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Building Network for Entry into Emerging Economies of Africa

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Abstract

The veil over Africa’s economic improvement has finally been cut off giving the continent a positive face lift in terms of her contribution towards the world economy. Many countries in Africa have been considered emerging economies due to improved economic policies and stabilization of the political environment.

Foreign investors and firms seeking new markets and opportunities could take advantage by engaging in relationship and network building to facilitate entry into African markets. Hence, this paper seeks to highlight some possible entry networks that could easily facilitate firms’ internationalization. Taking position within the network enhance strategic move through exchange of information. The information gathered facilitates firms’ internationalization decision and again deals with psychic distance threats.

With regards to entry into Africa, internationalizing firms for the fear of high risk and turbulent nature employs network approach in extending their operations. Generally the network is linked with firms both domestic and other foreign who have already entered African markets. The international experience of such firms proffer learning environment and knowledge about the happenings of doing business in that turbulent emerging markets.

Business agencies, firm-2-firm, professional bodies, municipalities, personal contacts, student nationals trained in the country of the internalizing firms among others could all form the network web upon which entry could be attained.

Keywords: Emerging Market, Network, Internationalization, Psychic distance, Experiential Knowledge
1 INTRODUCTION

Significant studies have been made on internationalization of firms over the last decades and scholars have viewed the internationalization process from different angles of the firm. The process was originated by Johanson and Wiedersheim. The concept literally describes the growing activities of foreign companies in different foreign markets (Johanson, J. & Wiedersheim-Paul, F., 1975) and the impact it has on the internationalizing company and local ones. It has emerged that internationalization process followed a pattern of export and then to production (Dülfer, 1999). Internationalization concept embodies such issues like product cycle internalization and stages of development models Vernon (1966), foreign market servicing, and internationalization process among others.

The resultant phenomenon has been the growing acquisition of market knowledge (J. Johanson & Vahlne, 1977) which is has become valuable resource or commodity (Johanson, J. & Mattsson, L-G, 1988) for market competitiveness. Additionally, location specific endowments (Dunning, 1980) becomes a focal point for some firms in carrying out their international activities.

The growing global knowledge on foreign markets has again resulted in internalization of what used to be called less developed economies of the world. Increasing technology and globalization have ignited firms in emerging economies into becoming play-makers in international business activities (Irem Eren Erdogmus, Muzaffer Bodur, & Cengiz Yilmaz, 2010) resulting in global business growth (Garten, 1997).

From the information gathered in some of the literatures, a research of convenience was carried out based on the perception of some inhabitants from across the regions of Africa on factors promulgating the emerging markets in Africa. The indicators and results obtained are however not proven scientifically. They rather provide basis for critical analysis and assessment since they have direct impact on domestic economic growth, flow of foreign direct investments and growth in business across national borders. The perimeters for above research range from a number of factors and/or economic catalysts and thus, received different ratings depending on a specific region as illustrated below.
Table 1. Perception index for the growth of African Economy

<table>
<thead>
<tr>
<th>Economic Factors</th>
<th>N. Africa</th>
<th>S. Africa</th>
<th>C. Africa</th>
<th>E. Africa</th>
<th>W. Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved political stability</td>
<td>- +</td>
<td>+</td>
<td>+</td>
<td>+ -</td>
<td>+</td>
</tr>
<tr>
<td>Pool of rich natural resources</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Legal framework</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Technology and Communication services</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Reduction in macroeconomic instability</td>
<td>+ -</td>
<td>+ -</td>
<td>-</td>
<td>+ -</td>
<td>+ -</td>
</tr>
<tr>
<td>Green environment</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+ -</td>
<td>+</td>
</tr>
<tr>
<td>Labour &amp; market size with increased consumer purchasing power</td>
<td>++</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Infrastructure development</td>
<td>+ -</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

+++ = positively good and available, + = good, available but needs improvement, ++ = fairly good, available but needs much improvement and development and -++ = fair, available but needs greater and substantial attention and development.

It must be pointed out that the stability of the political environment in some Northern African countries like Egypt, Libya and Tunisia over the past two years have witnessed political upraising which have marred the socio-political sanity of those countries. On the whole these indicators presumably have laid solid foundation for Africa to double her effort economically.

1.1 Research Problem

This research paper takes a look at the internationalization of Finnish companies into the emerging markets in some African countries especially in the sub-Saharan region of Africa. This accomplishment will be viewed from the context of network and relationships building. The researcher’s findings in his interactions with some business agencies in both Pohjanmaan and
Oulu regions of Finland for five years now shows that not many Finnish firms have put Africa on their internationalization roadmap. The reasons suggested were that not much information is known about the business nature and environment of Africa. Besides, The Economist and some other economic analysts once described African continent as being ‘the unknown business region of the world’. Hence the researcher found it prudent by considering network development and relationship creation as channels for Finnish firms to update themselves and keep abreast with the changing trend of African economies.

The economic crisis that crippled the rising economies of some growing African countries in 1980s and 1990s had longer term downward impact of the rising local businesses and foreign investments into the regions of the continent and spilled over into 2000. The World Bank year 2000 report captioned “Can Africa claim the 21st Century” made some revelations suggesting the rapid growth in the economic sector which are largely because of steadily political stability engineered by the different governments of the nations of the continent. Still the progress was mixed and uncertain as to whether Africa can make miracle in its economic growth. However, current indicators point to the fact that Africa is becoming the miracle economy of the world in the next few decades (Adejumobi, Jan 2012).

The Economist recently has reiterated the fast growing economies of Africa for the past ten years, that, “from Ghana in the West to Mozambique in the South, Africa’s economies are consistently growing faster than those of almost any other regions of the world” (African Business January, 2012). More importantly to Africa’s rapid growth is its green virgin environment which makes it easier for the continent to transit into green economies and for agriculture to be the pivot of development.

Recent developments in the continent in areas of politics and economics have attracted a number of American and Chinese MNEs which have further added economic face to Africa when it comes to global economic computation. Local businesses across the regions of Africa are growing due to increase technology and infrastructure. Observations are that not many companies and organisations from the northern Scandinavian region are internationalizing their operations in Africa let alone to take first market advantage thereof.

In view of this, the researcher by this thesis implores the Finnish business community to reconsider taking a new look at the rejuvenating economies of Africa where the future holds vibrant economic market for the world products. This move will be made realistic through
network building with both the locally springing businesses and that of foreign DIIs. Creating networks in emerging economies like Africa where little is known becomes the central subject for this research work. World Investment Report 2005 (UNCTAD, 2005: 34) showed that top six most attracting business locations come from emerging economies (Luo; Tung 2007). Agreeably, the opportunities therein in emerging economies are enormously great despite other challenges characterising the business atmosphere in such communities. The paper seeks to present a comprehensive overview of emerging economies of sub-Saharan Africa with specific references from Ghana. The researcher’s intention was informed by the unknown nature of Africa business atmosphere or climate to the Finnish business community. An average Finnish businessman or organisation often relegates operationalizing his/its business in Africa chiefly because there is lack of information regarding business possibilities and potentials in some countries of Africa.

Additionally, there is lack of concentration and economic broadcast on the rapid growth of some countries especially in the Sub-Saharan Africa like Ghana and Nigeria. This information gap often ill-informed one’s choice of blacklisting Africa or momentarily erasing Africa on its international roadmap. Essentially, Ghana will be used as the example case of Africa country where most of the facts, information and discussion will be drawn from.

Moreover, since little is known about business atmosphere in the continent, the paper presents possible means of making entry into the sound business environment in Africa. Lastly, this research will contribute academically to existing literature on the network building and internationalization of firms.

1.2 Research Approach and Question

The focus of this research is to find out especially from the Finnish business community about their preparedness to internationalize their business in some growing African economies. Due to this the researcher adopts qualitative approach of gathering information, which means interview and questionnaires will be sent to companies and organisations to ascertain the level of Africa on
their internationalization roadmap. Personal visits and interactions will be made to managers of some companies to find out their preparedness of internationalizing into some regions of Africa.

Several studies have been made on network approach to internationalization particularly on industrial systems. However, not much is focused on internationalization to emerging markets of Africa, hence a research gap which ought to be taken care of. The study will be driven by the researcher’s focus on finding;

“How firms can establish networks for entry in emerging Africa economies”.

The results will serve as a guide for firms who plan internationalizing in Africa but are virtually at a loss as to what approach(es) to use to enhance successful entry.

1.3 Structure of the Research

Chapter two lays out the concept of emerging economies with focus on Africa. The research brings to fore the growth of some economies of some countries in Africa. Chapter three also captures the methodological approach to this piece of work. The fourth chapter outlines the theoretical approach, covering the most relevant research and theories on internationalization of
firms, network building towards internationalization and then internationalization into emerging markets.

Chapter five is dedicated to analysis of research results from the questionnaires and interviews. The final chapter presents the limitation and conclusion of the study by summarising the research results and recommending possible entry networks towards entry in emerging economies of some Africa countries.
2 EMERGING ECONOMIES

The chapter discusses the concept of emerging economies, what it entails and the opportunities that could be unearthed. In this case, Africa in perspective as emerging economies in 21st century global business will be highlighted with most references from Ghana, a Sub-Saharan West African state. For easy comprehension and clarity emerging economies will sometimes be interchanged with emerging market as the two simultaneously mean the same.

2.1 Defining Emerging Economies

The concept of emerging economy was introduced to give a face lift to what previously was referred to or termed as less developed or developing nations (Bein, 2001) when countries choose market liberalization in 1990s. The word “emerging economies” was originally coined by an agent of International Finance Corporation by name Antoine W. Van Agmael in 1981 to categorise countries that fell in the standardized stock indices (Sakarya, Eckman, & Hyllegard, 2007). Countries whose income level falls within the low and middle income category are branded the name “emerging markets”.

Reuter’s glossary puts it as a descriptive terminology for the financial market of developing countries. (Hoskisson, Eden, Lau, & Wright, 2000) viewed the concept as ‘low-middle’ per capita income characterised with rapid growth, high potential and high-risk nations. Dawie Roodt, a South Africa economist with PLJ Financial Service also puts it that emerging market is just “political tag or name for non-rich economies”. Further, it includes everybody except the rich economies (Stoddard, 27 July 2003). The term is used as a guide by financial managers, analysts and financial institutions that pump into the economies tens of billions of dollars and out of them make returns just at the click of the button. (Sakarya et al., 2007) on the other hand termed it as “high-risk associated markets, high-potential and high-growth” economies.

The level or the quantum of income becomes the basic indicator of determining emerging market as per World Bank ratings (Persinger, Civi, & Vostina, March 2007). They are often measured through economic liberalization as major engine of growth (Douglas E Thomas, Lorraine Eden, Michael A Hitt, & Stewart R Miller, 2007). The risk associated elements come sometimes from
political instability and upheavals, the volatile depreciation of currency or unsecured exchange rates, less developed infrastructure among few others. These drawbacks exert pressure making it difficult for emerging economy to wean itself let alone to peg out external threats. One would however conclude that the insecurities coupled with the global crisis by implication suggests that financial systems are more fragile and crucial in emerging markets than in advanced economies (Das, Oct 2003).

