

How Enterprises from the Developing Economies can Internationalise their Value Chains

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ABSTRACT

With the evolving patterns of information technology and cross-border bilateral and multilateral trade treaties, the importance of internationalisation cannot be undermined. These treaties open opportunities for enterprises to exploit hitherto closed markets. It is an opportunity not only to widen their customer base, but also to upgrade, make competitive and integrate their value chains into the global market. The focus of this paper is to describe how enterprises from the developing economies, especially enterprises from Africa, can internationalise their value chains and respond to global competitiveness. By examining and drawing inferences from some smart enterprises, an approach on how enterprises from the developing economies can gradually and successfully internationalised their value chains was developed. It is argued that, enterprises poised to competing successfully in the global market must look beyond their indigenous markets or else they will be forced out by competitors from other countries.

Keywords: enterprises, developing economies, internationalisation, value chains

1. INTRODUCTION

There is no doubt that there is a growing plurality of the routes toward globalisation of production and markets (Dunning and Lundan, 2008). This has drastically altered the conditions of global market competitions and it is impacting on enterprises, markets and consumers around the world. Enterprises are more aware than ever of the need to be more competitive or suffer the consequences, as consumers are growing more sophisticated in their tastes, preferences and demands. For instance, consumers, within the confines of their bedrooms, can access and purchase products or services of highest quality and standards anywhere in the world. This trend has therefore necessitated the need for enterprises to landscape beyond national borders for market opportunities.

For enterprises from the developing economies, the trend poses more of a challenge than opportunity – one that constantly demands the need for them to upgrade and benchmark their value chain against global standards. To overcome the challenge however, the United Nations Conference on Trade and Development (UNCTAD) has continuously advocated the internationalisation of these enterprises in order to enhance their global competitiveness. This, according to UNCTAD, will provide them the opportunities to access strategic assets, technologies, skills, knowledge, natural resources and markets as well as increasing their global efficiency and involvement.

Doubtlessly, the trends of globalisation and information technology are redefining the paths to internationalisation. This has necessitated the need for enterprises from the developing economies to respond to the following challenges - the need to be globally competitive; consumers are becoming more sophisticated than ever before; and the increasing market convergence and access due to the gradual liberalisation of markets around the world. Though, researches have responded to these challenges by explaining processes of how enterprises internationalise their value chains. However, these researches are largely based on multinational enterprises (MNEs) from the developed economies. Very few researches have examined how enterprises from the developing economies can internationalise their value chains despite the growing need for internationalisation.

This paper therefore fills this gap by discussing the reasons why internationalisation is significant, especially for enterprises from the developing economies. It describes how internationalisation of enterprises is changing the global business landscape, and how some smart enterprises from developing economies have embraced internationalisation, not only to expand their global reach, but also to strengthen their global competitive grip. Importantly, procedures which enterprises from the developing economies can use to strategically internationalise their value chains are outlined. Also, further implications for future research were identified.

2. APPROACHES AND SIGNIFICANT OF INTERNATIONALISATION OF ENTERPRISES

There is a long standing debate about the competitiveness of enterprises from the developing economies as they internationalise their value chains. With recent foreign direct investments (FDIs) patterns, outward foreign direct investments (OFDIs) especially, these enterprises are exploiting the opportunities to maximise ownership advantage of capital accessibility through mergers and acquisitions (M&As). Enterprises that have traditionally acted as targets rather than acquirers in cross borders M&As are now becoming progressively more active in taking over of enterprises in the developed economies (Bertoni, Elia and Rabbiosi, 2008). This trend is confirmed by the rising amount of OFDIs leaving the developing economies to the developed economies. In 1990, OFDIs from the developing economies rose from \$147 billion to over \$1 trillion in 2004, while the numbers of developing economies enterprises among the Fortune 500 companies rose from 29 in 1998 to 45 in 2005 (UNCTAD, 2005).

