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## Article

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# The Role of Networks in the Internationalization Process of Firms from Emerging Economies: The Nigerian Perspective

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The purpose of this study was to explore the role of networks in the internationalization process of firms from emerging economies using Nigeria as a case study. A qualitative approach was employed to realize this purpose by using a sample of eight (8) top executives serving in four (4) leading Nigerian multinationals headquartered in Lagos. The participants had over 15 years of experience working with their respective firms in varying capacities. The study revealed that both social and business networks played critical roles in the internationalization of the investigated multinationals. However, it was observed that as much as social relationships remained crucial, they seemed less influential than the business networks in the subsequent international expansion activities of the firms. The findings contributed to the knowledge by providing insights into the international expansion patterns of Nigerian companies rarely found in empirical studies. By implication, multinationals are to embrace the relevant best practices for developing and managing firms' relationships with other stakeholders. Among the key messages are: prepare well, approach professionally, invest time, take a long-term view, learn from successful, failed and struggling relationships, and exit with least acrimony.

*Keywords:* Internationalization, networks, business relationships, Nigerian firms, partnerships

*JEL:* F21, F44, M16

In recent decades, the evolution of the world into a global village calls for the re-evaluation and refinement of the traditional understanding of firms' internationalization process in the field of international Business (Friedmann, 2018; Parente *et al.*, 2018). Particularly in the last five decades, multinational enterprises from emerging and frontier economies have existed without due attention from scholars and researchers. However, recent studies endeavored to unveil new thinking in terms of the motives, entry modes, and barriers behind internationalization process of firms (Rantanen, 2019; Prasanthi and Rao 2019; Yaprak *et al.*, 2018). For instance, African firms have witnessed a remarkable rise in the sophistication, scope and scale of activities in internationalization process over the past two decades or so (Boso *et al.*, 2016; Ibeh *et al.*, 2012). The significant increase in the number of new African multinationals seems to have coincided with the "Africa Rising" era of recent years when the region recorded an economic boom (Ibeh, 2015). As a result of this economic boom,

African firms are now emerging as serious contenders in their local and regional markets, on a continent where multinationals of western origin have predominantly controlled the economic sector of most nations since the colonial era (Boso *et al.*, 2016).

Despite the remarkable attempts by African firms to internationalize, it was observed that researchers focus on the internationalization processes and strategies of emerging markets multinationals predominantly originated in countries such as Taiwan, Turkey, and Mexico (e.g., Cheng *et al.*, 2014; Velez-Ocampo *et al.*, 2017; Yaprak *et al.*, 2018) as well as Indian and Chinese case studies (Hertenstein *et al.*, 2017; Luo *et al.*, 2011; Thite *et al.*, 2016; Tiwari *et al.*, 2016). Jormanainen and Koveshnikov (2012), and Verbeke and Kano (2015) concurred that the geographic focus of several studies on emerging markets multinationals is biased towards India and China while other emerging markets remained under-researched. However, some scholars (see Boso *et al.*, 2018; Dike and Rose, 2017; Gentile-Lüdecke *et al.*, 2019; Haddoud *et al.*, 2019; White *et al.*, 2019) have investigated various perspectives to the internationalization of African firms without narrowing down to Nigerian multinational firms.

The motivation to conduct this study stems from the fact that the internationalization of firms has become a global topic in the last four decades. However, such topic is still at a nascent stage of exploration in Nigeria. Given the massive size of the Nigerian economy over the years and its recent emergence as Africa's largest economy and its leadership position in the continent (World Bank, 2014), it is pertinent to investigate the internationalization process of her multinational firms. Such investigation will establish a clearer understanding of the internationalization process of multinational enterprises emerging from the African continent.

Based on evidence from literature we discovered that most studies on the internationalization of Nigerian firms completely ignored the specific role of networks on the internationalization of her multinational firms, for instance, Omokaro-Romanus *et al.*, (2019), Oladimeji *et al.*, (2018), and Uchenna (2018) investigated the motivation and location pattern of Nigerian firms in the international market without considering the specific roles of networks. It would, therefore, be interesting to examine if networks play any role in the international expansion of Nigerian firms. As such, the fundamental research question which this study seeks to answer is: Does Nigerian firms' networks play significant role in their internationalization process?

There is a gap in the literature on the internationalization of African firms in general and Nigerian firms in particular. To address the above gaps from the Nigerian purview, this study specifically investigates the relevance of the network theory (Johanson and Mattson, 1988) in explaining the international expansion of selected multinationals of Nigerian origin. The decision to adopt the network theory as the theoretical lens reflects the widely acknowledged importance of networks and relationship

factors in firms' internationalization process (Francioni *et al.*, 2017; Ratajczak–Mrozek, 2017). The choice of network theory as the theoretical foundation for this study can also be justified based on the ever–rising resource demands on firms competing in global services and manufacturing sectors. The network theory of internationalization postulates that the process of firms' internationalization is defined as the creation, development and maintenance of relations with network participants on foreign markets (Johanson and Mattsson, 1988). This often obliges growth–seeking multinationals to strive to leverage assets possessed by external parties in order to complement and augment their typically thin resource bundles (Haddoud *et al.*, 2019; Lindstrand and Hånell, 2017).

