MARCELLINUS CHUM DIKE

STRATEGIC INTERNATIONAL EXPANSION OPPORTUNITIES IN NIGERIA FOR SELECTED FINNISH INDUSTRIES

Master of Science Thesis

Prof. Saku Mäkinen has been appointed as the examiner at the Council Meeting of the Faculty of Business and Technology Management on June 08, 2011.
ABSTRACT

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The benefits that accrue from internationalization have prompted many corporations to globalize and expand their operations into foreign markets. Today, companies no longer rely only on their domestic business domains but rather actively exploit opportunities elsewhere to boost their performances in order to remain competitive, profitable, and sustainable. To this end, they continuously study and analyze the business potential of various countries and regions of the world with the aim of expanding their tentacles outwards into those that offer potential prospects. Consequently, it has become common to see corporations from other countries and regions of the world actively and gainfully engaged in businesses in places naturally considered foreign. For instance, Nokia, though a Finnish corporation, has become a common household name in every country of the world not only because their products are ubiquitous but also due to the fact that the company has increased its business activities in foreign markets, building and establishing new plants and production facilities in different parts of the globe. Similarly, major corporations like Wal-Mart Stores, Royal Dutch Shell, Exxon Mobil, BP, Sinopec Group and a host of others have their influences felt in every part of the world.

However, it is highly regrettable that despite its role as a major technology base with numerous indigenous multinational corporations which have enviable global outreach, Finland has hitherto failed to grasp the business opportunities offered in Nigeria, a country that is highly blessed with huge natural and human resources. Consequently, this thesis aims at highlighting areas of business interest where Finnish industries can actively invest in the Nigerian economy as part of their strategic international business expansion process. It is noteworthy that a few Finnish companies are already doing business in Nigeria however, this work postulates that their activities in the country so
far are very infinitesimal relative to the huge potential the Nigerian market can offer to Finland.

This thesis is structured in such a manner that the first chapter sets the introduction and background of the discussion. The second chapter focuses on the theoretical framework, and discusses existing theories and concepts dealing with the internationalization process. Chapter three highlights the Nigerian market with a brief introduction of the country, its major industries, the business environment, and a discussion on the prevalent opportunities in Nigeria which Finnish firms can exploit and invest in the country. The fourth chapter focuses on how to strategize business success in Nigeria, identifying and discussing important issues which Finnish companies seeking to do business in the country must take note of. Finally, chapter five concludes the thesis outlining the results, procedures, recommendations, and possible limitations to the effectiveness of the results.

The main outcome of the thesis is a framework which links various Finnish industries and some of their major constituent firms to the major industrial sectors of the Nigerian economy. It is obvious that doing business in a new and vast international environment like Nigeria which is psychically, physically, technologically, and culturally distant from Finland and having numerous environmental challenges and threats might not be an easy process. However, it is important to point out that recent reforms and measures embraced by the Nigerian government as well as efforts towards creating an investment-friendly environment in the country have raised the level of optimism among existing and potential investors in the nation’s economy. Efforts are also made to highlight how Finnish firms can balance their business activities in Nigeria with healthy corporate practices which would create high potential for profitability and sustainability.
PREFACE

This thesis highlights the potential for Finnish industries to exploit existing market opportunities offered in Nigeria in furtherance of their internationalization and global expansion process. Attempts are made to discuss the inherent environmental threats in the contemporary Nigerian market and hence the challenges they pose to any firm seeking to invest in the country. Also, prevalent business opportunities in Nigeria are stressed as part of the ongoing efforts to woo Finnish industries to participate in developing the nation’s economy further.

My motivation for this thesis emanates from some personal findings I have made during my studies and stay so far in Finland. I have realized that Finland has not really given enough investment attention to Nigeria notwithstanding the huge market potential the latter offers and the numerous opportunities which it creates for Finnish industries in their bid for business expansion into the African continent.