M&As is an OFDIs aspect that has gained increasing pattern of internationalisation of enterprises from developing economies compared to Greenfield investments. The argument for this trend is that internationalising enterprises from the developing economies often lack the proprietary technologies and capabilities to compete globally. To complement these weaknesses, M&As have become the increasing means for them to internationalise. Though, this does not presuppose that they do not follow other internationalisation approaches, these M&As however, through state-support largely, remain their source of ownership advantage that often motivate them to venture into foreign markets in order to acquire strategic created assets such as technology, brands, distributions network, Research and Development (R&D) facilities, and managerial competence. It allows them to buy technical expertise thus avoid the risk associated with the development of new technologies - the Greenfield investments (Nachum, 1999). This approach is quite common among the internationalising enterprises from the BRIC countries – Brazil, Russia, India, and China.

Moreover, one common theoretical framework of firm's internationalisation remains the Dunning's Eclectic Paradigm known as the 'OLI Theory' (Uiboupin and Song, 2006). The theory offers a general and holistic framework for determining the extent and pattern of both foreign-owned and controlled by foreign enterprises (Dunning and Lundan, 2008). It explains the reasons why firms decide to invest abroad, what the preconditions are (Firm-specific advantages), where they invest (where are the location advantages complementing their ownership-specific advantages available), and why they select FDI (a common form of internationalisation by firms from the developing economies) out of many forms of foreign market entry – maximising of their rents (Uiboupin and Song, 2006).

The Eclectic Paradigm predicated that the level and structure of a firm's foreign value-adding activities will depend on three conditions being satisfied and these include - Ownership-specific (O) Advantages; the Location-Specific (L) Advantages; and the Internalisation (I) Advantages:

- i. The extent to which it possesses unique and sustainable ownership-specific (O) advantages *vis-a-vis* firms of other nationalities, in the serving of particular markets or groups of markets.
- ii. Assuming that condition (1) is satisfied, the extent to which the enterprise perceives it to be in its best interest to add value to its O-advantages rather than to sell them, or their right of use, to independent foreign firms. These advantages are called market internalisation (I) advantages.
- iii. Assuming the conditions (1) and (2) are satisfied, the extent to which the global interests of the enterprise are served by creating, accessing or utilising its O-advantages in a foreign location. The spatial distribution of L-bound resources, capabilities, and institutions is assumed to be uneven and, hence, will confer a competitive advantage on the country possessing them over those that do not.

Given the configuration of the ownership, location and internalisation (OLI) advantages facing a particular enterprise, the extent to which a firm believes that foreign production is consistent with the long-term objectives of its stakeholders and the institutions underpinning its managerial and organisational strategy. Therefore, the decisions of enterprises to enter a foreign market and choice of entry depend on a combination of these three advantages (Hermansdottir, 2008).

In developing economies such as Egypt, Indonesia, and Thailand and oil-rich countries such as United Arab Emirates, Nigeria and Venezuela, the internationalisation patterns followed by their enterprises are different from the one (aggressive internationalisation) among the BRICs. The noted internationalisation pattern is the incremental/progressive approach associated with the Uppsala model by Johanson and Vahlne (1977). These enterprises start their internationalisation by first gaining experience stepwise, and build management competence to reduce uncertainty associated with their target markets (Hermansdottir, 2008). Strategically, they look out for markets where they can capture the following:

- Minimise market uncertainty (lesser psychic distance);
- Build managerial competence in such market; and
- Maximise experiential knowledge

Thus, as these enterprises develop understanding of these factors in those targeted markets, they subsequently commit, gradually, more resources to the markets (Johanson and Vahlne, 1977).

The assumption under the Eclectic Paradigm and the Uppsala model offer an insightful theoretical explanation to internationalisation of enterprises. And like other explanations and assumptions, they are largely founded on western theories of MNEs. Many scholars have continued to question their application to firms from the developing economies due to the radical changes that is taking place in the international business (Hermansdottir, 2008). The challenge with the Uppsala model for example is that, it applies largely to small and inexperienced enterprise whose ability to learn via imitation or observation is limited, and who might lack resources to undertake asset-seeking M&As (Dunning and Lundan, 2008) as it was based on enterprises from Sweden; while the Eclectic Paradigm has been accused of lacking casualty among the preconditions. This is because there is no need to stress ownership advantage (O) as this is captured in the internalisation (I) conditions (Itaki, 1991).

Regardless of the challenges with the approaches, these do not undermine the significance of enterprises from the developing economies seeking market opportunities beyond their national borders. The global market is converging with the advent of information technology and growing demands for removal or reduction of cross border trading barriers. This offers opportunities not only to expand beyond national borders, but also to develop competitive capabilities to compete in the global marketplace.