This study also examined if Nigerian multinationals have established specific attributes that can meaningfully contribute to the current debate on the internationalization process of multinationals from emerging economies. This inquiry became ineluctable, given that Nigerian multinational enterprises have grown significantly in the last decade. For instance, between 2010 and 2015 Nigeria's outward FDI stock increased considerably from \$5Billion in 2010 to \$11.8 Billion 2015 which represent 113 percent increase, and the outward FDI flows jumped from \$261 million in the last quarter of 2004 to \$1.614 billion a decade later (UNCTADstat, 2017) but has slowed down since then. In the same vein, the nation's GDP rose from \$208.07 billion in 2008 to \$568.5 billion in 2015, which made the country's economy to emerge as the largest in Africa.

The remaining sections of the article are structured as follows. The review of extant literature, theoretical foundation and development of proposition are presented in section 2. The third section discusses the methodology employed in the study. The data collection and analysis has been discussed in Section 4. We then end with conclusion and implications as well as limitations and future research directions.

## LITERATURE REVIEW

### The Network Approach to Internationalization of Firms

In past, many scholars have applied the network theory (Johanson and Mattsson, 1988) to study the internationalization processes of firms (Bembom and Schwens, 2018; Chandra and Wilkinson, 2017; Coviello, 2018; Ratajczak–Mrozek, 2017). Research poses that involvement in international networks would be translated in rapid and successful growth because major stakeholders and network partners often provide a mechanism for foreign market entry, particularly for young, small, and resource–restrained firms (Chandra and Wilkinson, 2017; Coviello, 2018). It can be argued that the internationalization process is influenced by the firm's existing social relationships, as the knowledge of foreign market prospects is developed through these relationships (Garcia–Lillo *et al.*, 2017; Jiang

*et al.*, 2020; Lindstrand and Hånell, 2017). Andersson *et al.* (2014) evaluated the facilitating role of non-business actors referred as “infrastructural networks”. An infrastructural network comprises of institutional actors and business actors, that are not directly related to a particular sale or purchase, but who act as vehicles for information, communication, and influence the business. Also, Susomrith and Suseno (2017) viewed the social network as a sub-network of the main business network, in which social bonds emerge as individuals conduct business exchanges over time, thereby establishing a “capital of trust”. Social networks may also be an outcome of a business network (Susomrith and Suseno, 2017), where there may be no clear distinction between formal and informal relationships.

### **Theoretical Underpinnings**

According to the network theory of internationalization, the process of firms’ internationalization is defined as the creation, development and maintenance of relations with network participants on foreign markets (Johanson and Mattsson, 1988; Turnbull and Valla, 1986). This theory emphasizes the importance of building long-term interactions with entities from the foreign environment and characterizes the internationalization process as determined by the entity-diverse foreign environment and the development of a formal and informal relationship with the entities in it. The degree of firm internationalization is reflected by the extent to which it occupies certain positions in national (foreign) networks and the degree of importance and integration of these positions. Moreover, the position in the network determines the relations with other network participants and almost all results from previous interactions (Johanson and Mattsson, 1988). A high degree of company internationalization means that it has many strong links with entities from various countries. There is also a concept of the internationalization of a market – a business network itself (such as a production network). Increasing the level of network internationalization corresponds to raising the number and strength of the interaction among various elements of a global network, or between branches of a global production network (Johanson and Mattsson, 1988; Turnbull and Valla, 1986). The level of internationalization of the individual national networks that constitutes a particular cross-border business network may vary.

The internationalization of a firm stems from its desire to raise its status by extending its business network beyond the frontiers of its domestic economy. Based on its current status or position, a firm may adopt international extension, international penetration, or international integration internationalization strategy (Johanson and Mattsson, 1988). In international extension strategy, a firm creates new relationships in cross-border markets, while in international penetration strategy, penetration, a firm enhances its current network status in cross-border economies where it is already in operation. The third and final scenario is international integration, which involves improved coordination of positions held by firms in various international networks. Further, it would appear that

the realization of the internationalization process and extension is achieved in multiple network configurations. By creating and developing contacts, mutually adapting resources and undertaking joint actions, each firm establishes its network of relations which are invariably linked to the networks of other firms.

### **Development of Propositions**

#### **–The Network Theory and Early–Stage Internationalization of Firms**

Network theory views both firm and the market in a low internationalization state at an earlier stage. The firm maintains only a few weak links with foreign entities at early stage. The same refers to other entities in the network. The firm lack sufficient knowledge of international markets to quickly commence business operations abroad. Moreover, as other network participants are in a similar situation, it cannot use their experience and cannot obtain information from them. Implementing a project abroad requires a solemn commitment of resources to obtain knowledge and to make the quantitative and qualitative adjustments required by the foreign market. Therefore, at this level of internationalization, lack of resources is a main limitation. One suggestion is that the internationalization process should begin by using an agent in the market, similar to the home market. Thanks to the position occupied by the agent in his network and through the use of his resources. The costs of obtaining information and adjusting to the conditions of the foreign market are reduced to a minimum. The risk of investment is also reduced, as the company may take advantage of the investments made by the agent. Johanson and Mattsson (1988) emphasized that after sometime, as the volume of knowledge, resources and sales increases, a company using the services of an agent may decide to make a foreign direct investment. An acquisition or a green–field investment may be an alternative means of entry to a foreign market for an “early starter”. While requiring extensive investment expenditure in the short–term, this increases long–term opportunities for developing knowledge and also promotes market penetration. This mode of internationalization would seem adequate for a firm which has already strengthened its position on a local market and has increased the volume of its resources. Therefore, it is expected that the earlier stages of foreign expansion, Nigerian firms lacked international exposure which was illustrated by a low level of internationalization knowledge of foreign business and foreign institutional networks. From this theoretical standpoint, the study suggests the following proposition:

Proposition 1: Networks are likely to influence international expansion of Nigerian firms at an earlier stage.