Another major characteristics associated with emerging economies in comparison with the advanced economies is the institutional turbulence (Welsh, Alon, & Falbe, 2006) and low economic development. Some emerging economies sought to focus on political goals than ensuring economic freedom. By this they fail to institute infrastructure facilities for the development and well-functioning markets (Khanna & Palepu, 2002). Nevertheless, emerging markets are again unsaturated as consumers are poised for improved products and services with high quality in the international standard (Welsh et al., 2006). Investors often desired to trade in emerging markets with the prospects of making higher returns due to the rapid growth nature of such markets in terms of GDP.

Countries being labelled as emerging economies constitute close to about 80% of the world’s population and thus represent about 20% of the global economies. Countries mostly in Asia for instance, India, Taiwan, etc, Southern American nations like Chile, Brazil, Mexico among others, some African countries like South Africa, Egypt, Tunisia, Nigeria and finally some EU countries like Estonia, Russia among others.

Interestingly, Africa is mostly perceived by many business analysts and commentators as an emerging continent which accounts for low global economic contribution in terms of the global economic development index. However, it must be pointed out that recent developments worldwide show that emerging markets are becoming increasingly strong market force in driving global growth. Its relevance has therefore resulted in the growing number of research in the field of international business (Hoskisson et al., 2000) and its subsequent call for more attention and research studies on the emerging market (Burgess & Steenkamp, 2006). (UNCTAD, 2003) in 2002 noted that emerging economies made a global contribution of 12% of the world’s foreign direct investments (FDIs), a figure which many considered as upward and promising.

The resultant impact was due to economic development policies and reform programs being embarked upon by governments of some of these emerging economic states most particularly
China. In the same way some Africa nations over the past decades have implemented economic reform policies that support economic liberalization and have tremendously put them on the global count for rapid growth. Nevertheless, not every developing can necessarily be viewed as emerging economy since it has been established that some advance and progress faster and more quickly making way for meaningful structural changes that push up the economy. Such countries are determined to be integrated into the global economic growth, e.g. China. With this distinction, The Economist (2008) made a proposal of retiring the use of the term “emerging market/economies” and rather preferred to categorise markets into (i) advanced markets/economies (ii) secondary markets/economies and (iii) frontier markets/economies. This nevertheless has been supported and published by the FTSE group based on the levels of local stock markets. Table 2 presents for instance, 2011 list of countries in each category.

Table 2. 2011 FTSE Global Equity Index Series on Emerging Markets (Modified extract from original source)

<table>
<thead>
<tr>
<th>Developed</th>
<th>Advanced emerging</th>
<th>Secondary emerging</th>
<th>Frontier markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Brazil</td>
<td>Chile</td>
<td>Argentina</td>
</tr>
<tr>
<td>Austria</td>
<td>Czech Republic</td>
<td>China</td>
<td>Bahrain</td>
</tr>
<tr>
<td>Belgium/Luxembourg</td>
<td>Hungary</td>
<td>Colombia</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Canada</td>
<td>Malaysia</td>
<td>Egypt</td>
<td>Cote D’Ivoire</td>
</tr>
<tr>
<td>Denmark</td>
<td>Mexico</td>
<td>India</td>
<td>Croatia</td>
</tr>
<tr>
<td>Finland</td>
<td>Poland</td>
<td>Indonesia</td>
<td>Cyprus</td>
</tr>
<tr>
<td>Germany</td>
<td>South Africa</td>
<td>Morocco</td>
<td>Estonia</td>
</tr>
<tr>
<td>Greece</td>
<td>Taiwan</td>
<td>Pakistan</td>
<td>Ghana</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Thailand</td>
<td>Peru</td>
<td>Jordan</td>
</tr>
<tr>
<td>Ireland</td>
<td>Turkey</td>
<td>Philippines</td>
<td>Kenyan</td>
</tr>
<tr>
<td>Israel</td>
<td></td>
<td>Russia</td>
<td>Lithuania</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>UAE</td>
<td>Nigeria</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td>Malta</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td>Mauritius</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td>Tunisia</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td></td>
<td>Oman</td>
</tr>
</tbody>
</table>
The economic power and capabilities required by emerging economies to move themselves into international level performance differs from that of developed economies based primarily on the fact that firms are located in different resource environments and depending upon their institutional level (Wan & Hoskisson, 2003).

The growing dominance of attention on the contribution of emerging economies towards global business is an indication of much clearer picture of the wheel turning and swing of pendulum from the firms in advanced economies to firms in emerging economies entering developed markets. The turning point is characterised with growing transparency, privatization of state enterprises, and deregulation by governments of emerging economies (Persinger et al., March 2007). Moreover, consumer goods availability, burgeoning middle income class and the existence of functional financial markets have all aided in rapid pace of developments in the emerging economic states.

There have been gradual and continuous changes and restructuring of economic reforms which have greatly impacted on the transformation of most developing economies into emerging economies. (Cavusgil, Ghauri, & Agarwal, 2002) identified the perceived changes characterising pre-emerging economies before 2000 and emerging economies after 2000 within the realms of international business as shown in the table below.

<table>
<thead>
<tr>
<th>Pre-emerging economies before 2000</th>
<th>Emerging economies after 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>- High risk for foreign business</td>
<td>- Risks are increasingly manageable</td>
</tr>
<tr>
<td>- Economically and technologically handicapped/backward</td>
<td>- Improved and competitive technology</td>
</tr>
<tr>
<td>- Low purchasing power for consumers</td>
<td>- Increasing purchasing power among consumers</td>
</tr>
<tr>
<td>- Few opportunities for business</td>
<td>- Available markets opportunities</td>
</tr>
</tbody>
</table>

The characteristic features associated with developing/emerging economies as argued by many business analysts include great deal of diversification, volatility, high returns (Barry & Lockwood, 1995) dynamism, hostilities and complexities (Luo & Park, 2001). Little or virtually no innovative technology (Arnold & Quelch, 1998), low capital flows (M. Wright, Filatotchev, Hoskisson, & Peng, 2005) among other issues. Further, inadequate infrastructure and distribution channels, poor
communication networks (Iyer, LaPlaca, & Sharma, 2006), sometimes too language and other cultural milieus pose great challenges when doing business in developing/emerging markets. (Cavusgil et al., 2002) however maintain that such inherent characteristics of emerging economies have over the decades ameliorated hence attracting many investors and firms from both developed and other emerging economies in engaging cross-border business. This is due to the fact that governments in such emerging economic states have embarked on stable political discourse, economic transformation programs, improved infrastructure, functional legal institutions, etc to help boost market development.

The implementation of these policies makes market environments enormously enriched leading to the attenuation of economic, social and political uncertainties. Investors envision the availability of business opportunities in emerging economies despite the bruising impediments which often militate against blooming businesses. Cheap labour supply, overflowing raw materials and large favourable product markets forms part of the primary parameters that enhance business growth in emerging economies (Luo & Peng, 1999).

Rise in income level or purchasing power from low to middle class, increase industrial and service sectors enhance long term potential growth of businesses in the emerging economies. Such potential opportunities have caused a shift in multi-national enterprises (Arnold & Quelch, 1998) in extending their business activities to these economies. Companies that have made into some emerging markets do benefit from the first-mover advantages. First-mover advantages are often demand-drive and thus, sometimes override the risk involve. Market dominance, product or service reputation, relationship building with local government authorities, (Arnold & Quelch, 1998) higher sales volumes are embedded in early-entry into emerging markets.

The enhancement of emerging economies towards global economy create sustaining environment for domestic economies to benefit from external factors that savouries business (Das, Oct 2003). Their capability of getting integrated into global business rests on need to combine their “blessed trinity” (De, Yeyati, & Schmukler, 2002) which comprises of; (i) sound functional and vibrant institutions, (ii) stable and flexible exchange rate and (iii) strong international currency. Achieving this ‘blessed trinity’ pave way for global integration in capital markets and subsequently taking potential benefits thereof.
2.2 Africa as an Emerging Economy – Overview

The continent of Africa is the second largest continent after Asia both in landscape and population. It covers an area of about 20.4% of the world’s total landscape. It has 54 countries including Madagascar and 5 other Islands. The continent’s economy is an extreme and diverse in region. It is characterised mainly with struggle for stability and wealth of natural resources.

Africa for so many decades has been described with many different names by analysts, political and economic pundits as; “third world”, “dark continent”, “political neophytes”, “economic babies”, “unknown region” and what have you. All these descriptions and tags emanate from Africa’s inability to harness into maximum efficiency its vast endowed rich natural resources (minerals, forests, rivers, climate, fertile land and human power).

Africa’s political neophyte is agreeably as result of its leadership failure to effectively find appropriate antidote to series of conflicts and political tension that have bedevilled some countries in the continent. Some countries in the past decades were pruned to political and ethnic civil wars due to strife for power. Poor governance and lack of leadership direction to transform the rich resources into wealth and also providing meaningful socio-economic infrastructure for its citizenry has contributed to the woes of the continent. Worse to it is the Africa’s failure to wean itself politically from their colonial nations, a situation that has put the continent into two major blocs – Anglophone nations and Francophone nations. Succumbing to the dictates of these so-called ‘colonial masters’ by redefinition is ‘neo-colonialism’ and affront to the sovereign freedom of each independent state.

Economically, Africa is metaphorically crawling babies and has remained stagnant and underdeveloped over the past forty years. The Emerging Market Indicators (EMI) report from the Economist considered that no African country with the exception of South Africa and Egypt qualified to be classified as emerging economies (Mwenda, 2000). In contrast, the International Finance Corporation acknowledged that many African countries have progressed to earn the title emerging economies. This is visible in terms of such nations rolling up their raw material markets, labour markets, and consumer markets (Kehl, 2007) and general rise of economic activities in those countries.

Africa according to many scholars is a continent which is endowed with wide range of natural resources in large quantities even far more than the rest of the continents yet still remained
underdeveloped. The continent has vast unused fertile agricultural lands, agricultural products like tuber crops, fruits of different kinds, plantations e.g. oil palm, cotton, coffee, cocoa, kola, rubber, large deposits of minerals, metals and oil substances, good vegetation (timber, forest, rainfall), large sources of energy, hydrocarbons, livestock and wide animals, among others. Despite the continent’s availability of resources it has still not been able to utilise fully such raw materials and resources to liberate the continent from its numerous predicaments. On international front Africa is classified as the raw material producing region instead of industrializing what is being produced.

Nevertheless, Africa’s wealth of natural resources and its domestic market has of late attracted growing number of FDIs from mostly developed countries like US and other growing nations like China. (UNCTAD, 1999a, b) studies revealed that oil and natural resources drew about 60% of Africa’s FDI. Since 2000 resource-seeking FIDs according to World Investment Report (2008) have been on increasing demand with rising commodity prices for oil and minerals. Thus the rising returns (profits) in that sector become the key incentive for the flow of investment. (Adusei, 2006) added that, the prime determinants for FDIs in Africa is as a result of the continents abundance natural resources.