2.1 Internationalisation and Competitiveness of an Enterprise.

One of the arguments for internationalisation of enterprises is that it fosters competitive advantages. That is, enterprises that internationalise can gain competitive advantage by exploiting their geographic spheres of resources optimally. Competitive advantage is a function of enterprise lowering cost, differentiation and profitability (economies of scale). Internationalisation allows an enterprise to spread its fixed cost across larger markets leading to profitability (Hitt, Tihanyi, Miller and Connell, 2006; Hennert, 2007). It gives the internationalising enterprise access to resources, or increase potential to more effectively use its resources across larger markets (Hitt et al, 2006) and will also minimise foreign exchange-adjusted production costs (Baek, 2004) leading to improved profitability. As the enterprise internationalise, its customer-base increases across regions/network of subsidiaries and this allows the maximisation of fixed costs creating a lower cost of production and service for better and improved profitability.

Competitiveness in the global value chain is an enterprise ability to produce goods and services of wider range with highest quality possible and deliver them in timely manner to the customers (Porter and Millar, 1985). This is key in the determinant of differentiation (Porter and Millar, 1985). Differentiation as a source of competitive advantage affords an enterprise the opportunities to identify under-served unique needs of customers. With internationalisation, it is possible for an enterprise to use its unique resources and capabilities to customise products and services to meet the needs of unique customers across its network of subsidiaries. By increasing its customisation across its global subsidiaries, the enterprise unlocks the power of broader geographical scope to create competitive advantage (Porter and Millar, 1985). Thus enterprise from developing economies can maximise the opportunities from international customisation of products and services to suit individual markets to create competitive advantage through differentiations.

The increasing dynamics of the global marketplace places importance on enterprises' learning capability and innovation. Internationalisation offers a concomitant learning curve effect – increasing enterprises' knowledge diffusion. As the enterprise expands its network of subsidiaries in different countries, it supplies them with many diverse stimuli and new information (Oesterle, 2008), and so do the subsidiaries. The enterprise learns from the environments in which it operates and this knowledge is transferred internally across its value chains and subsidiaries which could enhance the enterprise's innovative capability (Letto-Gillies, 2009). This means

that enterprises that internationalise have the advantages in knowledge and innovation acquisition and development. With this new knowledge and the increasing learning curve from internationalisation, enterprise from the developing economies can develop innovative products and services that will capture different customers across its subsidiaries to gain competitive edge across markets.

Surviving in this sternly competitive global value chain means enterprises must develop the capability to leverage their unique resources across national markets, especially their brands in their home market. This will help add prestige to their home operations as well as international activities. From the resource-based view (RBV), internationalisation is very crucial to enterprises as this will help them to leverage excess firm-specific resources into new markets creating economies of scope (Wiersema and Bowen, 2011). It allows the opportunities for these enterprises to accentuate their existing core competencies, gain unique knowledge, access substantial growth opportunities in the product markets of foreign countries. With leveraging these unique resources across countries, enterprises from the developing economies can build barrier against imitation and maximise the benefit of its cross border operations.

As markets converge, so do the consumers, their tastes and accessibilities - they are more aware and informed of market trends and standards. This offers opportunities for enterprises to access new markets thus expanding its global customer base. The internationalisation of enterprises from the developing economies has often been hinged on the small size of their domestic markets. But by going international, they gain access to new markets – customers, proprietary technology, finance and knowledge (Nachum, 1999). With these benefits, internationalising enterprises from the developing economies have opportunities to experience higher performance in creating competitive advantage compared with other domestic competitors. However, when these enterprises seek competitive advantages through internationalisation, the challenge is, why do they do so?

2.2 Why Developing Economies Enterprises Internationalised

Internationalisation offers great opportunities for enterprises from the developing economies to upgrade their value chain as well as making them more globally competitive. The decision to go abroad for these enterprises is often a strategic one – driven by the competitive impulse to expand their value chains into countries where resources and markets can be effectively maximised. For instance, study by Baskaran, Liu, and Muchie (2011) revealed that internationalising enterprises from the developing economies are motivated by the desire to emerge as a global or regional player; to achieve international competitiveness through gaining new markets in the developing world (regional markets) and increasing existing share or gaining access to developed countries; to gain access to new R&D or technological capabilities; to move up the value chain in terms of technological complexity; and to ensure raw material security in the long term.