#### **Network Theory and Entry Mode Choices**

Johanson and Mattsson (1988) believe that a network is a critical factor in the development of a company and its goals achievement. The process of firm internationalization and the selection of modes of entry to a foreign market may stem from the following needs: development of knowledge about a given market and the process itself, quantitative and qualitative adjustment to the requirements of a given foreign market, and the use of an established position in a network. What is more, strong co-dependencies between network elements simply mean that the process depends on attributes of the business network itself, such as the degree of its internationalization. However, the theory does not explain how entities overcome problems related to the internationalization process and arising from relationships within business networks.

According to the network model of internationalization, entering a new foreign market requires the development of a network of relations within this market (the establishment, maintenance and extension of relations). From the network-based point of view, the process of entering foreign markets itself may also be perceived as an effect of the mutual interaction between entities from within the company (internal actors) and external entities positioned in the network (external actors) (Francioni *et al.*, 2017). To a greater or lesser extent, each company is related to entities in its environment (direct relations) that in turn are connected to other market participants (indirect relations). Being aware of partners' contacts and relations with other entities on foreign markets may prompt a company to deepen the relationship and so expand its market. It should be stressed that the external environment has a significant influence on business activities. Interactions are both the cause and effect of changes occurring within a company and among external entities from the network. Taking into account these causalities accompanying the process of entering foreign markets (which form event loops), this process maybe defined as current interactions occurring between internal and external actors in the form of clients, competitors, suppliers and sub-suppliers, consultants and public agencies. Based on the above theoretical postulation, we suggest:

Proposition 2: Networks are likely to influence the international market entry choices of Nigerian firms.

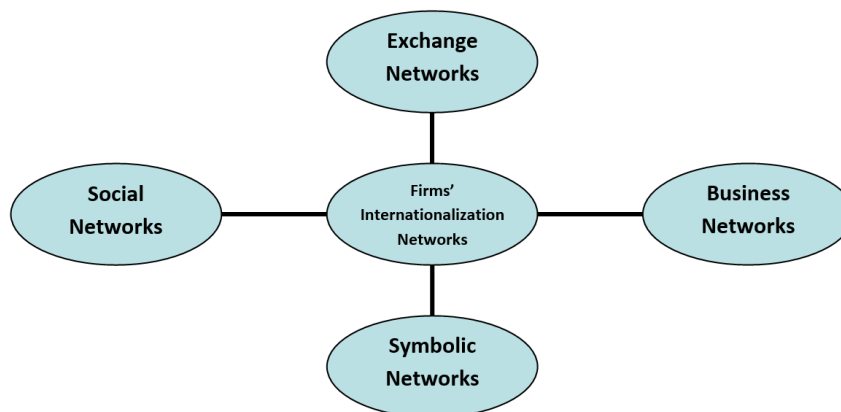
Research has consistently revealed that international firms depend on network relationships in their pursuit of international expansion (Coviello, 2018). It has been contended that networks accelerate the internationalization process by compensating for new venture resource deficiencies (Coviello, 2018) and shaping foreign business opportunities (Ellis, 2011; Oviatt and McDougall, 2005). Multiple case studies have exposed how the initiation of new venture international expansion emerged from the networks of founders, which emanates from previous education or employment (Autio, 2017; Prashan-

tham and Dhanaraj, 2010). Since internationalization often entails entering an unfamiliar environment, the presence of network connections can also be reassured for new firms. They promote the pursuit of international market opportunities resulting from foreign connections (Gabrielsson and Gabrielsson, 2013) and help resolve potential challenges (Lloyd-Reason and Mughan, 2002). An essential mechanism, through which network relationships help new ventures internationalize rapidly, is learning outcomes (Johanson and Vahlne, 2009). Several studies on the internationalization of firms have deployed a social capital approach (Coviello, 2018; Prashantham and Dhanaraj, 2010) which assumes that network relationships can enhance the acquisition of knowledge by exposing them to diverse sources of novel information concerning market knowledge and innovation. That said, there is a scope to advance in terms of highlighting behavioral dimensions of networks – including how they are developed – concerning their effects on different aspects of speed. A recent meta-analysis of firms' internationalization research affirms the critical role of networks, but also calls for further efforts to state the nature of their role in a more nuanced manner (Autio, 2017).

Proposition 3: Networks determine the speed of Nigerian firms' international market expansion.

### Social and Business Networks

Network scholars generally distinguish between network dimensions. Among the main types of networks identified in the literature, as indicated in Figure 1, are hard business networks (formal linkages involving five or more firms in the same region), social networks (family and friendship ties, including personal networks of the decision-maker), exchange networks (organizations with which the firm has commercial transactions), and symbolic networks (social bonds based on community



Source: Authors' Presentation

**Figure 1. Nigerian Firms' Internationalization Networks**



relationships, shared values and cultural norms) (Hayer and Ibeh, 2006).

Mostly, a vast majority of prior studies conducted in West seem to concentrate on the role of the business relationship in firm internationalization (Johanson and Mattsson, 1988; Borda *et al.*, 2017; Francioni *et al.*, 2017). Moreover, networks are generally perceived in Western cultures as a mean of developing and executing business. However, in other cultures, networks tend to be considered as an essential segment of the business community (Bembom and Schwens, 2018; Coviello, 2018; Hertenstein *et al.*, 2017). The latter explains the perceived greater importance of social networks in African cultures. Given the African context of the present research, we propose that:

Proposition 4: Social relationships are likely to be more influential than business relationships at the earlier stages of Nigerian firms' international expansion.