The task of developing this thesis provided me with ample opportunities to enhance my career pursuit in Business and Technology Management. I am totally convinced that the success of this work emanated from the individual and collective efforts of several people who contributed in one way or the other towards its accomplishment. To this end, I humbly wish to express my most sincere gratitude to Professor Saku Mäkinen and Associate Professor Tomi Nokelainen for their unquantifiable contributions towards the development of this thesis. Similarly, I wish to extend my unreserved appreciation to Silva Paunonen, Adrian Smith, Harald Vullings, and James Oosthuizen of Sandvik Mining and Construction (SMC) for their individual and collective efforts in making this work a reality. Also, I warmly recognize the input of Jussi Rautiainen of Robit, Glenn Schoemann of SMC, and Ari Jaakonmaki of Metso for making out time from their tight business schedules and for deeming it necessary to attend to questions in the process of developing this work. Furthermore, I wish to acknowledge the input of my dear wife, Mrs. Juliet Ebele Dike, and other individuals whose assistance and guidance saw me through in producing this thesis.
# TABLE OF CONTENTS

**ABSTRACT** .............................................................................................................i  
**PREFACE** .............................................................................................................iii  
**TABLE OF CONTENTS** .......................................................................................iv  

1. **INTRODUCTION** ..............................................................................................1  
   1.1. Background ......................................................................................................1  
   1.2. Research Question ..........................................................................................5  
   1.3. Objective of the Research ..............................................................................5  
   1.4. Structure of the Research .............................................................................6  
   1.5. Research Methodology and Process .............................................................8  

2. **THE GLOBALIZATION PROCESS** ...............................................................10  
   2.1. The Concept of Globalization .......................................................................10  
   2.2. Globalization Strategies .............................................................................14  
   2.3. Globalization Drivers ...................................................................................17  
   2.4. Market Selection ..........................................................................................21  
   2.5. Entry Strategies ..........................................................................................23  
   2.6. Culture and CSR .........................................................................................32  

3. **EMBRACING THE NIGERIAN MARKET** .....................................................35  
   3.1. Nigeria: Country Profile ..............................................................................35  
   3.2. Major Industries ...........................................................................................40
3.3. Environmental Threats and Opportunities ........................................63
3.4. Overview of Business Relationship with Finland .............................68
3.5. Expansion Opportunities for Finnish Industries ...............................70

4. **Strategizing Success in Nigeria** ....................................................78
   4.1. Setting out Right ........................................................................78
   4.2. Understanding the Country ..........................................................79
   4.3. Balancing Business with Culture .................................................82
   4.4. Compliance with CSR and Ethics .................................................84

5. **CONCLUSIONS** ............................................................................88

**REFERENCES** ....................................................................................91
ABBREVIATIONS AND NOTATIONS