Also, Bertoni et al's (2008) study of BRICs' acquisitions of enterprises in Western Europe, North America and Japan between 2000 to 2007 revealed that these acquisitions were driven by an exploration strategy aimed at acquiring new assets or augmenting existing capacities. These motivations demonstrated the compelling impulse from these enterprises to internationalise, yet these desires are multidimensional in nature and they are noticed in their internationalisation patterns, objectives, investment directions in terms of location and resources, and often, the particular market/industry that they operate. For instance, ZTE's (China leading global telecommunication equipment and network solution provider) internationalisation strategic objective is securing regional and global markets in order to gain access to new markets in developing economies as well as increasing its market share in the developed economies. As at 2008, its percentage of its overseas business income exceeded 60% of its total business income (Baskaran et al, 2011). ZTE's internationalisation has given her an increased market share in developed economies where its overseas markets income continued to exceed the domestic market income. This has made the company a global player in the telecommunication equipment and network solution provider industry. This was driven by the ZTE's desire to access and develop new markets, distribution networks and marketing channels in order to secure greater influence over supply chains (UNCTAD, 2005). So, increasing competition in the home market or the desire to expand production capacity at home may motivate enterprises to seek strategic steps toward accessing new markets.

Internationalisation may be driven by the desire of an enterprise to achieve efficient use of corporate assets as this can provide a strategic opportunity for enterprises to leverage their assets across a large number of products and markets (Cavusgil, knight, and Riesenberger, 2008). Enterprises from the developing economies can maximise their ownership-specific advantages (liquidity, capitalisation, reputation, and risk management) through efficiency-seeking by spreading these assets across geographical borders. The case of South African's Sasol investment in the Gas-To-Liquid (GTL) project in Nigeria, Qatar and its acquisition of Exxon Mobil's European Wax emulsion business are examples of how enterprise from developing economies can maximise its

ownership-specific advantage (capital asset) to expand significantly into Europe. This has helped improve its performance by strategic positioning in the end user markets.

Sometimes, enterprises are motivated to internationalise in order to secure access to raw materials and natural resources. Where the needed material and natural resources are located abroad, to secure access to such resources, enterprises may be compelled to invest abroad and as for many of them, it becomes an important part of their corporate strategy (UNCTAD, 2005). Enterprises from developing economies can acquire technological capability, management or marketing expertise, and organisational skills to cope with current global market trends as well as augment their extant domestic market by going to other countries. For instance, the First Bank of Nigeria Group's progressive internationalisation was strategically aimed at accessing capital to finance trade in Nigeria, and especially to fund their balance sheet. According to Peter Hinson, MD/CE of the UK subsidiary, He described the internationalisation strategy as: "we are using it to fund our balance sheet, pure and simple" (Kochan, 2008). Also, Metrox, a South African mining firm, investment in several countries such as Zambia, Burkina Faso were made in order to secure key materials such as copper, zinc and cobalt.

Competitive advantage in this global marketplace requires that enterprises must possess the technological and research capabilities to develop innovative products or services of global standards. Enterprises from the developing economies often lack this capacity. In order to achieve this target, they often have to invest abroad, mostly through OFDIs, in enterprises with ready-made technologies, process, management know-how, markets and distribution networks as well as R&D capabilities. Superhouse Limited, an Indian footwear firm, investment abroad was driven by the desire to access technology and has development and design centres in Italy and United Kingdom (UNCTAD, 2005). This gives the enterprise the access to global technology and research capabilities which can then be transferred to their home markets as well as other subsidiaries in other countries in order to leverage their brands. For enterprises from the developing economies, the desire to access technical know-how may motivate them to go abroad as this access can help the enterprise to leverage their brand in their domestic and international markets.