Several studies undertaken in both Western and other cultural contexts have found social relationships as having played a crucial role in the internationalization process (Idris and Saridakis, 2018; Pinho and Prange, 2016; Ratajczak-Mrozek, 2017; Stoian *et al.*, 2017). In many firms, including ones from developing economies, there tends to be a significant overlap between the decision maker's networks and those of the firm (Cheng *et al.*, 2014; Hertenstein *et al.*, 2017; Susomrith and Suseno, 2017; Tiwari *et al.*, 2016). This is because the decision maker's allies and business acquaintances often serve as essential sources of information, expertise, and resources. Their advice and input often influence firms' strategies, including the exploitation of potential new market opportunities, identification of new products/services, and resolution of business challenges (Chandra and Wilkinson, 2017; Freedman and Jin, 2017). Insights from the business literature also suggest that the networks of new business ventures begin as socially underpinned relationship and then evolve to economic ties (Garcia-Lillo *et al.*, 2017; Gentile-Lüdecke *et al.*, 2019). Although further inquiries in the context of INVs revealed contradictory evidence (Bembom and Schwens, 2018; Coviello, 2018), these insights remain valuable when investigating the development of firms' networks. Hence, we propose that:

Proposition 5: Social relationships are likely to be less influential than business relationships at the later stages of Nigerian firms' international expansion.

## METHODOLOGY

This exploratory study adopts a qualitative method using case studies of four (4) multinationals to investigate how networks influence the internationalization process of Nigerian firms. Case studies provide very engaging and productive explorations of a project or application as it develops in a real-world setting (Breznik and Lahovnik, 2016). To fully understand the phenomenon under investigation,

the study employs a cross-case analysis given its robustness for analysis and synthesis of data across multiple sources unlike the individual or intra-case analysis approach that restricts the analysis to a single case (David-West *et al.*, 2018; Thite *et al.*, 2016; Yaprak *et al.*, 2018).

The formulation of research questions leads to the selection of an appropriate method such as qualitative (Griffiths *et al.*, 2011). The research methodology provides an outline that guides the research process. Employing a case-based approach allows scholars to clarify assumptions by going beyond his or her expertise (Creswell, 2009). The selection of an appropriate methodology affords the researcher with predetermined interview questions (Yeh and Chang, 2018).

### -Sample

The sample included eight (8) top executives of four (4) leading multinationals of Nigerian origin whose headquarters are located in Lagos. The participants had over 15 years of experience working with their respective firms in varying capacity. All participants are above 50 years old except the founder and chief executive officer (CEO) of the technology company. Out of the eight executives, six were males, and two were females. The first case study firm was represented by three officials led by the head of the strategy and communications unit. The second firm was represented by the company's executive secretary and a director in the foreign operations unit. The third firm was represented by two executive officers in charge of foreign subsidiaries. Furthermore, the fourth firm was represented by its founder/CEO. Table 1 depicts a comprehensive profile of the participants.

Name of Case Study Firms	Case Firms Code	Average Age	Average Years in Case Firm	Number of Interviewees	Interviewees Current Position
Jupiter-Group	Jupiter-Group_03	58	19	3	Head communication & Strategy, Executive Officer and Director of Marketing
Mercury-Mobile	Mercury-Mobile_02	54	17	2	Director of information & strategy
Venus-Bank	Venus-Bank_02	52	16	2	Administrative Secretary
Saturn-Switch	Saturn-Switch_01	46	From Inception	1	Director of Foreign Operations
					Co-Founder & CEO

Source: Field Report (2020)

**Table 1. Profile of Interviewees**

A purposeful random sampling technique was employed to collect data from participants. Creswell (2009) explained that an examiner purposely chooses persons as well as a location to explore or study the primary phenomenon. The findings should enlighten industry leaders and managers on the problems associated with employee retention within a specific sector. The findings should be used as

guidelines to help leaders of other organizations thrive on employee retention. This paper employed in-depth interviews as instrumentation for data collection.

#### **–Data Collection Procedure**

The data on Nigerian multinational firms' international expansion were obtained qualitatively using semi-structured in-depth face-to-face interviews with executives of the case companies. An e-mail interview preceded the face-to-face interview in some cases. Interview question guides were designed with insights from the literature, research questions, and objectives in mind. The focus of the interview questions bothering on the role of networks at the earlier and later stages of their internationalization. Since the research team and case study firms' officials are Nigerians who are comfortable with the English language, the interviews were, therefore, conducted in the English language. The interviews lasted for 55 to 65 minutes. The interviews took place at the headquarters of each case study firm in Lagos, Nigeria, between October 2019 and January 2020.

In the case of Jupiter-Group, three officials were interviewed, while Venus bank and Mercury-Mobile had two officials for the interview, respectively. However, in the case of Saturn-Switch, the founder who doubles as the company's CEO granted one of the authors 55 minutes of his time for a robust and incisive interview after several previous attempts were unsuccessful due to CEO's busy schedule. All case study firms requested assurance of confidentiality before accepting to participate in the investigation. As such, the companies and interviewees' identities were kept anonymous (Elliott, 2018). The four selected case firms are represented as Jupiter-Group (Manufacturing), Mercury-Mobile (Telecommunication), Venus Bank (Banking), and Saturn-Switch (Technology). The interviews were then coded; for example, Jupiter\_03 November, 2019 means that three officials represented Jupiter-Group during the interview that took place in November 2019.

