resource acquisition and firm performance. Previous research suggests that by combining and integrating acquired resources, firms will gain long-term competitive advantages and achieve higher profitability (Brush, Greene, and Hart, 2001). This finding is also consistent with previous studies on business ties, firm performance, and access to financial resources (Acquaah, 2011; Uzzi, 1999). In this respect, when firms are connected to powerful or influential individuals, they benefit more from social capital.

According to our findings, MNCs in Ethiopia improved resource acquisition by strengthening managerial ties, which can successfully contribute to firm performance. These results confirmed that top managers' managerial ties play an important role in firm activities, particularly in improving firm resource acquisition and further enhancing MNC performance. Furthermore, our findings indicate that resource acquisition mediates the relationship between managerial ties (political and business ties) and firm performance. This implies that managerial relationships, as essential social capital, have a significant positive effect on performance, and that these ties increase firms' resource capacity, which improves firm performance. These findings are consistent with previous research, which found that managerial ties improve the exchange and sharing of scarce resources (Li, Poppo, & Zhou, 2008; Park & Luo, 2001; Wu, Wang, Chen, & Pan, 2008). Furthermore, other research indicates that firms with stronger political ties are more likely to obtain valuable information and political favors (Li, Zhou, & Shao, 2009). Firms have begun to recognize that in today's changing competitive environment, having abundant resources becomes increasingly difficult when they rely solely on their own. As a result, MNCs must be able to continuously acquire resources from outside sources in order to build and maintain a competitive advantage

(Madhok, 2002; Wu, 2008). Other researchers discovered that managerial relationships, as one type of social capital, can help firms acquire and obtain scarce resources, giving them a competitive advantage (Gu, Hung, & Tse, 2008). Furthermore, our findings complement Sirmon et al., (2007) findings that resource management systems improve company performance, indicating the favorable impact of resource acquisition.

According to previous research, firms rely on outside of the organization's need for resources (Hillman, Withers, & Collin, 2009; Lux, Crook, & Woehr, 2011; Wry, Cobb, & Aldrich, 2013). Our findings consistently show that having an intermediate level of business and political ties enables MNCs to more effectively exploit external sources, raw materials, information, human resources, and import and export services. This means that, despite the shortcomings of developing countries' institutional systems, firms with strong managerial ties will establish positive relationships with the government and, as a result, obtain resources. Due to a lack of internal resources (trained manpower, foreign currency, and import/export permission), MNCs in Ethiopia must acquire external resources through managerial ties in order to improve performance. Following that, our findings show that both political and business ties are important determinants of firms' resource acquisition activities. These findings contribute to the existing literature on the value of managerial ties (Gu, Hung, & Tse, 2008; Li & Zhou, 2010).

5.2. Contributions

Our study has four major contributions to the literature. The first contribution of this study lies in the fruitful integration of social network and resource dependency theories to explain the relationship between managerial ties and MNC performance in the developing economy. Our conceptual framework recognized the complementarity of these theories to explore how boundary conditions affect the relationship between managerial ties and firm performance. Therefore, theoretically, this paper studied the relationship between managerial ties (business and political ties) and a MNC’s performance and tested the positive connection. Particularly, this research emphasized managerial ties of MNCs’ with domestic firm managers.

Second, our research offers some new insights into how managerial ties help foreign firms overcome the liability of foreignness and secure other disadvantages in the context of developing economies. Previous theories supported the notion that business ties are more beneficial than political ties. However, our finding showed that ties with government officials are more beneficial than ties with domestic firms. This indicates that in an international business setting where firms are unfamiliar with the host country's business environment; they rely on managerial social connections to bridge their gaps. Thus, we argued that political ties can initially help firms assimilate into the new business environment, and further increase their chances of survival.

Third, our research also sheds light on resource acquisition in developing markets, which is critical to MNCs' performance. In the absence of a market-supporting infrastructure and due to weaknesses in factor markets, MNCs' managers find it difficult to acquire the resources necessary to facilitate their operations. This is because the government is the primary channel for channeling resources, and this leads MNC managers to believe that political networking is a crucial activity for business success.

Fourth, this study also provides empirical findings for governments and foreign investors to manage their social relations in order to enhance mutual benefits (to the host country and foreign investors). In this regard, MNCs should strengthen and expand their relationships with local enterprises and organizations in order to acquire scarce resources to improve firm performance in all areas. On the other hand, policies should be established by the government to facilitate the network creation process to enhance the benefit of both local and foreign firms.

5.3 Limitations and future research directions

Despite these contributions, this study has a number of limitations. In this study, we discovered some significant findings that greatly improve our understanding of the direct influence of managerial ties on firm performance, as well as the underlying mechanism of resource acquisition on managerial ties and firm performance relationships. Our study only considered two types of managerial ties (political and business ties) as a social capital dimension; future research could test the proposed model with additional types of social capital dimensions (e.g., community ties). Second, while resource acquisition was discovered to be an important intermediate, the level of resource usage was not evaluated in this study. Although resource acquisition is critical, the efficiency and effectiveness of acquired resources may be equally or even more important for long-term MNC performance.

5.4. Conclusions

This study contributes to a deeper understanding of the complex interactions between social capital and resource acquisition on the performance of MNCs. According to the findings of this study, developing interpersonal relationships with local entities mitigates the challenges associated with conducting business activities under the auspices of scarce resources in developing economies. Social ties provide opportunities for mobilizing other growth-enhancing resources. In many ways, social capital research is still in its early stages, particularly in developing countries where no studies have been conducted. This research provides support for a theoretical model in which MNCs' managerial ties enhance resource acquisition and, as a result, contribute to firm performance in a developing economy context by incorporating social capital theory and resource dependency theory. Hopefully, this study will spur further research into the importance of managerial ties and assist firms in developing long-term competitive advantages in the context of developing economies. Furthermore, based on the findings of our study, we recommended that MNCs maintain close ties with government officials and local firms in order to see more business opportunities, which contributed to an improvement in firm performance. Furthermore, by having strong ties to a network of government leaders at various levels, MNCs have overcome disadvantages. Due to business ties (MNCs' managers' ties with local firms), MNCs' managers should strengthen their ties with local firms in order to improve mutual benefits in marketing and managerial skills, as well as technology and knowledge sharing. In this regard, the government should prioritize assisting MNCs and local firms in moving up the value chain and reaping the benefits of FDI spillovers, which are currently limited in Ethiopia. Political and business ties are essential for multinational corporations (MNCs) investing in Ethiopia to survive and thrive.

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