There are strategic assets that can help enterprises from the developing economies compete successfully. Such strategic assets could be advance technology and manufacturing know-how as well as avoiding protectionism. This kind of motivation can help enterprise increase or enhance its existing competitive advantages by acquiring or accessing new competitive advantages (Dunning and McKaig-Berliner, 2002). The challenge however with this approach is the need to possess the capabilities to absorb the process which is lacking in enterprises from the developing economies. Often, these strategic assets require that considerable part of the absorbing enterprise be devoted to bundling up their firm-specific-advantage (collaborating with foreign firms) including the ability to manage the acquisition of the new assets (UNCTAD, 2006). For instance, the Lenovo's (China) acquisition of IBM's personal computer division in the US was driven by the desire to access strategic-assets possess by IBM in personal computer development. And good enough, Lenovo has developed the capacity to absorb such huge and historical know-how from IBM. Without such absorptive capacity, Lenovo may not be able to maximise the knowledge to compete successfully globally.

Though internationalisation offers great opportunities for enterprises to expand and enhance their competitive capabilities, some enterprises from the developing economies especially from Africa, often lack the required capital investment; State-supported investment; and the absorptive capacity (FDI - M&As or Greenfield) to transform their value chains into a global brand with superior competitive value. Compare to aggressive internationalisation strategy common among the BRICs, some aspiring enterprises from the developing economies may have to look out for alternative route to internationalise their value chains.

3. HOW TO INTERNATIONALISE

In recent times, regional trade trends and characteristics of OFDIs from enterprises from some developing economies have revealed regional internationalisation pattern – where geo-cultural proximity and affinity influence the direction of OFDIs (UNCTAD, 2005). Due to the increasing regional bilateral trade agreements, enterprises in member-nations of regional trade blocs are exploiting the opportunities inherent in these agreements to expand their value chains. This allows them to minimise the challenges of "psychic distance or liability of foreignness" in their internationalisation. The psychic distances, according to Johanson and Vahlne (2009) are factors that make it difficult to understand foreign environment. The regional trade treaties such as the Economic Community of West African States (ECOWAS), South African Development Community (SADC), African Union (AU), and Association of Southeast Asian Nations (ASEAN) lower this psychic distance, providing a smooth ground for enterprises of member-nations to set up operations in other member-nations.

However, entering into a foreign market comes with greater liability (liability of foreignness). Regionalism affords these enterprises lower liability of foreignness – entering markets of great cultural proximity and affinity. The major benefit of this approach to internationalisation is that it creates opportunities for an enterprise to internationalise at a lower cost by maximising the bilateral and multilateral investment treaties and free-trade-area arrangement for movement of products and services across member-nations. For example, the Table 3.1 shows the internationalisation pattern of enterprises from Nigeria especially the banks. For most of these enterprises, their internationalisation is taking a steady shape and regional internationalisation is giving them wings to go further beyond the regional borders. These trends demonstrated a compelling evidence of regional internationalisation - these enterprises simply start their internationalisation in markets that are closer to their domestic market.

But when contemplating internationalisation, an enterprise must first evaluate and align its internationalisation strategy with its corporate objectives. It must assess its strengths and weaknesses, and the opportunities and risks. The critical factors in this assessment are those factors that can make the entry into the prospective markets difficult (Psychic distance). These factors must be further assessed in consonance with the enterprise's strategic objective for internationalisation; choice of location; entry mode, and internationalisation/governance/organisational structure. With this in mind, an enterprise can map an internationalisation process that can gradually help it expands, possibly, beyond the regional blocs and improve its competitive grip in the global value chain.

The diagram (Figure 1) is a process in which an enterprise can strategically internationalise its value chains. The phases are inter-connected as one phase gives the direction of the next one. First, the enterprise must identify and set its internationalisation objective - that is, what is the reason for internationalisation? Secondly, if the reason has been identified, this will certainly shape the direction of the next move – that is, which market (country) can the enterprise effectively maximise its strategic objective for internationalisation (Location). Thirdly, upon the determination of the market (country), the enterprise needs to strategically enter such market. The enterprise can not just enter into the new market by mere opening up of a shop. It must do that strategically by looking at the best mode that soothes the targeted market and internationalisation objective of the enterprise. And finally, there is the need to manage relationship between the enterprise and its subsidiary in the new market. The enterprise's internalisation approach should be based on one that offer the minimum cost (transactional cost) as well as retaining its core competencies within the whole of the enterprise, both home and abroad (internalisation).

For each of the phases involved in the internationalisation process, key decision factors highlighted (Table 1) can help an enterprise determine the step to take at each phase. The advantage of these decision factors is that it allows an enterprise to look closely at critical issues in their internationalisation process, and exploit them to determine the choice of market (country) where it can effectively maximise its internationalisation objectives. It is proposed that the following phases in the internationalisation process can help an enterprise set a firm step towards its internationalisation.