The table below presents countries under each region of Africa and the available resource endowment which are the bedrock for growth and development.
Table 4. Countries in the various regions of Africa and their corresponding natural resources

<table>
<thead>
<tr>
<th>Northern Africa</th>
<th>Southern Africa</th>
<th>Central Africa</th>
<th>East Africa</th>
<th>West Africa</th>
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</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>Zambia</td>
<td>Angola</td>
<td>Ethiopia</td>
<td>Mauritania</td>
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<tr>
<td>Libya</td>
<td>Namibia</td>
<td>Congo</td>
<td>Eritrea</td>
<td>Senegal</td>
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<tr>
<td>Tunisia,</td>
<td>Malawi</td>
<td>Cameroon</td>
<td>Kenya</td>
<td>Mali</td>
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<tr>
<td>Algeria</td>
<td>Botswana</td>
<td>Chad</td>
<td>Uganda</td>
<td>Niger</td>
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<td>Sudan</td>
<td>Zimbabwe</td>
<td>Central Africa R</td>
<td>Seychelles</td>
<td>Nigeria</td>
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<tr>
<td>Morocco</td>
<td>Mozambique,</td>
<td>Congo DR</td>
<td>Burundi</td>
<td>Benin</td>
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<td></td>
<td>Swaziland</td>
<td>Equatorial Guinea</td>
<td>Rwanda</td>
<td>Togo</td>
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<td>South Africa</td>
<td>Gabon</td>
<td>Tanzania</td>
<td>Ghana</td>
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<td>Sao Tome &amp; P</td>
<td>Somalia</td>
<td>Cote D’Ivoire</td>
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Natural Resources

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<tbody>
<tr>
<td>- natural gas</td>
<td>- petroleum</td>
<td>- natural gas</td>
<td>- petroleum</td>
<td>Coal, biomass</td>
</tr>
<tr>
<td>- petroleum</td>
<td>- petroleum</td>
<td>- petroleum</td>
<td>- Solar, wind, wood</td>
<td>Petroleum</td>
</tr>
</tbody>
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Minerals

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<th>Metals</th>
<th>Metals</th>
<th>Minerals</th>
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</thead>
<tbody>
<tr>
<td>- Asbestos</td>
<td>- chromium</td>
<td>Oil</td>
</tr>
<tr>
<td>- Gypsum</td>
<td>- gold, bauxite</td>
<td>- gold</td>
</tr>
<tr>
<td>- Limestone</td>
<td>- cadmium, Tin</td>
<td>- Bauxite</td>
</tr>
<tr>
<td>- Asbestos</td>
<td>- lithium, silver</td>
<td>- Manganese</td>
</tr>
<tr>
<td></td>
<td>- Iron ore</td>
<td>- Iron ore</td>
</tr>
</tbody>
</table>

Metals

- Iron ore | Non-metals | Others | Metals | Cotton |
- Cobalt | - Fluorite | Oil | - Lead | Shea Butter |
- Mercury | - Sulphur | Rubber | - Copper | Coffee plant |
- Uranium | Limestone | Cotton | - Manganese | Oil Palm |
- Lead | Phosphate | Coffee | - Uranium | Livestock |

Vegetation

- Forest | Phosphate | Coffee | - Uranium | Livestock |
Arable land | Livestock | - Cobalt | Agricultural land |
Rivers | Fertile land | Rainfall | Arable land | Good Vegetation |

For clearer picture, the table above gives the general outlook about the sub-regions of Africa and what they are endowed with in terms of natural resources. For this worrying trend to be transformed into useful economic activity the various regional associations like Economic Community of West African States (ECOWAS), Economic Community of Central African States...
(ECCAS), Southern African Development Community (SADC) and others have initiated stringent socio-economic policies of promoting strong economic integration and cooperation among member states and again to ensure sound environmental management in each sub-region. Foreign investors seeking for raw materials to feed their industries and for their economic gains mostly from China, Brazil, USA and India have been attracted to the continent because of the abundant wealth of natural resources. Their presence and impact have effected positively via increase in income and expansion of middle class in many of these countries. Demand for consumer products have also gone up especially in areas of retailing, automobiles, telecommunications, banking and other services.

Statistically, on rich natural resources as quoted by (Foster, Omondi, & Githaiga, 2012), Africa holds 10% of the world’s oil reserves, 80 to 90% of the chromium and platinum family metals, 50% of gold deposits and about 60% of the world’s uncultivated farming lands (approximately 600 million hectares of arable land). The GDP per capita growth performance of sub-Saharan Africa from 1975 to 1995 was 0.70% but grew to 1.88% from 1995-2005. It again rose to 3.6% during accelerating growth periods, but declined -2.7% in world economic downturn (Arbache and Page, 2007). The region experienced fast growth in the 1960s but shrank in the early 1970s due the OPEC oil price shock. These past economic history although not encouraging, it cannot be used to measure the future growth of the region. Some recent studies have predicted that Africa’s turning point from its stagnant and low growth is due (Commission for Africa 2008).

The projected GDP for the entire continent is expected to grow from $1.6 trillion to $2.6 trillion by 2020 with consuming spending projected from $860 to $1.4 trillion. Labour age group is target to reach one billion by the same year. Communication and information technology infrastructures are gradually flourishing and becoming business addicts. About 40% of the continent’s businesses use ADSL. Mobile telecommunication which has become life-and society-changing phenomenon has been progressively wired up across the continent with hundreds of millions of subscribers. The resultant has be an increase in the influx of FDIs for over decades of years which show rise in Global inward FDI flows from $59 billion in 1982 to as high as $1,491 billion in the year 2000. Averagely, the annual FDI inflows went up from 23.1% in the period 1986-90 to 40.2% over the period 1996-2000 (Dupasquier & Osakwe, 2005).

On the socio-economic infrastructure, governments and private sector have shown great commitment in their investments, whilst private infrastructure investment accounts for 25%
governments infrastructure funding accounts for about 65%. The funding mostly comes from non-OECD countries with China being the largest. Admittedly, Africa ought to be much more proactive to quadruple its infrastructural sector since businesses and growth trail high on the road of infrastructure. Like the emerging economies of the BRIC countries where power consumption, road and transportation networks, logistic facilities are more than twice Africa. This goes to consolidate what (Funke, 2004) puts across, that, an emerging market by priority ought to dedicate attention in developing appropriate regulatory environment, financial infrastructure, tax system and legal services(Ajayi, 2006) such that future speculation risks could be curtailed.

Mckinsey Global Institute (June, 2010) report on the growth of Africa titled “Lions on the move: The progress and potential of African economies” indicated that Africa’s growth surge in recent years has primarily been governments ability and determination to put an end to conflicts, ensure good governance and strong institutions, improve macro-economic conditions and implement micro-economic policies and reforms to create brightened and better business atmosphere leading to faster GDP growth and celebrated as a land where the ‘Sun Shines Bright’ (by The Economist).

South Africa, Egypt, Tunisia and Botswana set the pace for committing themselves into economic transformational zones. Developing human capacity and securing proper technological know-how help in accelerating economic activities and sustain human development and capacity building through skill-development programs in reducing professional brain drain in most of the emerging African states. A report of the commission for Africa estimated that Africa loses close to an average of 70,000 skilled personnel to developed nations (Gatune, 2010) which ought to be averted for their own economic gains.

Urbanization leading to growth in banking, telecommunication services have experienced upward rise; for instance since 2000 banking sector has doubled whilst revenue from mobile telecom has also increase by 85 percent since 2004. In spite of the fast economic progress the continent is driving at, some emerging market literatures rarely include the lion markets of Africa alongside the tiger markets of the Far East or the puma market of Latin America (Mwenda, 2000), the reason being that they consider only South Africa and Egypt as internationally acclaimed emerging economies. On the contrary (The Economist; International Monetary Fund, 2010) index indicated that the ten world’s fastest growing economies between 2001 and 2010 were all in Africa with projected excess growth of 5% for the sub-Saharan Africa.
The growth rate in some of these African emerging or frontier markets showed higher growth rate compared to developed countries. For example, US recorded GDP growth of less than 2% in 2011 whiles that of Nigeria grew by 6.9% (CIA- World Factbook, June 2012). Hence, the long-term potential growth of most of the African emerging markets is luring high incentive for investments. This is the market which was once described and labelled as “lag behind” (Fischer, Hernández-Cata, & Khan, 1998) for failing to embrace the train of democracy or just want to wallow in their preferred situation is currently making headways in global economies.

In the few emerging literatures about Africa, emphasis was placed on two dominate group; North African markets with high focus on Egypt and Sub-Saharan Africa where South Africa and Nigeria command lead because of some positive strides they have made however, the adoption of trade liberalization policy and coupled with economic transformation policies by many of the African states like Botswana, Ghana, Tunisia, Kenya, etc have hugely captured international attention.
It is important to stress here that, the various variations in the ratings above puts the average sum of each regional country together, which means individual country in each sub-region might have its own economic indices which may vary from country to country, with some countries having very sustaining and positive indicators than others. Conclusively Africa’s emerging economic drivers include transportation, wholesale and retail commerce, manufacturing and telecommunication industries among others.

2.3 Ghana, The Fastest Growing Economy

Ghana is a West African nation which lies at the coast of Gulf of Guinea and shares geographical boundaries with Togo in the east, Côte D’Ivoire in the west and Burkina Faso in the north. Ghana before independence in 1957 was called Gold Coast. The country had good educational system and efficient civil service with well structured policies that seemed to illuminate the country’s future growth. For instance Ghana in early 1966 was leading the GDP growth per capita in the sub-Saharan Africa (Tettey, Puplampu, & Berman, 2003) and was rubbing economic shoulders with Malaysia and South Africa (Codjoe, 2003). Besides, nature truly has given the country its fair share as far as natural resources are concerned. Not too long after its liberty from colonial rule it became a victim to mismanagement and corruption which led to heralding years of military regime.

In 1992 the country commenced another chapter towards economic stability and democracy, a period that ushered Ghana into multi-party democracy with an end to all forms of military takeover, agitations and societal unrest. Administratively, the country is divided into ten regions and 169 decentralized districts/municipal/metropolitan assemblies. Its administrative head/capital is Accra. Its climate is mainly tropical with only two seasons; the dry harmattan season from December to March and the wet (rainy) seasons from April to September or mid-November. The vegetation is mainly green-forest in the southern part and savannah grassland in the northern parts. Ghana according to population census conducted in 2010 and published by (Ghana Statistical Service, February, 2011) has a total population of 24.65 million people next to Nigeria in West Africa.
Ghana has more than 50 ethnic groups with different local languages, however, it has one official language, English, which is mostly used in offices, schools and institutions. Predominantly, Ghana is a Christian nation but also have other religious groups like Islam, traditional and other minor groups. The country’s legal system is a framework of English common law and customary law of Ghana, Supreme Court being the highest legal body of the land and district courts as lower courts in communities. Ghana since its independence has been the world’s second largest producer and exporter of cocoa after its neighbouring Ivory Coast. Not only that, it is Africa’s second biggest producer of gold trailing behind South Africa.