1. NGN  Nigerian Naira (1₦ = 100 Kobo = 0.0064 US Dollars)
2. TWh  Terawatt hour (1TWh = 1,000 GWh = 1,000,000 MWh)
3. ACCA Association of Chartered Certified Accountants
4. AEO  African Economic Outlook
5. AERC African Economic Research Consortium
6. AFEA French Association for African Studies
7. AU  African Union
8. BA  British Airways
9. BMI  Business Monitoring International
10. BPE Bureau of Public Enterprises
11. CAGR Compound Annual Growth Rate
12. CBN Central Bank of Nigeria
13. CEO Chief Executive Officer
14. CIA Central Intelligence Agency
15. CSR Corporate Social Responsibility
16. CTC Center for Transnational Corporations
17. DALE Disability Adjusted Life Expectancy
18. DFI Development Finance Institutions
19. ECOWAS Economic Community of West African States
20. EIA Energy Information Administration
21. EMCC European Monitoring Center on Change
22. EU European Union
23. FAO Food and Agriculture Organization
24. FDF Federal Department of Fisheries (Nigeria)
25. FDI Foreign Direct Investment
26. FME Federal Ministry of Education
27. FSDH First Securities Discount House (Nigeria)
28. GDP Gross Domestic Product
29. GPS Global Positioning System
30. GPRS General Packet Radio Service
31. GSK GlaxoSmithKline
32. GSM Global System for Mobile Communication
33. HE His Excellency (also, Her Excellency)
34. HP Hewlett-Packard
35. IB International Business
36. ICC International Chamber of Commerce
37. ICCSR International Center for Corporate Social Responsibility
38. ICT Information and Communications Technology
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<th>No.</th>
<th>Acronym</th>
<th>Full Form</th>
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<td>39.</td>
<td>ISPs</td>
<td>Internet Service Providers</td>
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<tr>
<td>40.</td>
<td>ISSN</td>
<td>International Standard Serial Number</td>
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<td>41.</td>
<td>ITU</td>
<td>International Telecommunications Union</td>
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<td>42.</td>
<td>LEEDS</td>
<td>Local Economic Empowerment and Development Strategy</td>
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<td>43.</td>
<td>LGAs</td>
<td>Local Government Areas</td>
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<td>44.</td>
<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>45.</td>
<td>MMSD</td>
<td>Ministry of Mines and Steel Development (Nigeria)</td>
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<td>46.</td>
<td>MNCs</td>
<td>Multi-National Corporations</td>
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<td>47.</td>
<td>MW</td>
<td>Mega Watts</td>
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<td>48.</td>
<td>NAEE</td>
<td>Nigerian Association for Energy Economics</td>
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<td>49.</td>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<td>50.</td>
<td>NAPIMS</td>
<td>National Petroleum Investment Management Services</td>
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<td>51.</td>
<td>NCC</td>
<td>Nigeria Communications Commission</td>
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<td>NITEL</td>
<td>Nigeria Telecommunications Limited</td>
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<td>53.</td>
<td>NEEDS</td>
<td>National Economic Empowerment and Development Strategy</td>
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<td>54.</td>
<td>NET</td>
<td>Nigeria External Telecommunications</td>
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<td>55.</td>
<td>NITEL</td>
<td>Nigeria Telecommunications Limited</td>
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<td>56.</td>
<td>NNPC</td>
<td>Nigerian National Petroleum Corporation</td>
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<td>57.</td>
<td>NUC</td>
<td>Nigeria Universities Commission</td>
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<td>58.</td>
<td>OECD</td>
<td>Organization for Economic Co-Operation and Development</td>
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<td>59.</td>
<td>PESTEL</td>
<td>Political Economic Social Technological Environmental Legal</td>
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<td>60.</td>
<td>PLC</td>
<td>Public Limited Company</td>
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<td>61.</td>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PWC</td>
<td>PricewaterhouseCoopers</td>
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<td>63.</td>
<td>P&amp;G</td>
<td>Procter and Gamble</td>
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<td>64.</td>
<td>SEEDS</td>
<td>State Economic Empowerment Strategy</td>
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<td>65.</td>
<td>SMC</td>
<td>Sandvik Mining and Construction</td>
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<tr>
<td>66.</td>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>67.</td>
<td>TUT</td>
<td>Tampere University of Technology (Finland)</td>
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<td>68.</td>
<td>UK</td>
<td>United Kingdom</td>
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<td>69.</td>
<td>UN</td>
<td>United Nations</td>
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<td>70.</td>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>71.</td>
<td>UNIDEP</td>
<td>UN African Institute for Economic Development and Planning</td>
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<tr>
<td>72.</td>
<td>US</td>
<td>United States (of America)</td>
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<td>73.</td>
<td>UNIDO</td>
<td>UN Industrial Development Organization</td>
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<td>74.</td>
<td>UHY</td>
<td>Urbach Hacker Young</td>
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<td>75.</td>
<td>VoIP</td>
<td>Voice over Internet Protocol</td>
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<td>76.</td>
<td>WLAN</td>
<td>Wireless Local Area Network</td>
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<tr>
<td>77.</td>
<td>WHO</td>
<td>World Health Organization</td>
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<td>78.</td>
<td>WTO</td>
<td>World Trade Organization</td>
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1. INTRODUCTION

1.1. Background

The potential benefits accruing from internationalization are so many that many companies in the contemporary business world seek to globalize and operate in foreign countries and regions in order to exploit the opportunities they offer for increased profitability, growth, and sustainability. Today, the world has become a “global village” where products (goods and services) manufactured in or originating from one country or geographic region find increasing market in other countries or regions on the globe. Czinkota et al (2004) describe globalization as a business orientation based on the belief that the world is becoming more homogeneous and thus less distinguishable. As a result, companies increasingly perform their business functions (including manufacturing and sales) not only at home but also abroad thereby leaving business executives with no option than to follow events as they happen in other parts of the globe in order to optimize their chances for growth and sustainability.