- 3.1.1 **Set Strategic Objectives for Internationalisation:** As internationalisation becomes very crucial to an enterprise, one key question that must first be answered is “why internationalisation?” This certainly can be determined by the enterprise's strategic market positioning and targets. Baskaran et al (2011), though not exhaustive, enumerated such objectives as becoming a global or regional player; achieving international competitiveness; gaining new markets; increasing existing market share; gaining access to new R&D or technological capabilities; moving up their value chain in terms of technological complexity; and ensuring raw material security in the long term. This objective gives an enterprise direction and it should reflect in its overall corporate mission and vision. For example, ZTE aim is to be a leader in global communication providing clients worldwide with satisfying and customised products and services. And from its internationalisation strategy, it is growing into a true global brand and leader. So, whichever way and importantly, an enterprise must develop a strategic objective of its internationalisation and such objective must be directed at a particular goal.
- 3.1.2 **Identify Location:** The choice of location (country) is often a function of an enterprise strategic objective. That is, a country that favours an enterprise internationalisation objective. An enterprise, in alignment with its strategic objective, can effectively maximise the location advantage factors like natural resources endowment, market size, infrastructural facilities, bilateral relationship between the home and host countries (free trade zones and tax incentives), and cultural affinity. The more a foreign location favours an enterprise in the immobile natural or created resources and

competitive advantage, the more it will choose such location (country) to augment or exploit its internationalisation objective. These location factors can then be assessed to give direction as to which country is most favourable for the enterprise to enter in order to capture its internationalisation strategic objective. With this in mind, an enterprise can then develop a strategic matrix (figure. 2) that can then be use to determine the optimum location (foreign market) attractiveness.

The targeted location can now be determined by its attractiveness by choosing the quadrant that offers an enterprise the opportunities to maximise its strategic objective advantage in correlation with location attractiveness (low liability of foreignness).

- i. Upper Left Quadrant (ideal): The location on this quadrant offers the enterprise strong maximisation of its strategic objective with lower liability of foreign. For any enterprise, this will be an ideal location. For example, the location may give strong foreign investment incentives like Tax holiday, hugeness of the market size and at the same time fulfilling the enterprise's desired internationalisation objective (for example increasing market size or accessing new technology to improve its competencies).
- ii. Upper Right Quadrant: This location offers strong maximisation of the enterprise's strategic objective but the liability of foreignness is high. This implies that the enterprise will have to carry out additional work in the targeted markets which may require additional costs. For example, strong competitiveness from the host indigenous enterprises or protectionist policy of the host country or small market size can be a strong disincentive for foreign entry into such markets.
- iii. Lower Left Quadrant: Though the location is attractive as the degree of liability of foreignness is low, however, for an enterprise to capture the benefits of its strategic objective of its internationalisation, the opportunity is quite low. An enterprise may have look inward and fine tune its strategic objective to capture such opportunities. For example, there may be lot of incentives for foreign enterprises like tax holiday and free-trade opportunities but prospective enterprises may feel operating in such location is not ideal for its products or services.
- iv. Lower Right Quadrant (Non-Ideal): Here, the chance that the strategic objective of an enterprise is going to be achieved is quite low and the degree of liability of foreignness is relatively high. This type of location is usually market that is highly protective for national purpose. For example, countries may restrict the operation of foreign enterprises from a particular industry in order to protect or sustain indigenous operators.

With this location matrix analysis (Figure 2), an enterprise can then choose a foreign market that offers strong opportunities for its products or services with minimal risks.

- 3.1.3 Mode of Entry: Even after chosen the ideal location, entering into such location often comes with huge challenges. However, theories on mode of entry helped in offering explanation. The entry mode answers the question of "how does an enterprise enters a foreign market?" Should it be by exporting or having a representative office? Or give franchise or license to an indigenous firm in the host country to carry out its operations? Or would it be a partnership through joint venture or a total acquisition of an existing indigenous firm that has got similar capabilities or strong presence in the local market; or should it be a wholly-owned subsidiary through Greenfield investment?