#### **–Development of Interview Questions**

The interview questions were developed to contain a number of structured questions designed to collect data for classification purposes (firm size, age, first international market experience, number of international markets). In cases where it was possible, this information was triangulated with other secondary and online sources. In addition, a series of open-ended questions were used to probe the strategic directions of firms and explore underlying reasons for key internationalization decisions. These included questions on specific circumstances of particular episodes (such as the first internationalization decision, subsequent market selection and entry decisions as well as pace of internationalization) and the rationale for taking specific decisions. Specific occurrences that led to the changing or redesigning business strategy were comprehensively examined and the firm's subsequent

strategic directions were also explored. Extensive discussions were held around internationalization strategies, allowing interviewees to freely explain the implementation of various strategies.

#### **–Interview Protocol refinement**

A case study program was established to ensure that all interviews follow similar procedures (Yin and Yan, 1988). General topic areas were sent to the respondents prior to the interview so that they get prepared. An interview protocol was used in all interviews to guarantee focus and consistency within the scope of the inquiry. Some open-ended questions allowed visitors to extend the questions freely to a certain extent, and also allowed participants to provide more unique and interesting content answers followed the internationalization process of Nigerian companies.

#### **–Selection of Case Firm**

To select the firms for case study, the study adopted an approach that is consistent with that of Eisenhardt (1989) who opined that “random selection (of cases) is neither essential nor preferable”. Indeed, she further suggested that “extreme examples” are most appropriate in an attempt to extend theory. Extant literature on firm internationalization provides compelling evidence of differences in the internationalization strategies of “traditional” and “knowledge-intensive” firms (Oviatt and McDougall, 1994; Sisson, 1993). Consequently, these categories were chosen as the “extremes” and groups of small manufacturing firms from each were selected for the purposes of further investigation and comparison.

The secondary data were sourced from firm documentation, annual reports, field notes, journal publications, professional institutions’ reports, databases, government institutions’ reports and statistics, the public domain, company websites, UNCTADstat, and World Bank statistics.

#### **Data Analysis**

Embedded research ethics protocols guided the practices used in seeking formal participation consent as well as session recordings. An *a priori* list of codes guided the coding and analysis of interview transcripts. The hierarchical code structure from the *a priori* list of code was replicated in Nvivo QDA environment (David-West *et al.*, 2018). The research data evidence (from multiple sources) was used to write the research report (Braun and Clarke, 2006; Eisenhardt, 1989; Magilvy and Thomas, 2009; Mills and Birks, 2014; Yin, 2014). Moreover, the intra and cross-case analysis approach were employed in this study (Yin, 2003). This allowed for each case to be treated independently and then compared with others to identify themes and patterns shared across cases. The latter exercise allowed us also to adopt the issue-by-issue presentation format favored by Miles and Huberman (1994), and in so doing, respond to the vital research propositions outlined above (Ibeh and Wheeler, 2005).

Verbatim quotes were used where appropriate to enrich the findings and discussion.

## RESULTS

Table 2 provides the background information about the companies investigated, including the industry where they operate, year of establishment, number of employees, ownership status, year of first international activity, first overseas destination, and entry mode used as well as the international headquarter. To maintain the anonymity of the case firms, the authors used pseudo names such as Jupiter-Group, Mercury-Mobile, Venus Bank, and Saturn-Switch to illustrate the firms. As observed from the table, the firms' age ranged between 17 and 39 years. The number of full-time employees varied between 1,000 and 30,000, indicating that all firms are relatively large. They are also all privately owned enterprises that rely exclusively on their funds, and their headquarters are located in Lagos, Nigeria. In line with best practice, intra-case presentation of each of the case firm's summarized interview result is now undertaken as a prelude to an appropriate cross-case analysis (Yin, 2003).

Name	Industry	Founding Year	Number of Employees	Ownership Status	Year and Country of First International Activity	Headquarters
Jupiter-Group	Conglomerates	1981	30,000+	Private	1997 / Benin Republic	Lagos, Nigeria
Mercury-Mobile	Telecommunication	2003	5,000+	Private	2008 / Benin Republic	Lagos, Nigeria
Venus-Bank	Financial	1990	7,000+	private	2001 / Ghana	Lagos, Nigeria
Saturn-Switch	Technology	2002	1,000+	Private	2011 / Uganda	Lagos, Nigeria

Source: Field Report (2020)

*Table 2. Summary of Case Study Firms' Profile*

### Case Firm 1: Jupiter Group

Jupiter-Group, the oldest of the case firms, was established in 1981 by its current president. It is the largest conglomerate in West Africa with over 30,000 employees. At the earlier stage of its internationalization in the mid-1990s, it focused on the distribution of products in neighboring countries through a network of agents operating in those foreign markets (Jupiter-Group\_03). The firm grew rapidly in the Nigerian market through mergers and acquisitions, domestic investments, and public listing. In furtherance of her growth, it accelerated her internationalization process by leveraging on West Africa's common regional market with access to 15 economies and an estimated 350 million

people. Its initial international market expansion was made possible by relationships with distribution partners. Jupiter–Group market entry choice was influenced by free trade agreement existing within the West African sub–region and bi–lateral trade agreement between the Nigerian government and other West African nations. Regarding its pace of internationalization, there is no identified influence at its initial internationalization process. Its international market expansion occurred nearly two decades after it was founded. On the relative importance of business and social networks, it was revealed that social contacts were always crucial; however, distribution partnerships became dominant afterwards. The founder’s and management’s commitment to pan–African expansion also influenced its internationalization.