Ghana today trails on the path of democracy and is quoted by many political and economist analysts including UN as an example and a shining model for both political and economic reforms in Africa. Obviously, the country must ensure and deepen its democratic dispensation by continuing to demonstrate stability in areas of politics and capacity in terms of economic policies. Transparency and good governance in democratic state is a sure means of establishing peaceful socio-economic development especially in emerging economies like Ghana. Ghana’s commitment and capacity in deepening its democratic system makes her a candidate for seeking funds from the international bodies like IMF and World Bank to develop its local market, and offer required training for its labour force.

On the economic front Ghana despite its wealth natural resources for the past three decades was relegated to the background when it comes to emerging economies of Africa not to talk of the global economic contribution. This was due to mismanagement and military take over. The business climate in Ghana was/is such that the central government is the main agency responsible for providing required externalities, policy regulation environment and to develop technological capacity through training and vocational orientation (Asche, 2006). Private sector enhances its development and growth depending on the regulatory policies of the government and most importantly business links/networks with industries in and out of the country. Nevertheless, the country recently (for about ten years) has proven to be relatively resilient and one of the front-runners with respect to growing economies in Africa and world as well, says (IMF, 2009). This could be attributed to some number of factors as such as; prevalence of relative peace across the regions of Ghana, political stability and good governance and proper management of macro-economic environment. Other factors like private sector growth and competitiveness and increase in prices for gold and cocoa on the world market have all contributed to the rise of Ghanaian economy with direct impact on the growth of GDP. Nigeria and Ghana according to ECOWAS
Commission (Feb., 2013) report were placed as the economic power house in the West African bloc.

Moreover, (CIA, The World Factbook, April 2012), Ghana’s foreign reserve recorded upward rise doubling between year 2008-2011 to $5.6 billion with corresponding fall of inflation into single-digit. The Bank of Ghana monetary policy management yielded significant growth and stability of the economy pushing to the attainment of 8.39% inflation rate in July, 2011. The discovery of offshore oil in commercial quantities in 2007 and its production in 2010 has further been a major economic boost for the country. The result reflected in 7.7% growth rate of real GDP in 2010 to 14.4% (International Monetary Fund, 2011; The World Bank, 2012). Similarly its exports went up by 61% mainly from cocoa and oil exports. The growth level and projected growth in the years ahead is forecasted in the graphical illustration below.

![Graph](image)

**Figure 2. Ghana’s projected growth (adapted from Oxford Economics; World Bank 2012)**

Accordingly, Ghana became one of the fertile homes for foreign direct investment (FDI) in Africa as of 2010, UNCTAD (World Investment Report 26th July, 2011). This was confirmed in the 2012
quarterly report of Ghana Investment Promotion Centre indicating a record of 95 new projects with estimated value of US$1.18 billion representing percentage growth of 67.98 compared to the same quarterly period of year 2011. Most of these FDI comes from China with USA trailing behind. The inflow of FDIs into Ghana’s economy is an epitome of a scaling up economy. Nevertheless most FDIs from Europe, Asia and America engage in IJV partnership (Boateng & Glaister, 1999).

Complimenting Ghana’s growing economy is the development of business infrastructure and acquisition of technological system to support both domestic and foreign business operations in the country. For instance studies conducted by (Steel & Webster, 1992) showed that there has been growing competition in the product markets area in Ghana which was as a result of the implementation of SAP giving the consumers and the public opportunity to make their choice. Wholly domestic owned enterprises (WDOEs) have been compelled to operate on the wings of innovativeness and quality in terms of production (Moses Acquaah, 2005).

Business infrastructure systems are key fundamental pillars in advancing the course of businesses across the global market and Ghana is not an exception in ensuring the development of businesses within her boarders and beyond. One of such infrastructures is mobile and telecommunication network. As an emerging Ghana is, her reliance on telecommunication plays a pivotal role in providing opportunities for local business to connect to the rest of the world through information acquisition and technology. For it is argued that for any emerging economy or state to develop its full potential it needs adequate commitment in developing the telecommunication sector (Teller, Amaghionyeodiwe, & Adesoye, 2007). Most advanced or developed nations like U.S, Japan and China by this deregulated their telecommunication industry to allow flow of investments which resulted in more improved telecommunication capabilities, enhanced employment opportunities, economic boom, and private sector growth (Osotimehin, Akinkoye, & Olasanmi, 2007).

The regulatory body of telecommunication in Ghana, National Communication Authority (NCA) records indicate that mobile phone subscribers in Ghana have risen to 26.09 million at the end of January, 2013. Internet facilities in the country too are gradually progressing however, there is much more to be done to ensure its viability and expansion even though Ghana is fingered as a major player in the ITC sector in Africa (Africa Business Panel Survey, 2009). There are six mobile service providers currently operating in Ghana namely; MTN, Vodafone, Tigo, Airtel, Globacom and Expresso. Global Services Location index (2009) indicated that Ghana emerged as
the leading destination in Sub-Saharan Africa that attracts Business Processing Outsourcing ahead of Mauritius and Senegal and was ranked No. 15 out of the 50 countries chosen globally. In banking sector, Ghana’s Vision 2015 which aims at attaining full middle income status has resulted rejuvenating the financial sectors through transformation and restructuring of policies to enhance the target goal. The Bank of Ghana via licensing of all banks into development, merchant and commercial banking services have again given level playing field for all banks in competition, product innovation and entry.

2.3.1 Investment Opportunities in Ghana

UN economic unit placed Ghana as one of the competitive investment destinations in Africa and it attributed to factors as such as; sound and stable macroeconomic environment, competitive, skilled and trainable labour force, Quota-free access to USA and European Union markets and 100% foreign ownership of foreign investment. Other influencing factors also are stock market expansion, high security and personal safety, functional judicial and legal system just to mention but a few.

Aside the success chopped so far to illuminate Ghana’s economic progress there are also very huge potential investment opportunity avenues that can be harnessed fully so as to be at par with her developed counterparts on the global market. The study catalogued some of the investment opportunities as in the field of the following;

- Agriculture which is the backbone of the nation’s economy still remained underdeveloped. Ghana’s total landscape is of 23.9 million hectares with about 57% suitability for agricultural production purposes however, small proportion is being utilised. Lack of technology, unavailability of high-tech implements, agrochemicals and improved farm seeds etc have been a major challenge in the sector. Most farmers especially the subsistence farmers today still use the traditional method in their agricultural activities.
- Also are opportunities in the processing agricultural products. Most food products such as cereals (maize, wheat, millet, rice etc), tuber/starchy crops (yam, cassava, cocoyam and sweet potato), vegetable (garden eggs, tomato, cabbage etc) are left unprocessed during
their production seasons. Most fruits (pawpaw, pineapple, orange, and mango) get rotten for lack of value addition. Other industrial crops such as rubber, oil palm, coconut, cocoa, coffee, sugar cane are exported at their raw state. Manufacturally investing in this sector would be a greater boost, transform or add substantial value to the economy.

- Opportunities in technology and software support services for companies, institutions, organisations. Education in development of software in providing solutions to growing business, networking, provision of internet and broadband facility services are marketable opportunities to investors.
- Beside these are also available opportunities in generating energy and power from renewable sources especially solar, biomass, wind and some other small hydro power. Ghana requires huge energy supply to meet the demands of both the local and foreign industries.
- Investment opportunities available in storage facilities for industries especially in agriculture sector. This has been a major setback to agricultural production since it accounts for low returns for farmers and processors due to high post harvest losses.
- Investment opportunities again exists provision of education support equipment and facilities like internet, network, computers, and projectors, stocked libraries for schools, colleges and tertiary institutions.

In conclusion Ghana is noted to be competing in terms of growth in emerging economic countries with key determinants from Oil, Agriculture, and mining sector (which comprises of Manganese, Gold, Diamond and Aluminium).
3 METHODOLOGY

For the research objectives to be achieved, a dyadic method comprising the views of internationalization experts and opinions of managers from some companies were utilized. The benefit of the methodology used is to address the question of what networks are usually utilized by firms and how they contribute in their internationalization process especially in the emerging economies. The involvement of experts and personnel with in-depth knowledge (L. Wright, Lane, & Beamish, 1988) in the collection of data is to authenticate the reliability (Gummesson, 1991) of the research findings.

Data collection is carried out via semi-structure interviews and questionnaires. Firms’ internationalization experts from Kokkola local government chamber of commerce with an oversight responsibility over Finnish internationalizing firms within Pohjanmaan region and a manager of company whose firm has rolled out international networks for business activities were interviewed. The interview with the internationalization expert was done in February, 2013 and lasted for about 25 minutes. Before the interview, the first approach was by email to explain the purpose of the study and the focus of the interview. Out of the two experts contacted through mail only one responded and thereby arranged for a meeting. The second interview with the manager (CEO) was done last year 2012, through informal approach after when he acted as seminar facilitator, on the subject “internationalization support services”. A copy of the interview with the expert from Kokkola chamber of commerce is attached as Appendix 3.

On the questionnaires, two different set of questionnaires were designed and sent to managers/personnel of companies. A total of 4 companies were contacted via email and 2 were visited personally with the questionnaires at hand making a total of 6 companies. Out these numbers only 2 companies responded.

The responses provided were analysed based on some selected key questions and graphically illustrated.
4 THEORETICAL APPROACH

This section reviews some arguments and research literatures on internationalization of firms, network building and how network propels firms for entry into emerging markets. Factors necessitating internationalization into a particular emerging economy will be considered as it will aid the argument in the choice of the country (specifically in Africa).

4.1 Internationalization of firms

Researchers in international business field have devoted considerable attention to undertake studies on internationalization of firms and strategic choice of entry mode in the market a firm intends operationalizing. The term internationalization simply explains the change of or switch from national borders to another nation. Several researchers have come out with varied explanation of the internationalization. For instance, (Johanson, J. & Wiedersheim-Paul, F., 1975) described it as a firm’s attitude towards foreign activities or carrying foreign activities, (Beamish, 1990) emphasized the firm’s foreign origin of the operation and/or its actors, (Torrés, 1999) differentiated between space from localization and space from operation of a firm. Moreover, (L. S. Welch & Luostarinen, 1988) posited that internationalization deals with increasing involvement in foreign/international operations. (Lane & Lubatkin, 1998) argued that internationalization is cumulative process with fundamental focus on experiences obtained for ongoing business. Further, it depends on experiential learning brought about as a result of accumulated experiences of specific relationship (Kent & Chetty, 2003). Thus, a firm can increases its prior knowledge when it carries its operations in different foreign markets due to the firm’s exposure to a variety of ideas and experiences (Kent & Chetty, 2003). Generally speaking, the term internationalization is a broad phenomenon and thus required to be viewed in different perspectives for clearer understanding (Björkman, 1990); (Beckerman, 1956). As firms grow their capacity widen and thus internationalization becomes a strategic change or tool mostly considered as entrepreneurial behaviour (Beckerman, 1956).

Most of the studies on internationalization process and its analysis focused on three major theoretical approaches; the internationalization stages approach (Johanson, J. & Wiedersheim-
Paul, F., 1975), the resource gain approach (M. W. Peng, 2001) and network approach (Johanson, J. & Mattsson, L-G, 1988). These three approaches open broader discussion and understanding on the concept of internationalization.