Importantly, entry mode should be that one that can make the enterprise exploits fully its strategic objective. For instance, First Bank of Nigeria Group converted its London, United Kingdom (UK) representative office to a wholly-owned subsidiary in its progressive internationalisation. The representative offices over the period of twenty years (20 years), has developed the market and experiential knowledge to operate and competitive effectively in the United Kingdom (UK) Financial Services industry. Recently, as the Financial Services Authority (FSA) encourages foreign banks with representative office to convert to wholly-owned subsidiary, it become so easy for FBN UK to move from mere representative status to a wholly-owned subsidiary of the FBN Group. This allowed First Bank of Nigeria to gain smooth entry into a foreign market (UK).

- 3.1.4 Organisation/governance structure: Managing communication between the head office and network of subsidiaries can be cumbersome and costly. Often, what is being communicated between the head office and the subsidiaries might be key strategic information which may contain the source of an enterprise's core capabilities and competitive advantage. Importantly, an enterprise must be conscious of how it links effectively, in terms of functions, processes and

people with the new foreign subsidiary in a way that its competitive advantage from its core competencies are retained within the whole of an enterprise. Oftentimes, where there is no experiential knowledge, the enterprise may have to partner with indigenous enterprise in the host country to understand the market. Such partner could be small research enterprise which allows the enterprise to learn, minimise risks and access host market further. By so doing, an enterprise can gain effectively, the knowledge and nature of the market, and gradually, internalise its process, functions and people across its subsidiaries. Where an enterprise lack appropriate or absorptive capabilities, competitors in the foreign market may enjoy spill over. The internalisation process must be engendered towards minimisation of management cost and maximisation of its core competencies.

With this approach, an enterprise can gradually and successfully capture the benefits of its internationalisation objective in a market that offers strong attractiveness. Importantly, strengthen its competitiveness globally.

4. IMPLICATIONS FOR RESEARCH

Though, this research spelt out strategic approach on how enterprises from the developing economies can internationalise their value chains. But importantly, there is a need for empirical research that will capture their internationalisation process. Such research can further strengthen and widen the foundation of this research and the opportunity to capture one of the research gap in international business (internationalisation process of enterprises from the developing economies). This is because researches on internationalisation process or pattern (empirical and theoretical) are largely based on MNEs from developed countries especially from North America, Asia Pacific countries and Europe. However, enterprises from the developing economies are gradually internationalising, and there is no, if any, few empirical and theoretical research that has identified and explained their internationalisation pattern or process. This provides a platform for future academic research.

Also, the role of performance and competitiveness in determining internationalisation has important implications for research and management. Enterprises from the developing economies are continuously being encouraged to internationalise so as to enhance their performance and global competitiveness. However, despite the explosion of empirical researches that seek to uncover the general relationship between internationalisation and enterprise performance and competitiveness, findings have remained inconclusive and contradictory (Some found S-Shaped relationship while others found both inversed S-shaped and U-shaped relationships). For those few internationalised enterprises, there is a need to examine their internationalisation performance and competitiveness. This will help managers (especially prospective managers) understand the important of internationalisation in relations to performance and competitiveness. And by understanding the nature of the relationships as it apply enterprises specifically from Africa, managers can fine tune their strategic objectives to capture the opportunities proffers by internationalisation.

Furthermore, apart from this research describing how enterprises from the developing countries can internationalise, it also identify the issue of regional internationalisation. Regional trade treaties are opening opportunities to explore hitherto unexplored and relatively closed markets. The consequence is that there is a need for research on how regional trade agreements affect internationalisation patterns of enterprises. This can help give insights into the dynamics of these regional trade agreements and government can further build on them to open national markets for growth and development as well as providing a veritable platform for their indigenous enterprises to operate beyond nation borders.

5. CONCLUSION

The growing competitiveness in the global value chains has necessitated the importance of internationalisation. More importantly, enterprises from the developing economies must understand these trends as it affects their opportunities to grow, survive and be competitive. Enterprises that do not respond to these trends will be forced to accept a complementary role and may be competitively disadvantage. The question is not only whether internationalisation can make these enterprises competitive. Rather, the focus should be on how they can internationalise value chain effectively, competitively and globally.