### **Case Firm 2: Mercury Mobile**

Mercury–mobile is one of the biggest telecommunication firms in Nigeria; it is the only telecommunication company amongst the top 4 GSM providers originated from Nigeria. Not only is Mercury–Mobile a proudly Nigerian company, but it has also successfully been targeted as the pacesetter (based on innovations) of the telecommunications industry in Nigeria. Since it was launched in 2002 and started operations in August 2003, it was the first mobile phone service provider offered per–second billing system in Nigeria. At the initial stage of its internationalization, the founder leveraged on his contact with the officials of Benin republic’s government to obtain an operating license after meeting all stipulated guidelines specified by the country’s telecom regulatory agency. Its market entry to Benin republic was influenced by the founder’s contact with officials of the country’s telecom regulatory agency and a history of other previous successful business activities in other sectors of the country’s economy. On its pace of internationalization; Mercury–Mobile first international operation came after five years of successful domestic operations created a chain of subsequent relationship that facilitated other market entries within a short period. The founder’s networks were influential at the inception of its international expansion. However, it became influential at later stages when the firm built formidable partnerships with host countries firms. Other factors that influenced its internationalization are management’s international exposure, service quality, new product development practices, and cost–effective services.

### **Case Firm 3: Venus Bank**

Venus is classified as a Tier–1 bank of Nigerian origin which currently has over 7,000 employees. It was founded in 1990 and speedily expanded across the domestic market. The bank opened its first international subsidiary in 2001 in Ghana to respond to the needs of its customers in the West African region. It was the vision and a strategic goal of Venus bank’s management to establish foreign

subsidiaries in many countries to support the business interests of Nigerians in diaspora (Venus-Bank\_02). However, contrary to the above position, the bank's initial international market entry was a reaction to its rivals' international expansion. Although, the interviewees also noted that the bank took advantage of cross-border market opportunities to invest excess capital and follow their customers abroad. On its market entry choice, it was drawn into the Ghanaians market through its relationship with clients in that country and the quest to leverage on geographical proximity and historical business relations between Nigeria and Ghana.

Its speed of internationalization was a function of its partnership with its corporate customers. It also took a cue from the approach deployed by other Nigerian banks operating at the international level. Business and social networks from home and abroad facilitated its initial internationalization process. Other factors that influenced its international market entry were the management's voluntary commitment to technology-driven and innovative banking products.

#### **Case Firm 4: Saturn Switch**

Saturn-switch is an African-focused integrated commercial and digital payment firm that was founded in 2002. In 2010, the company went into partnership with a consortium led by Helios Investment Partners. In 2011, Saturn-Switch took a 60 percent stake in Bankom, Uganda. In 2013, Saturn-Switch signed an agreement with Discover Financial Services for payment processing. In September 2014, Saturn-Switch acquired a majority shareholding in Paynet Group, an East-African payments provider. In 2015, Saturn-Switch launched a \$10m investment fund for African start-ups in the payments sector. Its first international deal from a Ugandan firm emerged from one of the co-founder's personal contact. Saturn-Switch entry and operations in the Ugandan market were linked to the co-founder's relationship with a client firm. Regarding Saturn-Switch speed of internationalization, its first foreign expansion, in 2011, came after it went into partnership with a UK based technology firm and further took advantage of its co-founder personal network to enter the Ugandan market and subsequently enter other East African markets within a short period. The personal networks of its founders were critical at the earlier stage of internationalization. However, at the later stages, it evolved through successful partnerships. Other factors that influenced its internationalization were the management quest to seek new market opportunities abroad and the saturation of the Nigerian market.

## **DISCUSSION**

### **Networks and Internationalization of Nigerian Multinationals**

The internationalization of the study firms appears to have been significantly influenced by a series of networks/relational factors. Evidence from interviews, as indicated in Table 3 (see Appendix-I) reveals

that some of the case firms reacted to international markets from different perspectives. Take Jupiter–Group, for example, the relationship with distribution partners enabled its earlier internationalization. As indicated by the firm’s head of information and international strategy during an interview with one of the present authors. The distribution partners were customers that used to purchase a product from the firm and export to their home countries. This partnership has continued to be successful. However, there were cases of failed partnerships due to weak commitment from some partners. This position is consistent with the previous research finding that poor partner quality could sabotage a firm’s cross–border expansion process (Ratajczak–Mrozek, 2017).

For Mercury–Mobile, at the initial stage of its internationalization, the founder leveraged on his contacts with the officials of Benin Republic’s telecom regulatory agency to obtain operations license. Such contacts play a pivotal role in the projection of the firm’s brand within the West African sub–regional market. As stated by an official of Mercury–Mobile interviewed by one of the authors:

“Our sister firm’s success story across West Africa and our founder’s contacts and networks with key stakeholders in the government of most African nation made Mercury–Mobile’s internationalization process a smooth sail.” (Mercury–Mobile\_02 December, 2019)

Venus bank’s first cross–border expansion was a reaction to some of its rivals’ activities in cross–border markets. It also took advantage of foreign market opportunities by following their customers abroad. During an interview with the authors, an executive of the bank stated:

“The management of our bank saw the need to expand internationally as a call to duty. A call that must be heeded to maintain her position at the home market and project her brand at the international stage”. (Venus–Bank\_02 November, 2019)

Saturn–Switch initial cross–border activity (a partnership deal with a Ugandan firm) emerged from one of the co–founder’s personal contacts. The interviewed chief executive officer (CEO) emphasized the role of such personal relationship and interpersonal trust in securing partnership deals. Overall, the preliminary analysis suggests that relationship factor played a significant role in facilitating the internationalization of Nigerian firms. The study firms’ internationalization, indeed, tends to have benefitted considerably from the sustained intervention of the social contacts and business partners. As the founder and CEO of Saturn–Switch remarked:

“Partnerships and alliances facilitated our local and subsequent international expansion”.  
(Saturn–Switch\_01 November, 2019)



The result shows that Proposition 1 is supported.