- The stages approach of internationalization is designed to explain how firms go abroad. This approach was brought forth by Johanson, Wiedersheim-Paul and Vahlne of University of Uppsala, Sweden. A model developed in 1975 and 1977 to elaborate the internationalization process. Thus, alluding to the fact a firm’s internationalization process is the results from its series of incremental decisions. One of the key features of Uppsala model is the firm’s behaviour with respect to different foreign operations relating to markets and entry modes (Svante, 2000; Johanson & Vahlne, 1977).

The authors underscored two main principles; experiential learning and psychic distance (J. Johanson & Vahlne, 1977) which play pivotal roles in a firm internationalization process. The assumption is that knowledge gained through experience of learning from the foreign markets is key determinant in making informed decisions towards internationalization. With this, four different stages (Johanson, J. & Wiedersheim-Paul, F., 1975) were identified as sequential processes for firms being studied in Sweden, namely;

- Absence of regular exporting activities
- Exporting through independent agent
- Sales subsidiary and
- production/manufacturing

However, firms with considerable experience from the foreign market can have jump over on the stages mentioned above. A firm’s foreign operation is determined by the experiential knowledge of the firm’s resources and capabilities (Eriksson, Johanson, Majkga’rd, & Sharma, 1997) to expand, with resultant benefit from a first-mover advantage (Asgari, Syed, & Gurrib, June, 2010). Foreign market knowledge is crucial for internationalizing firms since its absence might results in higher cost of internationalization process, wrong choice of entry mode, failed strategy and appropriate actors to involve and uncertainty (J. Johanson & Vahlne, 1977). Problems relating to local culture (Hofstede, 1984) and language (Dichtl, Hans-Georg, & Stefan, 1990) are likely to impede the success of the firm’s internationalization process. The experiential knowledge not only
results in reducing possible risks associated with operating abroad but also it provides a tool for the acquisition of opportunities and of internal and external resources (Eriksson et al., 1997).

Moreover, firms’ decision policy on international market, its beliefs and attitudes (Erramilli & Rao, 1990) are the product of knowledge acquired through experiential learning. Indeed, firms accrued returns from their foreign operations calls for knowledge on the target market by knowing the volatility, political pressures and consumer demands in order to determine appropriate strategy and make informed decisions.

The second principle posited by Uppsala model stressed on psychic distance, a principle first used by Beckerman, which stipulates that, an actor (firm) in own national culture have certain comfort dealing with another actor (firm) from a different national culture (Beckerman, 1956). It is a set of cultural and linguistic factors that influence information flow and decision making in a firm’s international process. Uppsala model (J. Johanson & Vahlne, 1977) articulated the impact psychic distance has on internationalizing firm, stressing that it is a key element and variable that cannot be ruled out in a firm’s internationalization process. Johanson and Vahlne argued that the higher the international experiences the less psychic distance becomes and the higher the psychic distance the more difficult it is for a firm to access and appropriate information on a targeted foreign market. The value of experiential knowledge accumulated domestically is insufficient for wider psychic distance and thus could have an impact on market selection and choice of entry mode as well. Hence, a domestic firm with virtually no international experience often seeks to operate in close-by foreign markets that have commonalities, resemblances in culture, market conditions and other political and social factors as pertains to the firm’s own domestic market.

Some researchers (Jones & Davis, 2000) have established linkage between national cultures and cross-company influences e.g. innovation and creativity. Quoting from Hofsted in (Naomi & James, 2007) work, that, it has been identified that national culture is a key indicator in decision making, stating that;

“To successfully manage an international supply chain, it takes more than knowing that operations decisions are made differently in different countries or regions. Managers must realize what issues make international operations management different and challenging. Specifically, managers must understand how and what dimensions of national culture influence operations decisions. Such understanding will better prepare multi-national companies to more effectively manage the global supply chain. Based on the cultural dimensions suggested by Hofstede (1980)
and Trompenaars (1994), this study shows that culture allows us to understand decision-making in manner which is not possible with regional comparisons”.

Agreeably, psychic distance has among numerous reasons accounted for firm’s objection to some potential markets. For instance most Finnish companies and investors, as characterised with typical Nordic culture prefer investing in markets with close cultural or traditional ties to far distance markets (Tahira & Larimo, 2005) especially in Africa and Asian markets due to linguistic and cultural variations (Mikalak 1992 cited in Tahira & Larimo, 2005). Cultural and linguistic factors between Finnish and African-Asian markets differs raising issues of higher uncertainties in going into such markets, choice of entry mode however is affected. By this, firms basically go into a market with usually less psychic distance in relation to their home market, leading to the adoption of four stages mentioned above (beginning with no regular exports activities, export through agents, and subsidiaries before arriving at owning whole subsidiary).

In another approach, the “stage” internationalization theory is further elaborated in Innovation-Related Internationalization Models (I-M) (Reid, 1981; Bilkey & Tesar 1977) adopted from Roger’s stages of the adoption process (Rogers, 1962) which suggests that each stage is an innovation value which becomes a tool to understand a firm’s international behaviour.

On the contrary, both Uppsala internationalization model and Innovation related model have been criticized (Andersson, 2000) by some IB authors with some arguing that the models sequence of stages was restricted to specific country market (Andersen, 1993). (Melin, 1992) argues that the models are deterministic and are only useful preferably in early stages of internationalization. Besides, firms and investors would have no strategic plans and choices if they should go strictly to the said models.

- Another approach to internationalization is the resource-based view (RBV) (M. W. Peng, 2001), which holds the assumption that resources and companies are heterogeneous and that companies desire to find sustainable competitive advantage through combined elements like firm’s capabilities (Birkinshaw, Hood, & Jonsson, 1998), resources, competence, learning (Hamel, 1991) and knowledge. The RBV contributed substantially in providing solution to international entrepreneurs (firms and/or investors) on how firms can survive in foreign market without adhering to the ‘stage model approach’ to internationalization. This depends largely on the tacit knowledge relating to global opportunities (M. W. Peng, Hill, & Wang, 2000) and the capability to leverage such
knowledge such that it outruns its competitors as posited by (J. B. Barney, 1991; M. W. Peng & York, 2001). The competitive advantage strategy sustained by a firm cannot however be duplicated, imitated or transferred (J. B. Barney, 1991). Achieving sustained competitive advantage according to (J. B. Barney, 1991) facilitates firms in; a) reducing cost b) exploiting market opportunities and finally to neutralize competitive threats leading to the creation of economic value. The resources available both internally and externally are vehicle to firms’ greater performance activities towards gaining advantage in a target market (Porter, 1991) and to offer greater benefits to customers at a cost (Peteraf & Barney, 2003). As argued by (J. B. Barney, 1991) a firm that exploits resources in and out of the firm makes it behave in an efficient and effective manner. The RBV further averred that not only are firms intrinsically historical and social entities but that their ability to exploit and own some resources largely depends on the firms’ place in time and space (J. B. Barney, 1991).

In summary, the RBV holds a pivotal proposition that a firm that desire to gain sustained competitive advantage ought to acquire and have control over rare, non-transferable (or inimitable) and valuable resources and capabilities and must thus, have the organization in place to absorb and apply them (J. B. Barney, 1994; J. B. Barney, 2002; J. Barney, 1991). It is by this extent that (Foss, January 1996,) posited that the RBV is more focused on the longer run and thus pave way for fine-grained competitor analysis, for example, it may help to determine dangers characterising future competitive imitation by analysing resources and capabilities of competitors.

- The final theoretical approach to internationalization which widely been studied is network approach to internationalization (Johanson, J. & Mattsson, L-G, 1988). Since the central focus of this work piece revolves round establishing network as entry to emerging Africa markets, separate heading becomes essential for clearer picture and comprehension.
4.2 What is Network?

Network system has been in operational in many different fields of work from ICT, physics through to business management. The concept of network in management and IB research has been an essential tool for understanding innovation (Obstfeld, 2005), creativity (Burt, 2004), turnover (Kilduff & Krackhardt, 1994; Krackhardt & Porter, 1985), and job performance (Sparrow, Liden, Wayne, & Kraimer, 2001). Network provides a supportive system of sharing information and services among group of individuals with common interest. (Axelsson & Easton, 1992) suggested that information, though costly to acquire nevertheless, it is essential recipe for a firm’s decision making of which network acts as vehicle through which such vital information can be obtained in a cost effective means. Further, it denotes creating a forum for interaction by individuals or group of organisations and/or firms with common interest to establish relationships for mutual benefit both present and in future.

Network according to (Wasserman & Faust, 1994) is made of a set of actors (“nodes”) and the relations (“ties or “edges”) between these actors. (Borgatti & Pacey, 2003) further stressed that the actors can be individuals, teams or groups, organisations, etc. Ties link pairs of actors directly (i.e., potentially one-directional, as in giving advice to someone) or indirectly (as in being physically proximate) and can be present or virtual. (Easton, 1992) also described network as “a series of interlocking positions”, the unique positions occupied by a firm is being influenced by the role the firm performs in its relationship with other firms or actors with which the firm relates either directly or indirectly (Mattson, 1986). (Axelsson & Easton, 1992) also defined network as a “set of two or more connected exchange relationships”. The exchange may take the form of knowledge, resources, skills etc through functional activities as illustrated below.

![Figure 3. A simple network model](image-url)
The nodes/actors (firms, individuals, agencies, government, etc) interact and share issues bothered on business growth. The position assumed by these actors within the network enables the actors to access resources controlled by other actors (Mattson, 1988) which include information, raw materials, technology, products, etc.

My own understanding of business thus working thus, refers to the process by which business actors/players establish relationships and connections that are mutually beneficial to one another such that; access, position and improvement are guaranteed. Access to new markets (Johanson & Mattsson, 1988), knowledge and information acquisition, technology, resources (Johanson & Mattsson, 1988), related firms and others can be reached and utilised through network.

A firm’s network position is the role it plays in the network (macro-positions) and of its dyadic relationships (micro-position) as argued by (Mattson, 1986). One of the mutual benefit threads from firm’s network is improved job performance (Sparrow et al., 2001) which results from acquiring new technology or knowledge on how something is done. Moreover, a firm’s turnover (Kilduff & Krackhardt, 1994) rises when it establishes long term relationship with other actors in the network.

Business networks in most cases play roles as economic actors in creation and control of assets and thus go beyond traditional family structures, it takes into consideration other unrelated businesses and local administrations. A successful business venture is often considered as an offspring of networking (Zhao & Aram, 1995) of which a firm can access needed resources which are external to the firm (Axelsson & Easton, 1992). Similarly, using network as posited by (Axelsson & Easton, 1992) paves way for a firm to reduce its potential risk of failure and increase its chances of survival.

4.3 Network approach to internationalization

Research on international market and entrepreneurship expansion has attracted the attention of many researchers from international business field as well as from the international marketing. This is because firms’ mostly small and medium sized enterprises often lack monetary capital to
undertake market research, have inadequate (limited) capabilities and low intellectual capital (Ahokangas, 1998) for international activities.