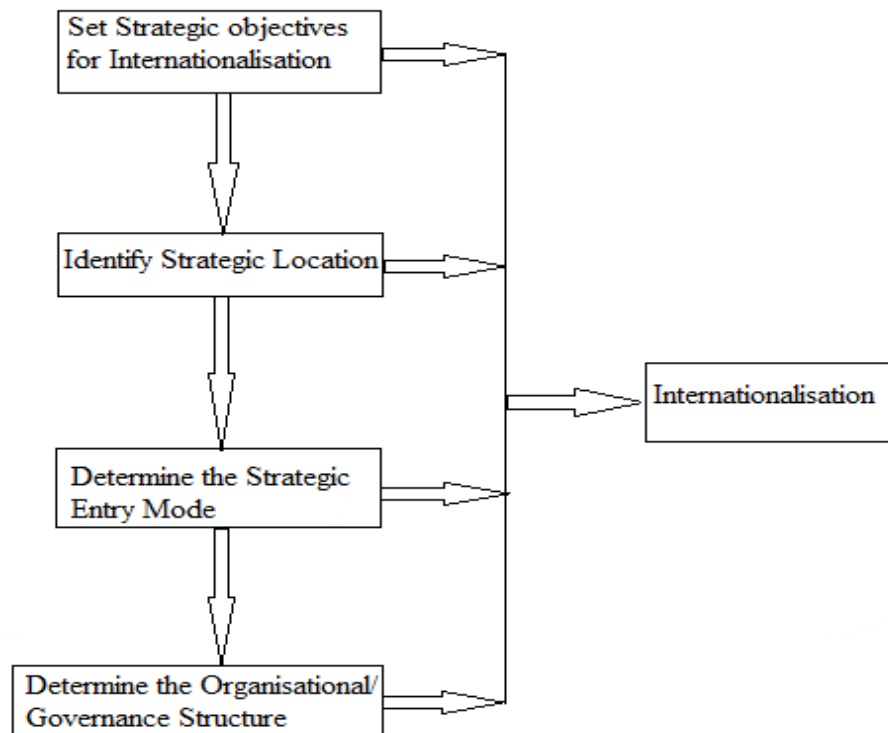
This paper therefore shows how enterprises from the developing economies can internationalise their value chains. By so doing, these enterprises can compete as a key player globally. Though, it is a challenge to some of the enterprises due to the capital and operational requirements as well as the inherent risks. However, doing it regionally can gradually propel them into such position. With the gradual global market liberalisation and, especially, the seemingly endless advancement in technologies, the time for enterprise from the developing economies to integrate their value chain into global one is now. Regional internationalisation can help these

enterprises maximise low-cost internationalisation as noticed among smart enterprises that are emerging as a global player.

Moreso, government in the developing economies must understand the importance of their enterprises' internationalisation, especially for its economic spill over effects on the other sectors of the national economies. Therefore, government must begin to put in place enabling framework and supportive mechanisms that can ease the internationalisation process of these enterprises.

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Figure 1: Internationalisation Process**Table 1:** Internationalisation Patterns of Nigerian Banks

Host-Countries (wholly owned Subsidiaries)	Enterprises				
	Zenith Bank Group	United Bank of Africa Group (UBA)	Access Bank of Nigeria	First Bank of Nigeria (FBN Group)	Guarantee Trust Bank Plc (GTBank)
Ghana	•	•	•	•	•
Sierra Leone	•		•		•
Gambia	•		•		
Benin Republic		•		•	
Cote d'Ivoire		•	•	•	
Democratic Republic of Congo			•		
Liberia		•			•
Senegal		•			
Cameroun					
United Kingdom	•	•	•	•	•
Burkina Faso		•			
Gabon		•			
Guinea		•			

Table 2: Decision factors

Strategic Objective	Locations	Entry Mode	Internalisation/ Governance structure
<ul style="list-style-type: none"> – Market-Seeking – Resource-Seeking – Technology-Seeking – Efficiency-Seeking – Strategic-Asset-Seeking 	<ul style="list-style-type: none"> – Market size – Resource endowment – Infrastructures – Bilateral Relationship (Home-Host) – Culture 	<ul style="list-style-type: none"> – Exporting – Licensing – Franchising – FDI 	<ul style="list-style-type: none"> – Core capabilities – Ownership-Specific Advantage – Experiential knowledge – Low cost operations – Local partnership

Figure 2: Location decision matrix