### **Networks and The Market Entry Choices of Nigerian Multinationals**

Evidence from the case studies revealed that relational factors pose a significant impact on the market entry decisions of Nigerian multinationals. For example, Jupiter-Group's international market entry choice was influenced by the existence of free trade agreement in the West African sub-region and its previous relationships and newly developed partnerships. Mercury-Mobile market entry choice of Benin Republic and other West African economies came through the owner's contact with top government officials in those countries. The company's head of communications and international strategy added that a history of previously successful business activities in other sectors of those countries' economy influenced its market entry choice. A similar perspective was offered by Saturn-Switch, which reported that its involvement and operations in the Ugandan market and other East African markets was linked to the co-founder's networks. In the case of Venus-Bank, it was drawn into the Ghanaian market through its relationship with its customers on the one hand, and the quest to leverage on geographical proximity between Nigeria and Ghana on the other hand. As stated by an executive officer of the bank during an interview with one of the authors of this study:

“Our entry into the Ghanaian market was underpinned by two critical factors which are providing services to our teeming individual and corporate customers and a long history of successful business relations between both countries”.

In sum, it appears that the network and relationship perspective provide a useful but incomplete explanation of the market entry choices of the case study firms. As such, Proposition 2 is only partially supported.

### **Network and Pace of Nigerian Firms' Internationalization**

Case data of the study firms show that social and business networks contributed to their international expansion activities at the inception of each firm's cross-border market entry (Mercury-Mobile five years after it was founded, Saturn-Switch nine years after it was founded, Venus-Bank eleven years of its inception, Jupiter-Group seventeen years after it was founded). Among the case study firms, Mercury-Mobile and Saturn-Switch entered cross-border markets earliest after five years and nine years of their establishment, respectively. Coincidentally, both firms achieved their international market expansion ambition utilizing their founder's contact networks (Stoian *et al.*, 2017).

The other two study firms, Jupiter-Group and Venus-Bank, similarly benefited from relational supports. For instance, the pace of Venus-Bank internationalization was a function of its partnership

with corporate customers at the host countries' markets. However, Jupiter-Group did not have a correctly identified influential factor as it took advantage of different network opportunities to expand internationally nearly two decades after it was founded. Overall, it seems that focal firms capitalized upon their social and business networks in achieving early international expansion and becoming new international enterprises, albeit in a narrow demographic perspective particularly the time of international expansion within five years of inception (see Table 3, Appendix-I), up to nine years (Susomrith and Suseno, 2017). This supports proposition 3 and strengthens the previous research conclusion that international new ventures are likely to achieve accelerated internationalization by taking advantage of foreign assets embedded in foreign partners (Coviello, 2018; Jormanainen and Koveshnikov, 2012; Tiwari *et al.*, 2016).

### **Social and Business Networks and The Internationalization of Nigerian Multinationals**

Case study data revealed that both social relationship and business networks played an essential role in the internationalization of the investigated Nigerian multinationals. As indicated in Table 3 (see Appendix-I), the former enabled the earlier international expansion activities in most of the study cases. Besides, it was observed that in as much as social relationships remained crucial, they seem less influential than the business networks in the subsequent international expansion of most of the firms. These findings support propositions 4 and 5 and reinforce previous insights from international business literature that young multinationals tend to depend on socially embedded relationship initially and then gradually build appropriate economic relationships (Chandra and Wilkinson, 2017; Freedman and Jin, 2017).

## **CONCLUSION**

This article adopted a case-based approach to investigate the relevance of networks in explaining the international expansion process of four multinational firms from the manufacturing, telecom, banking, and information technology sectors of the Nigerian economy. It contributes to the knowledge by offering rare qualitative insights on the international expansion pattern of Nigerian firms and albeit attempt to redress the evident research gap on the internationalization of firms in emerging and frontier economies. Analyzed results revealed the relevance of networks in explaining the initial internationalization, market entry choices, and the pace of international expansion of the investigated firms. It revealed that the case firms either reacted to the international expansion of rivals or proactively pursued cross-border market opportunities through existing and newly developed relationships. Their market entry choices and pace of international expansion also seems to have been influenced by these relationships. Both social and business networks were found to be essential, but

the social relationship appeared to be more influential at the initial stage of internationalization, with business networks becoming dominant subsequently.

The network theory of internationalization may be successfully used for the analysis of company internationalization processes. In contrast to traditional internationalization theories, in which a company's internationalization process is based on internally-developed resources, in the network model, a company's strength is also derived from interactions and relationships with other market participants. As has been pointed out by Axinn and Matthyssens (2001), traditional theories and models of internationalization are limited to focusing on the company in itself. They do not analyze networks or value chains and, therefore, overlook cooperation in the internationalization process. Yet alliances and partnerships are gaining importance in contemporary economic reality. The value of the network theory in the context of the internationalization process is also rising due to the nature of the relationships on foreign markets (Deszczyński *et al.*, 2017). The analysis of the internationalization process from the angle of the network approach opens up an even broader scope for study. This approach may help explain, for instance, the issue of international cooperation and perhaps provide answers to questions, such as why some companies accelerate the internationalization process and enter several markets at once and why some companies choose more distant markets according to psychic distance? For these reasons, the network model seems exceptionally well-suited for the analysis of the behavior of new firms in the international arena.