Network-based study however, offers strong approach for SMEs more than MNEs ((Ahokangas, 1998) to engage their activities in international environments. Research has it that firms around 1980s adopted different contact relationships in advancing their international operations, a situation that called for the development of network mode (Johanson & Mattsson, 1988). (Ahokangas, 1998) argued that to some large extent firms depend on the relationships within their network which leads to access to resources controlled by other firms externally (Johanson & Mattsson, 1988). Johanson and Mattsson (1988) model maintains that firms hold high interest in establishing and maintaining network relationships and that starting network relationship from the home country as suggested by (Vasilchenko & Sussie, 2011) is the starting point for a firms international operation and expansion. Similarly, (Salmi, 1998) stated that network implies the processual means of foreign market entry.

The model further elaborated the point that network internationalization puts the firm at a level which establishes positions in relation to foreign network counterparts/actors. Three main ways were brought forth in enhancing this, namely; i) international extension - through establishing positions in relation to counterparts in national nets that are new to the firm, ii) penetration - through establishing positions and increasing resource commitments in those net abroad in which the firm already position and iii) international integration – through increasing coordination between positions in different national nets (Johanson & Mattsson, 1988). Business networks approach on internationalization is set of connected learning processes (Axelsson & Johanson, 1992: p. 208 cited in Kent & Sylvie 2003). Holmlund and Törnroos, (1997) also put it that, business network depicts a set of connected actors that perform variety of activities in interaction with one another (Vasilchenko & Sussie, 2011). The processes comprises of other actors in the network such as customers, suppliers, government and competitors.

The basic assumptions however, are that, internationalization is a network phenomenon whereby firms are embedded in a web of connected relationships with customers and suppliers. External resources are obtained by firms through exchange among the actors in the network, yielding to the principle that firms are interdependent on one another.

Network relationships have been considered as key determinants in acquisition of foreign market knowledge-intensive by SMEs (D. E. Welch & Welch, 1995), hence, a way to help cure problems
of inadequate foreign market knowledge and technology transfer and accumulation of capital choice of market (D. E. Welch & Welch, 1995) marketing entry mode (D. E. Welch & Welch, 1995). (Oviatt & McDougall, 1994) added that network assist international new venture founders and/or born global firms in identifying business opportunities available internationally, thus, influencing the selection of countries and locations. Oviatt and McDougal (1995) cited in (Vasilchenko & Sussie, 2011) further emphasised that functional business network is one of the essential features of a successful global start up and a powerful resource-conserving alternatives to internationalization. A firms’ network orientation and its subsequent finding of the roles and strengths of the players within the network enhance the firms’ understanding in possible challenges and opportunities for the firm’s activities (Juho, 2011). Knowledge is explored and exploited by learning from the actors within the network (Juho, 2011) and the wider the network the likelihood of a firm widening its bulk of knowledge with regards to foreign market (Chetty & Eriksson, 1998), foreign operations (Johanson & Vahlne, 1977) and the possibility of increasing its foreign commitments (Johanson & Vahlne, 1977) and net income in the long term.

Moreover, (Vasilchenko & Sussie, 2011; Vasilchenko & Sussie, 2011)) a firm through the actors within its network acquires knowledge relating to technology, marketing, cultural and other competitive enhancement information. Acquiring such essential elements leads to accelerated internationalisation of a firm and international entrepreneurial activities. (Coviello & Munro, 1997) argued that networks creation cannot be separated from entrepreneurship; they are natural part in identifying opportunities and also utilising resources that are not owned or controlled by entrepreneurs themselves. This is clearly displayed in definition of network given by (Coviello & Munro, 1997) as “inherent part of entrepreneurship viewed as a process by which individuals pursue opportunities without regard to the resources they currently control”.

In summary, networks creation enhances firms’ access to international marketing networks, e.g. distribution networks and help linked possible unknown distance business partners(Mainela & Puhakka, 2011). Study conducted by Korhonen et al. (1995) and cited in (Coviello & Munro, 1997) indicated that most of the Finnish SMEs begun their internationalisation journey with “inward” foreign operations which allow for international network connections to be created.
### 4.4 Building networks in emerging markets/economies

Network establishment has been useful means for business expansion particularly for small and medium scale enterprises in many advanced and emerging countries. In spite of the extant literatures on internationalization and networking evidence from emerging economies still fall short (Ghauri et al 2003). Zeng and Williamson (2003) maintained that firms in many emerging countries require sustained networks in order to be at pair with their international competitors. Network plays major role especially in Ghanaian business and social life. This is conveyed in a Ghanaian adage “if your brother is a player in a game you will surely not be left out”. This piece saying depicts the usefulness of “relationship and contacts” as far as human socio-economic activities are concerned. Network and contacts are means of obtaining strategic intelligence propellent for internationalisation of a firm. Networking creates learning channel for firms (SMEs) to learn and abreast themselves with prevalent issues about international markets and international opportunities (Andersen & Buvik, 2002).

Emerging economies are countries characterised with rapid economic growth, growing income and rising purchasing power. But with quite non-strong institutions to support financial, organisational and technological resources that are of high need for international business competition (Gillespie & Teegen, 1995 cited in Douglas et al 2007). With reference to Finnish economy which has strong and well-established functional rules that supports businesses and firms thereby stipulating the operations of firms, it becomes imperative for Finnish firms to liaise with existing foreign or local firms in any emerging economy of Africa through strong network due to institutional uncertainties and rules in adherence to by firms towards enforcing their conduct of businesses. The network phase is considered an influential aspect in determining internationalization path in a foreign market (Kuivalainen et al, 2012) particularly in a much distant and turbulent economy like those in Africa. Market turbulence and fluctuations in economic indicators in emerging markets call for network building between visiting or incoming firms and domestic/already existing foreign firms so as to make entry less-hampered and survival possible.

Given the growing number of African countries into emerging economies with increasing reliability on international trade and foreign investment coupled with the possible market uncertainties it is important to ascertain the efficacy of network creation towards entering such
markets. High transaction and business cost characterising some emerging economies of Africa due to lack of information or otherwise psychic distance (Sakarya, 2006) could be dealt with through establishing network with firms and other institutions. The availability of opportunities and resources in Africa make the continent the “eye” to the advanced economies however, its entry requires information and knowledge since they are key indicators for market selection and choice of entry (Sakarya, 2006). Most emerging economies particularly in Africa provide long-term growth opportunities that virtually exists no more in competitive advanced markets. Growth in African countries like Ghana, Nigeria, South Africa, Botswana, Tanzania, Egypt and a lot more have high attracting prospects in terms of market size, increasing purchasing power, less competitive markets and trade liberalization. The role of network becomes more important in growing economies because of their transitional nature. Business networks give firms and businesses access to knowledge and resources which would have been difficult obtaining as a result of institutional constraints. Further, they prepare firms to operate in unfavourable and underdeveloped environments.

The network view described that firms differ in the way they treat their network environment and that there is no standardised or generalised way through which network relationship can be built. Each firm therefore interacts with other actors identified with specific “faces or interests” (Anderson et al., 1994 cited in Salmi, 2000). Like it pertains in Malaysia, establishing network with government institutions, agencies are indispensable means of entering Ghanaian market. These institutional networks not only aid in giving support to in-coming firms but also motivate them by means of tax-waving on the part of government, provision of information and other support services to lower some expected risks, helping them gain early credibility and again help them establish relationships with other domestic and already invested firms.

Generally in Africa, personal relationships are important in business activities as they perform several functions. Fafchamps and Minten (1998a) for example, stated that survey conducted in Madagascar on agricultural traders suggests that relationships are key element towards successful business, help accelerate information circulation regarding prices and market conditions, mitigation of risk, provision of trade credit and prevention and handling of contractual difficulties. Similarly, (Fafchamps, 1998) argued that being active player in business network in Africa is considered as creation of trust which acts as an effective substitute for the security offered by costless legal enforcement. McDade and Spring (2005) pointed out that entrepreneurial networks exist not only in one country but are useful also in cross-border trade in sub-Saharan Africa.
The geographical, political, cultural and legal differences between foreign countries and their African counterparts sometimes create barriers in market entry in African countries. Nevertheless, network building has aided in accelerating entry and starting of businesses by foreign investors in most emerging African economies. For instance network via matching concept illustrated by (Ghauri & Holstius, 1996) explains how most foreign companies (MNEs and SMEs) advanced their entry into Ghana and other African countries. The concept of network matching (Ghauri & Holstius, 1996) involves all the steps adopted at the global, macro and micro levels to accelerate the business relationships development between companies in dissimilar economies.

Network relationship at the global level deals with international agreements and activities that promote international operations between countries. Actors at this global level take different forms and include institutions as European Union (EU), World Trade Organization (WTO), United Nations Industrial Development Organization (UNIDO), and World Bank among others. These world institutions not only provide financial aids to developing economies in Africa but also offer comprehensive report and information about business environment, projects and opportunities in the developing economies of Africa. In terms of European Union, where Finland is one of the signatory to the Lome Convention aim at establishing co-operation between the EU and Africa, Caribbean and Pacific (ACP) countries. Finland assenting to this convention implies positive change in trade and cooperation building with emerging countries towards enhancing effective business promotion. Companies within the countries of EU can through this convention (or agreements which are often binding and provide safe legal platform to) enter the markets of ACP countries.

Figure 4. Network relationships at the global level
At the macro level, business relationship development concerns itself with bilateral negotiations and agreements taken between governments of different countries to support business operations at the company levels. In Ghana for instance, government’s support to foreign business firms includes, tax-wave, investment protection agreements and forum creation to raise awareness. Some foreign companies adopt this channel of entry in Ghana e.g. Vodafone UK, Tullow Oil, Colas Construction, etc.

In the case of Finland and Ghana at the macro level, the Finnish Fund (FINNFUND) Annual Report 1996, expressed the concern that the FINNFUND meant for promoting industrial joint ventures in developing countries has one investment funding in Ghana since its inception with a value FIM 0.2 million. This value according to the report is low and not encouraging, the reason being lack of initiative by Finnish firms to operate in Ghana due to unavailability of information about possibilities and opportunities couple with perceived risks of doing business in Ghana.

At the micro level otherwise called company level, it involves all the steps required by firms to make successful market entry. This micro level is mostly utilized by many firms and business entities. Actual business relationship interaction and exchange occur between actors in the network. A study report by Finnish Custom Board (Finnish Customs Board, Annual Report 1996) indicated a percentage of 0.5, being total Finnish trade with Africa in 1996 but with no statistical
figures in terms of the volume of trade with Ghana. It implies that there are virtually not many Finnish firms and businesses making their way to Ghana and in Africa as a whole rendering the business network between these two regions apparently loose.