Griffin and Putsay (2007) stress the need for international managers to develop a thorough and sophisticated understanding of business opportunities and follow events unfolding in all parts of the globe. To this, Govindarajan and Gupta (1999) stipulate, for instance, that the chairman of Nucor Steel would need to consider Brazil and the US in the decision to locate a new multi-million dollar mini-mill. Similarly, according to the source, India’s finance minister must view the integration of the Indian economy with the rest of the world as fundamental in order to transform the country into an economic superpower. Furthermore, Leung et al (2005) observe that the Japanese auto-executives must monitor carefully the strategies adopted by their European and Korean competitors in their bid to get a bigger slice of the Chinese auto market whereas Hollywood movie studios have to weigh the appeal of an extensive movie in Europe and Asia as much as in the US before making a firm commitment.

Johnson et al (2008) posit that many general pressures drive internationalization and also that barriers to international trade, investment, and migration are now much lower than a few decades ago. The source also indicates that international regulations and governance have improved in such a manner that investing and trading overseas in contemporary times are much less risky relative to previous times and that improvements in communications have made the dissemination of ideas and information around the globe much easier than ever before. Sharing similar views, Kotler and Keller (2006) submit that faster communication, transportation, and financial
flows have rapidly shrunk the world. This is further buttressed by Griffin and Pustay (2007) in their postulation that changes in communications technology such as the advent of the facsimile transmission and electronic mail have enabled managers located on different parts of the globe to send and receive business reports much faster than previously. Furthermore, Root (1994) points out that the new global economy does not provide room for any company to hide hence; companies must plan for growth and survival in a world of global competitiveness in which Bell (1995) claims that psychic distance has become much less relevant as global communication and transportation infrastructure improve and markets become increasingly homogeneous. In such new global business setting, distances (geographical, administrative, cultural, economic, and technological) between countries and global markets are drastically reduced by technology. Consequently, as manufacturers all over the world exploit the merits of globalization to maximize profits and increase their competitiveness by venturing into new markets or business frontiers, the emergence of more ‘global firms’ becomes inevitable.

Finland is one of the leading countries in the world for the production of goods and services. As pointed out by Martti Ahtisaari (President of the Finnish Republic) in Kaila et al (1999), the superb products and services as well as the high-quality know-how produced in Finland are high recognized around the world. The source also claims that the paper used in producing much of the world’s newsprint comes from Finland and that a good amount of the machinery used in printing the newspapers and magazines read all over the world come from the country. Similarly, the source continues, it is obvious that a sizeable amount of the complex mobile phones used all over the world is manufactured and designed in Finland which is also highly recognized world over for the production of both elevators and electricity generating systems. Furthermore, Kaila et al (1999) stress that Finland produces clean energy, manufactures medical equipment and high-quality drugs, and builds ships.

However, it is rather unfortunate that despite the superiority of the Finnish products and the high level of international business Finland commands, Finnish industries are yet show significant presence in Nigeria despite the huge market the country possesses, being the second biggest economy in Africa and the continents biggest market. This is in sharp contrast with the view of Griffin and Pustay (2007) that savvy businesspersons recognize and exploit business opportunities prevalent elsewhere rather than limit themselves to their traditional markets. The source also stresses that more attention of international businesses must be turned towards the so-called “emerging markets” (which includes Nigeria) for greater profitability and enhanced growth. Nigeria, unarguably, is the economic powerhouse of Africa and the country ranks among the continent’s biggest economies and the fastest emerging markets in the world. Very rich in oil and gas and with a population of well over 154 million people (Internet World
Stats, 2011), Nigeria is a major destination for goods and services produced elsewhere on the globe. Mazem (2011) contends that Nigeria could soon overtake South Africa to become Africa’s biggest economy owing to rising oil prices in the world’s energy market and expanding domestic consumer spending. Manufacturers and major businesses from various parts of the world are increasingly focusing on Nigeria as part of their internationalization effort into the African market. Today, most of the world’s biggest multinational oil giants including Chevron, ELF, Exxon Mobil, Shell BP, Dowell Schlumberger, Sinopec, Petrobras, and many others covering numerous industries operate in Nigeria.