## IMPLICATIONS

From a theoretical purview, this study affirms Johanson and Mattsson's (1988) network theory of internationalization, which underlines the critical importance of network relationships in promoting firm internationalization (Hertenstein *et al.*, 2017; Stoian *et al.*, 2017) and export performance (Francioni *et al.*, 2017; Haddoud *et al.*, 2019; Pinho and Prange, 2016). Though the relational outcomes achieved may sometimes fall short of firms' expectations (Francioni *et al.*, 2017), there is little doubt that developing robust, win-win partnerships with foreign distributors, customers, employees, and other relevant market actors often yields significant internationalization benefits for multinationals. This challenges those firms seeking new market opportunities, not only in Africa but from other emerging and frontier economies, to prioritize different building dimensions of networks to facilitate their internationalization process. Such firms can embark on such processes by undertaking relationship audit, to obtain answers to questions such as: Whom do we know in key target markets? How attractive are they as international partners, in the short, medium, and long term? How can they help our international expansion plans?

Such an audit appears reasonable given the observed contributions of former employees and customers of Jupiter-Group in its successful international expansion to foreign markets within and outside West-Africa. This should remind other firms of the potential value of occasionally rummaging their attic of past relationships for hidden relational gems that could assist their internationalization cause. Similarly, the finding that another case firm gained several internationalization-enhancing partnerships through a chance encounter with a British company's CEO should advise others firms to perceive every meeting opportunity as a potential beginning of a valuable business relationship.

The practical and managerial implications of these findings reinforce the need to embrace the relevant best practices for developing and managing firms' relationships. Among the key messages are: prepare well, approach professionally, invest time, take a long-term view, learn from successful relationships, but also failed or struggling ones, and exit with least acrimony. The last few points about learning from unsuccessful relationships are particularly crucial as the company's reputation may depend on getting them right. Second, the study firms observed respective emphasis on social and economic ties at the initial and subsequent internationalization stages seems both pragmatic and consistent with previous research evidence (Chandra and Wilkinson, 2017; Lindstrand and Hånell, 2017). This early recourse to social ties reflects the previously mentioned collectivist bent of, and preference for personal trust over system trust among, emerging economies (Hayer and Ibeh, 2006; Ibeh *et al.*, 2012; Yaprak *et al.*, 2018). It, however, goes beyond emerging economies, as firms are generally known to take advantage of more accessible and empathetic social ties, as a stepping stone to more mainstream business networks. Nigerian firms are, therefore, urged to more actively leverage on their massive population in various regions of Africa and beyond to develop networks that can accelerate their international expansion (Omokaro-Romanus, *et al.*, 2019). They should, of course, go beyond leveraging social and cultural ties and seek more sustainable and growth-facilitating business linkages with a broader range of international firms.

## LIMITATIONS AND FUTURE DIRECTIONS

It remains to highlight some limitations that apply to the present study. These include the relatively small number of investigated firms and the duration of some of the interviews. This further limit the generalizability of the study findings (Griffiths *et al.*, 2011). The next is the inherent response bias associated with the self-reporting nature of the interview data (Yin, 2003); while the last is the concern that the recording of the interviews might have caused interviewees to avoid answering sensitive questions (Mills and Birks, 2014).

A more systematic quantitative approach is strongly recommended in future research, as a

complement to the present study's case-based approach. Again, this study has been confined to a single country, Nigeria. In order to ascertain whether the findings can be generally applicable, future research should consider a cross-country case analysis of multinationals from other African and frontier economies.

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Name	Initial International Expansion	Market Entry Choice	Pace of Internationalization	The Relative Importance of Social & Business Network
Jupiter-Group	Initial international expansion was made possible by relationships with distribution partners	Was influenced by West African region's free trade agreement and bilateral trade agreement between the Nigerian government and other African nations.	No identified influence. Initial international market expansion occurred nearly two decades after it was founded	Social contacts were crucial initially. However, distribution partnerships became dominant afterwards.
Mercury-Mobile	The founder leveraged on his contact with officials of Benin republic government to obtain operation license	Attracted to Benin republic through the owner's personal contact with officials of the country's telecom regulatory agency and a long history of previously successful business activities in other sectors of the country's economy	Commenced international operation Benin republic five years after it was founded in Nigeria. It subsequently created chains of relationships that facilitated other market entries within a short period of time.	The founder's personal network was influential at the inception of its international expansion. However, such influence became less at later stages when they built formidable partnerships with host countries organizations.
Venus-Bank	Reacted to rival's international expansion at the initial stage. Took advantage of market opportunities by following their customers to foreign markets.	Drawn into the Ghanaian market through its relationship with clients abroad and the quest to leverage on geographical proximity and historical business relations with the host country.	Its speed of internationalization was a function of its partnership with its corporate customers abroad. It also to a cue from the business approach deployed by other Nigerian banks operating abroad.	Its initial internationalization was facilitated majorly by business contacts from home and abroad. Although social contacts were influential, such influence was limited.
Saturn-Switch	The first international deal from a Ugandan firm emerged from the founders' personal contact	Its involvement and operation in the Ugandan market were linked to the founder's relationship with a client's firm.	Its first internationalization in 2011 came after successfully entered into a partnership with a U.K based technology firm. It further took advantage of the founder's personal contacts and expanded to Uganda and other East African countries subsequently within a short span of time.	The personal contacts of its founders were critical at the earlier stage of internationalization. Moreover, at later stages, its expansion evolved through strong business partnerships rather than social contacts

Source: Field Report (2020)

**Table 3. Social and Business Networks and the International Expansion of the Case Firms**