Characteristically, business networks in many African countries like Ghana embodies informal players who help facilitate market entry and awareness support towards the survival of firms within their area of jurisdiction. These informal network players are influential figures in the societies whose role often leads to acceleration and acceptance of any establishment or event. Such players include traditional rulers of communities (chiefs and kings) and religious groups. Establishing relationships with these notable groups play a variety of valuable functions in sustaining business investment in sub-Saharan Africa. For instance handling and prevention of contractual difficulties and provision of trade credits (Fafchamps 1999). Further, network of personal relationship and contacts involving these informal actors help to circulate information and awareness due to the fact that some significant resources are being owned and partly controlled by traditional rulers. Barr (1998a) pointed out that, Ghanaian manufacturers with strong business contacts and relationships out-perform than less/loose connected firms. Adding, with the support given them, such business entities are able to access information regarding new technology and other market opportunities. Another identified business network relationship in some Africa countries according to Kandori (1992) and Ellison (1994) focuses on business community relationships where communities seek to build a reputation as group in terms of doing business. Such reputation has carved a niche as an asset for collateral to guarantee expected business behaviour. A member belonging to a particular business community whose actions breach the set code governing the activities of its actors can be sanctioned. Shillington (1989) for instance affirmed that trade and businesses along the river coasts and ethnic boarders operate under community business relationship networks.

With the advent of global dynamic business in a more technological and innovative strategies Africa business environment have gone through some business metamorphosis from traditional means to slow-pace scientific learning advancement. Henceforth, the network view of advancing the course of businesses across the sub-regions of Africa and beyond the continent’s border has taken pivotal role in many SMEs in Africa due to its influential benefits such as market expansion, technology acquisition, gaining market position among others. In Ghana for instance, SMEs although challenged with issues such as inappropriate technology, access to credit and knowledge shortfalls (Aryeetey et al., 1994; Parker et al., 1995; Kayanula and Quartey, 2000 cited in Abor
and Quartey, 2010) yet represent about 92% of Ghanaian business and makes significant contribution of about 70% to Ghana’s GDP and offer about 80% employment to people (Abor and Quartey 2010). Due to globalisation and market competitiveness some SMEs in Ghana have initiated move in adopting network-alignment policy especially with international firms to foster their strategic market growth via repositioning and exchanges. This is to ensure innovativeness and resources acquisition for efficient operation (Abor and Quartey, 2010) locally and to engage in internationally competition.
5 EMPIRICAL ANALYSIS OF THE RESEARCH

Based on the methodology used some data were gathered in direct relation to firms internationalization networks in emerging economies of Africa. The data was obtained from three different viewpoints namely; an expert viewpoint, viewpoint from firms and from the Finnish Investment Agency. The focus of the interview and questionnaires designed were primarily to ascertain the preparedness of Finnish firms in entering the growing markets of Africa and through what network channel. The data gathered have therefore been analysed and presented with graphs.

Expert’s View (Interview)

The expert works at the Kokkola chamber of commerce and superintend over all the businesses and companies in Kokkola city. He again doubles as the managing director for Regional Development of Companies in Kokkola (Kosek) with the role of promoting companies and business operations in Kokkola region and other international business operations. His office offers consultancy services to start-up businesses, business development and firms undertaking internationalization ventures, roles his outfit has performed over two decades. With such long experience and expertise in firms interactions and supervisions he outlined several network channels through which foreign firms establish entries into emerging markets among them include;

- Firm-2-firm network
- Network through Firm-2-Government Agency
- Network via Personal links/contacts
- Network via business agencies
- Networking through social media platforms

The usage of the options provided above is subject to the decision and resource availability of the internationalizing firm and mostly depends on the quantum of information the firm has on the
market it intends entering. Further, the international experience of the internationalizing firm proffers fore-knowledge (prognosis) about the happenings of doing business in emerging countries and therefore plays significant role in the choice and selection of a particular network. Citing an Kokkola’s initiation on an on-going business project between Kokkola Municipality and a sister African country Tanzania specifically Dar es Salem Metropolitan Assembly. The Kokkola Municipality has become extensively aware of business and economic environment in Tanzania and therefore has devised strategy for ensuring active business relationship with her sister counterpart Municipality in Africa. The project is to afford the two communities opportunities to build vibrant business relationship that will lead to traineeship of personnel and investments among the two countries. The cooperation in addition provides opportunity for companies within the regions of these communities to bridge together and trail for business investments. Asked why Tanzania was chosen ahead of Ghana, his response was due to same time zone which makes accessibility of program coordinator and communication easier.

Following the research his office conducted during their separate visits to Dar es Salem it emerged that there are pretty much available business opportunities in Africa in Food production and processing, information technology, waste management and processing, just to mention but a few. Besides, the friendly nature of the people could be significant recipe for business. However, internationalising into almost every country in Africa requires active and functional network so as to be abreast with the socio-economic settings in the continent. Factors such as cultural disparities, political environment, climatic and weather conditions and time zone matter well when doing business in African continent. The research unearthed high degree of cultural distance (Lopez-Duarte & Vidal-Suarez, 2010) in Africa countries comparative to that of Finland. Due to the collective family structure system, joint or partnership venture business mostly with family businesses ought to be cautiously considered. Nevertheless, network provides an instrument to navigate through.

In summary, he emphasized that entry into African markets requires establishing strong and interactive network that allows internationalizing firms to learn and to develop possible alternatives for successful internationalization. Participating in trade exhibitions, business conferences and fairs give learning opportunities to internationalizing firms. This he strongly believes could be achieve through three (3) most important network channels and rated them as illustrated on the figure 5. These channels provide comprehensive information and support systems towards reducing possible risks of entry in areas of legal, political and cultural distance.
Other network links although very significant in market internationalization yet they are rarely visible in entering countries with high degree of psychic distance (Johanson and Vahlne, 1977) as in the case of Finnish/Africa social-cultural environment. Their usage become very much useful after entering into such markets and realise the need for expansion and innovation. However, firms especially MNEs with resources and experience in international operations could effectively employ other network links like personal contacts, professional and social networks etc to enter emerging markets of Africa.

An assumption in the network model is that a firm requires resources controlled by other firms which can be obtained through its network positions (Johanson and Mattson, 1988).

![Network rating by the expert from Kokkola Chamber of Commerce](image)

The inclusion of establishing network with municipal and/or government agency is that it became obvious to him that greater portion of the resources in most African countries are either owner or
controlled or financed by the government or the municipality hence gaining access to such resources require municipal network creation as in the case of Kokkola/Del es Salem, an assumption that underline network model (Johanson and Mattson, 1988) which says resources controlled by other firms can be obtained through establishing position in the network. Having admitted that Africa offers huge market for IT services, waste processing, agriculture among others, he recommended that the business communities of Finland make use of the African students in Finland as agents, interns in undertaking field study in the various cities they hail from in Africa. The students being the product of education received in Finland could aid entry into their domestic homes

**View Point from FIM Corporation**

FIM is a Finnish investment service provider which offers investment, savings and asset management services that suit the individual needs of private, corporate and institutional agencies. The agency since its inception has widened its operational units across and beyond the borders of Finland. FIM provides asset management services for institutional investors within Finland and abroad, including mutual funds built on several years of experience and expertise in the emerging markets. One of the FIM’s long term focuses is to harvest from those potential markets usually perceived by some markets analysts as “risky markets” through its investment policy. The roadmap to achieving this is to engage in network and relationship building with firms especially those already in such domestic markets or foreign firms who have undertaken some investments in the intended internationalised markets. Taking position within such networks provides a bridge in gathering relevant socio-economic information about such markets particularly in Africa.

Touching on the network channels, FIM downplayed its relationship with government and/or municipality of the various internationalised markets because of political bureaucracy and decisions and the impact a change of government will have its business operations. FIM’s assertion was that a firm’s selection or choice of networks depends on the kind of business activities it operate but maintained that whichever way it is, business networks become catalysts
for firms in entering emerging markets especially in Africa. Not only do networks facilitate entry but also open doors to widen its relationship with other domestic firms which eventually increases the strength of the internalizing firm as argued by Johanson and Mattson (1988), that; as a firm goes international it increases the firm’s number and strength of the relationships between different parts of its business networks.

Presenting the facts, FIM in 2006 set up FIM Sahara meant for establishing investment in the regions of Middle East and Africa. The decision was informed due to the World Bank’s and the global attention on these regions being tipped as growing emerging markets with huge business and market potentials for companies. FIM entry into Africa and some Middle East countries was enhanced through its network relationship with some foreign companies which already have operations in these regions. The international experience of some of the personnel in FIM’s Group also accounted for FIM’s international acceleration. The rich experiences of these personnel facilitate in establishing new relationships which are huge asset for future expansion.

Currently FIM operates in about nine (9) emerging markets of which three are vibrant economies in Africa. These markets are (Arab Emirate, Saudi Arabia, South Africa, Qatar, Nigeria, Kenya, Kuwait, Oman and London). The investments made in these markets are as illustrated on the graph below;
Elaborating on the significance of network contributions to FIM, it emerged that net profit abroad of the FIM Group is the product of the extent of its network. Admitting that establishing functional network with companies and business agencies becomes the avenue for exploiting untapped markets. They are the reservoir for receiving information and sustaining internationalizing firms into new markets particularly in emerging economies like Africa.

On the network rating, network through firm-2-firm is the most used channel often employed by FIM in expanding its operations in and beyond Finland. Other channels include business agencies, personal connections and other professional networks.
View Point of Company X

The company prefers to be anonymously called Company X as it wants to hold its identity for now. The company is specialised in designing solar lighting systems for household and industrial solutions. Its main operation involves manufacturing, installation and maintenance of solar panels systems for industrial usage. The company manufactured its first products and ushered them into European and US laboratories for research in 1991.

Having followed global trend of energy supply businesses particularly in developing economies, the company drew its attention on international front after operating in domestic Finnish market. After testing waters in Kosovo in 2007, Company X made its first historic adventure into entering Africa with a start of Cooperation Company in Ghana with its subsequent operations in Nigeria.
and a project in Somalia. This became possible after attending energy generation conference in Ghana and Nigeria.

Company X success entry into Africa was hugely engineered through its professional networking and years of international experience. Citing professional social platforms like LinkedIn which allows individuals, firms and organisations to make connections and build relationships with many people and agencies, so the company through such channels built network with a number of firms, individuals, agencies and institutions which has eventually led to Company X success story as one of the Finnish Companies operating in Africa.

Commenting on during business in Africa, the company admitted that in spite of some seeming political imbalances and other high inflationary or economic setbacks which in a way pose investment threats, there still remains huge market availability with wide range of opportunities. Functional network with firms, opinion leaders, professionals, among others are efficient means of surviving in turbulent African market. Again, people hospitality embedded in African cultural set up creates additional avenue in expanding the net web within the local market. This is contained in a piece given as;

“Many years of experience, dedication and professional networks in African and other developing countries has allowed us have complete knowledge of delivery chains, distributor needs and expectations and most importantly the knowledge of unique African environmental conditions which requires more from Solar system designing and component structures”.

The production of renewable energy has become major concern for the countries in West African sub-region, ECOWAS, leading to establishment of ECOWAS Observatory for Renewable Energy and energy Efficiency (ECOWREX). The observatory body serves to build up a network of energy experts and cooperation among key local and international players to share knowledge and experience on practices and technical knowhow from around the world. This move has gotten the attention of Company X in establishing such international network relationship with experts in ECOWREX.