Prolonged military rules in the past created severe negative impacts on Nigeria’s economy thereby preventing it from launching itself to the economic position it deserved. Dilapidated infrastructure, political instability, insecurity, unstable national currency, corruption, poor economic management, weak institutions, and a host of other negative attributes associated with poor governance are some of Nigeria’s major environmental threats and business challenges which kept FDI at low level in the country as observed by EDC Economics (2011). FINPRO Maaraportti (2010) includes complex regulatory environment, ineffective institutions, low labor productivity, competition from low-cost imports, and poor intellectual protectionism to the business challenges associated with Nigeria. Nigeria’s economy clearly lacks diversification as it depends solely on the capital-intensive oil and gas sector which Economy Watch (2011) claims provides over 95 percent of the country’s foreign earnings.

Nonetheless, with the enthronement of democratic governance, increased infrastructural developmental projects, continuous yearly economic growth since 1999, increased commercial activities, a more investment-friendly environment, institution of favorable economic and political reforms, large domestic market, steady GDP growth, rising income levels, rich natural resources, growing levels of public-private partnerships, rising taxation, increased foreign and local investments, and steady rise in FDI, Nigeria has bright economic outlook. Consequently, business interests and investments have grown so astronomically since 1999 that Nigeria has become a major competing ground for some of the world’s leading manufacturers and service providers. According to FSDH Securities (2011), Nigeria’s Real Gross Domestic Product (GDP) grew by 7.86 percent in the third Quarter of 2010, the highest rate recorded in recent times, and with better and greater future forecasts.

Thus, huge market opportunities await Finnish companies that seek to do business in Nigeria as the country continues to play the dominant role of the economic hub of the African continent. Obviously, therefore, in order for Finnish businesses to be more profitable, record higher and faster growth, and become more competitive and sustainable in Africa, they must recognize the Nigerian market as inevitable and
indispensable. According to Okwe (2011), the volume of trade between Nigeria and Finland in 2010, was very dismal at a paltry 47.7 million Euros. So far trade between the two countries is driven mainly by export of machinery, vehicles, telecommunications equipment, paper and cardboards from Finland. Similarly, FINPRO Maaraportti (2010) regrets that trades between Nigeria and Finland was remarkably low in 2009 claiming that while Finnish exports to Nigeria amounted to only 61.5 million euros, the country’s imports from Nigeria stood at a mere 51,000 euros in the year. With these infinitesimal trade figures between Finland and Nigeria presumed to be Finland’s fifth African business partner according to FINNPRO Maaraportti (2010), there is need for boosting the economic ties between the two countries. Finland, being a technologically advanced nation has a lot of products to sell in the Nigerian market whereas as a developing country, Nigeria has got lots of investment areas for Finnish companies in addition to the importation of goods and services from Finland.

Anneli Vuorinen (the Finnish Ambassador in Nigeria) in Okwe (2011) claims that the importance of Nigeria as a superpower in Africa has been one of the major reasons for the Finnish presence in the country and further points out that Nigeria offers the best outpost for Finland to do business in the ECOWAS sub-region in particular, and Africa as a whole. A step in the right direction is the identification, according to the source, of power, clean environmental technologies, waste-to-energy technologies, mining, geological surveys and geochemical mapping, meteorological equipment for airports, health services systems, hospital and medical technology and equipment as well as consultancy services in education, ports management and general logistics as potential areas for Finnish industries to invest in Nigeria as a way to boost the Nigerian-Finnish trade relations which is presently very low.

It must be pointed out however that establishing business concerns beyond the national or domestic frontiers implies “managing across borders” which, Bartlett and Ghoshal in Crainer (1997) believe requires “organizational psychology”, defined as “a set of explicit or implicit shared values that can be developed and managed just as effectively as the organizational anatomy and physiology” of a company. Thus, possession of “organizational psychology” is a sine qua non for companies in order to operate in the international environment. They must pay attention to and recognize the cultures of the people they do business with as well as their host communities and possess adequate CSR programs in line with the observation by Baack and Baack (2005) that cultural differences have important practical management and marketing implications for multinational firms. This seems not to be a big deal for Finnish companies trying to enter the Nigerian market as Hutula (2004) points out that there is a diversity of Finnish enterprises already doing business on a global scale thus implying that Finnish companies already know what it takes to operate in the international market arena and therefore can easily adapt to any foreign business environment including Nigeria.
1.2. Research Question

Existing literature has shown that companies benefit immensely by expanding outwards and extending their businesses beyond their domestic market horizons. Consequently, astute managers all over the world embrace outside markets in order to exploit external opportunities to maximise their companies’ competitiveness and profitability. Finnish companies are not left out in this pursuit as they continuously seek active participation in foreign markets.