Company X expansion in Africa is connected with several agents and bodies like firms, industries, municipalities, organisations, sub-regional bodies and sometimes governments of the countries it operates in. The relationship and connection between these bodies are due to the nature of its business activities, which is the provision of renewable solar energy. The company even though
made its international appearance into Africa not too many years ago but has gradually established some business roots especially in Nigeria, the largest market in West Africa. This is evidently proven as it has succeeded undertaking rural street lighting with solar street light through its network with some municipalities in the country.

By summary Company X categorises its network into;

- **Professionals**: made up of individual experts or group of experts, social media, organisations, consultants, students, etc
- **Industries**: which include firms, companies, agencies and institutions
- **Government**: consist of energy ministries, municipalities/metropolitan, districts and communities
- **Other**: like regional bodies

The above network categories are rated graphically as:

![Company X network rating](image)

**Figure 9. Company X network rating**
View Point of CEO, Technopolis

Technopolis is a Finnish listed real estate company with specialty in leasing space and providing services. The company’s core business idea is to combine business support services with modern, flexible, multi-user business environments. Currently, Technopolis operates in neighbouring countries like Russia, Lithuania and Estonia. The researcher’s interaction with the CEO was motivated by the company’s visions outlined by the CEO which is to internationally become extensive and unique network business centre.

During the interaction, the manager affirmed the company’s international focus but declined focusing on Africa continent for now. This is due to lack of information and knowledge about African business culture. He was however quick to add that strong and functional network will be required by the company as a learning environment towards knowing more about African business.
6 LIMITATIONS AND CONCLUSIONS OF THE RESEARCH

Limitations to the study

In spite of the preparations, time and effort that went into reaching the aims of this research, there were some short-comings or otherwise limitations which in one way or the other lowered the expected outcomes of the results used in the analysis. First of all, the number of respondents of the questionnaires was below expectation even though followed-up mails were sent to remind the various recipients yet they yield no results. Hence, only two companies responded to the questionnaires and two managers/experts granted interview to the researcher.

Another short-coming was that, some of the information received from companies as attachment was in Finnish language and therefore sought the services of the third-party interpreter in order to deduce what message those articles (attachments) carry. Interpreting the material may lead to skip over of some vital information.

CONCLUSIONS

The internationalization of Finnish firms into Africa markets has been a subject of discussion in business communities across Finland especially within Pohjanmaan region. Arguments are that, there is lack of information on the business environment in Africa and low interest of firms considering African as their target market in the intending foreign operation in spite of the growing attraction of firms from Asia, US and parts of Europe. Owing to this, firms within the Pohjanmaan region and beyond rarely prioritize African market in terms of their operations abroad. Hence, this thesis presented some economic take-off of some African countries especially Ghana and the impact the growth has had in relation to firms entering Ghana. Again, the thesis provided some possible entry networks that (Finnish) firms could adopt to enhance their entry and operations in Africa.

Essentially, the findings and results presented in this research work can be very much relied on since most of the facts used come from the world acclaimed and recognised bodies like IMF, World Bank, Economist and official agencies from Ghana and Finland. Also views expressed
covered expert personnel from internationalization supervisory body and managers of some companies across Finland.

The results in respect to the economic growth of Africa was that, the new millennium comes with a turning point for Africa as many of her countries have gradually stepped into becoming emerging economies. This is largely because of both political and economic transformation from more politically tense and economically unstable environment to much better stable and reform environment. Africa’s emerging situation is seen in various governments’ rigorous economic transformation that seek to reduce the risk-related treats of doing business, improved socio-economic infrastructure, strong institutions, transparency and private sector development. The consequence was 5% steady growth rate with projection that Africa becomes the growth pole of the 21st century.

Ghana within the past decades has been one of the African ten fastest growing economies in the world with 14.4% growth rate in 2010-2011. The growth was as a result of prudent economic policies, exploration of oil in commercial quantities among others. This has attracted global attentions from most economic organisations like IMF, World Bank, The Economist and other multinational firms from US, China, Japan and UK.

These transformation and stability have played instrumental role for domestic firms to rise up in ensuring business transformation from the traditional way to modern business systems. The development and continuous improvement of emerging markets firms cannot be dependent on firms themselves unless they partner with firms from other developed and advanced economies. Equally, some firms from advanced and/or other developing economies desire to expand their operations into new and opportunity-related markets. Emerging markets become the target for such opportunity-seeking firms. The internationalization of firms into emerging markets like that of Africa is essentially important move for both the internationalizing and domestic firm since the move offer symbiotic benefits which include; access to new markets, acquisition of technology and resources, and foreign exposure. Also is acquisition of knowledge that is crucial for subduing physic distance threats that might impede a firm’s entry into emerging markets. In short, Africa is ripped with several opportunities in ICT, food production and processing, waste management, construction, etc. These undoubtedly are avenues to feed Finnish firms.

Following this current growth coupled with the resources available particularly in Ghana many firms both MNE and SMEs from across the various continents mostly Asia, US and part of
Europe have entered Ghana and other emerging nations in Africa. The study hence brought to the fore that, to ensure successful internationalization of Finnish firms into some emerging African markets it requires establishing strong networks and relationship building with several players and agencies. Networks act as live-wire for firms to reach unknown target markets. Gaining access and control, successful venture business and risk minimization are all products of building networks with local and other foreign firms operating in the intended foreign market.

Out of the four companies contacted three admitted how network aided them into some African countries like Nigeria, Ghana, South Africa, Kenya and Somalia. Although each of the business entity contacted has its own business unit with different approach to entry yet they all acknowledged the following network channels as means by which firms can establish entry into emerging African economies; firm-2-firm network, personal contacts, network with business agencies, professional networks and networks through social media platforms. Finnish firms attending African business fairs, trade exhibitions, business conferences and seminars organise to sensitize the readiness of African firms to partner foreign ones are ideal platforms for making contacts and obtaining information about Africa. Again, since government/municipalities in most cases control resources in most African communities it is of good interest for firms especially resource seeking firms to extend their network relationships to such bodies.

Network with firm-2-firm, professional networks and business agencies provide useful services in the form of information, guidance, playing as host in minimizing risks. Personal contacts can be the quick way of getting a firm move into new emerging market while Social media platforms widen a firm’s scope of network. With the existence of network and relationship creation, firms’ ‘fear’ can be turned into learning situation meant for equipping them with knowledge for successful internationalization. In spite of the role network plays in preparing firms for internationalization in emerging markets the study found out that the turbulent nature of emerging economies often put off firms from undertaking business investments in such markets due to some factors as; resource availability at their disposal, time commitment, physical distance treats, weak institutions and trust.

The research analysis further supported earlier research results on network and relationship patterns of firms’ internationalization and the role such relationships/networks play in firm’s foreign operation. However, these networks and relationships especially in Africa (Ghana) go beyond the network channels outlined above. The community and traditional leaders are key
figures when it comes to ownership and control of resources and supporting the survival of companies within their locality. Therefore their inclusion in a firm’s network is an asset in gaining recognition and patronage.

Again, contrary to the earlier claim as captured in most emerging market literatures of Africa that South Africa and Egypt only hold qualification key to emerging economies in Africa, the study further unveiled key growth areas and of Ghana which have received acclamation from World Bank and other economic and international bodies as one of fastest growing emerging economies in Sub-Saharan Africa.

One issue that came up during the study was partnering family business firm in Africa. The collective nature of family system in Africa and its impact on family business operation was a concern pointed out by the expert in Kokkola Chamber of Commerce and advised firms seeking to build network and further business venture with such firms in Africa to be cautious and abreast with enough information. The researcher then recommends that a study be taken as to how networking with family business in Africa could yield to an internationalization of a foreign (Finnish) firm.

On the whole, the study made empirical contributions by establishing various entry network channels available for firms in extending their operations in African market. Firms’ seeking to internationalize ought to show commitment in their network whiles domestic firms seeking technological change for international competition should stay proactive by opening their doors for partnership with firms beyond their national borders. Nevertheless, because the empirical base of gathering data was limited to few companies’ further research on how firms from other European countries extended their operations in African market could yield significant results towards internationalisation network into Africa.
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Appendix I

Explanation of Terms and Acronyms

**Emerging Economy:** Countries whose income level falls within the low and middle income category

**MNEs:** Multi National Enterprises

**EMI:** Emerging Market Indicators

**FDI:** Foreign direct investments

**WDoE:** Wholly Domestic Owned Enterprises

**UNCTAD:** United Nation Conference on Trade and Development

**GDP:** Gross Domestic Product

**OPEC:** Organisation of the petroleum exporting countries

**Lion Market:** A term used to describe market characterised with high risk and huge business and market opportunities

**BRIC Countries:** Britain, Russian, India, China

**ECOWAS:** Economic Community of West African States

**ECCAS:** Economic Community of Central African States

**SADC:** Southern Africa Development Community

**WTO:** World Trade organisation

**UNIDO:** United Nation Industrial Development

**ACAP:** African, Caribbean and Pacific
Appendix II

Questionnaire 1

Name of the Company:

Manager’s Name:  
Position in the Company:

1. How long has your company been in operation?
2. Does your company have branches/subsidiaries across Finland?
3. From which region (continent) of the world do you have your business operation?
   A. Africa
   B. Asia
   C. North and South America
   D. Other EU country
4. Does your company have any business network in Ghana and Africa as a whole?
   Can you tell a bit about what network it is? .................
5. If NO, do you intend establishing network in Africa for future business?
6. Have your company ever attended any African business fair/exhibitions/events?
7. Do you see African students studying in Finnish Ammattikorkeakoulu or Yliopisto as potential agents in establishing business network in Africa?
8. Which of the following network channels do you consider most in terms of entry into Africa?
   A. Firm-2-firm
   B. Business agencies
   C. Professional networks
D. Government/municipality

E. Students

F. Personal contacts

9. Can u please rate them in terms in a scale of (%)

10. Please give your comment about doing business in Africa..........................
Appendix III

Questionnaire 2

Name of the Company:

Manager’s Name: Position in the Company:

1. How many long has your company in operation been in operation?

2. What is business operation is your company?

3. How many foreign countries do you have your business operation?

4. Have you any operation/investment in Africa? Which country is it?

5. How many years now since entering Africa?

6. Through what means did you enter Africa, any network channel?

7. Which of the following network channels did you use in entering Africa?
   A. Firm-2-firm
   B. Business agencies
   C. Professional networks
   D. Government/municipality
   E. Students
   F. Personal contacts

8. How has network helped in expanding your business?

9. Could you please rate these channels (in %) according to the most used

10. Please any comment about doing business in Africa.........
Appendix IV

Interview with Expert from Kokkola Chamber of Commerce

(Note: Follow-up questions are not included in these questions)

1. Could you please introduce yourself and office?

2. How do your office support internationalization of firms with your region?

3. How often do firms with your vicinity source for guidance and information regarding a particular market a firm is turning going?

4. Is there any company from Pohjanmaan region who has entered Africa?

5. Was there any collaboration between your office and firms in going to Africa?

6. By what approach did such firms get there?

7. What network channels do firms often employ in entering emerging markets?

8. In your view do you consider Africa as being favourable market for Finnish firms?

9. Do your outfit have enough information about African business environment?

10. Any recommendation for Finnish firms about entering Africa?