This thesis proposes that such Finnish multinationals can extend their internationalization and globalization bids into the Nigerian market. Thus the major question is...

...can the prevalent business opportunities in the Nigerian market yield strategic competitive and sustainable potential for Finnish multinationals that seek to invest in the country?

In order to answer this question, this thesis seeks to relate existing theories on the internationalization process to Nigeria which is is a fast developing African market and already counted among the fastest emerging world markets. Major issues on the internationalization process are discussed with the aim of providing potential clues and guidelines that could enable Finnish firms that want to establish in the Nigerian market to strategize success right from the onset.

1.3. Objective of the Research

With a population of about 154 million people and currently currently ranked 7th among the most populous nation’s on earth according to Rosenberg (2011); huge deposits of more than 34 different kinds of minerals scattered in over 450 locations in the country as put by Mining Journal (2006); a large labor base; and huge domestic market, Nigeria is obviously one of the most naturally endowed nations in the world. The mining sector which comprises activities in oil and gas exploration and the mining of solid minerals contributes well over 95 percent of Nigeria’s exports and has attracted huge amount of FDI in the country. Other industrial sectors of the economy have also recorded increased foreign participation in recent years.

Today, numerous number of foreign multinational corporations are actively involved in business activities in the Nigerian economy. Majority of MNC activities in Nigeria are easily witnessed in the oil and gas sector where such giants as Exxon Mobil, Chevron, Agip, Elf, and many others do businesses in oil exploration. There are also many multinationals operating in the other sectors of Nigeria’s economy notably Telecommunications, Building and Construction, Power and Electricity, Agriculture,
and Manufacturing. The operations of these MNCs and others are mainly driven by the huge investment opportunities offered by the Nigerian market.

It is regrettable however that despite of the numerous indigenous multinational corporations doing business out of Finland, there is currently a very low level of Finnish presence in the Nigerian market. The problem seems to be that Finnish companies are reluctant to invest in Nigeria. This could easily be traced to the long psychic, cultural, and physical distance between the two countries. Consequently, the objective of this thesis is to...

...discuss the business opportunities prevalent in Nigeria which Finnish industries can strategically exploit as part of their internationalization process.

It is important to point out that the few Finnish companies already doing business in Nigeria have fully adapted to the country’s market environment and are profitable. Also, worthy of note is the fact that the numerous MNCs which have investments in Nigeria at the moment are actively participating in the country’s economy and expanding their activities where and when necessary. Thus, Finnish firms seeking to invest in Nigeria must eschew current skepticism about Nigeria’s investment climate and take advantage of the business opportunities offered by the country.

1.4. Structure of the Research

This thesis is composed of five different but interconnected chapters. The introductory part or chapter 1 discusses the background of the thesis, the research question, the objective of the thesis, the structure, and the methodology adopted in developing the work. Chapter 2 focuses on the theoretical framework based on which the thesis evolved. It discusses the concept of globalization, the various globalization strategies, and the different drivers of globalization. The chapter goes further to address the issues of market selection, market entry strategies, as well as culture and corporate social responsibility (CSR).

The third chapter aims at bringing the Nigerian market into the limelight and is composed of five different sections: country profile, major industries, environmental threats and opportunities, overview of the Nigerian-Finnish business relationship, and expansion opportunities in Nigeria for Finnish industries. Chapter 4 discusses how to strategize success in Nigeria. In the chapter, effort is made to highlight some of the major issues considered inevitable and indispensable in order to strategize success in the Nigerian market right from the onset. It is subdivided into four different sections: setting out right; understanding the country, balancing business with culture, and compliance to CSR and ethics. Finally, the thesis is concluded in chapter 5.
The overall structure of the thesis is depicted in figure 1.

**Figure 1. Structure of the Thesis.**
1.5. Research Methodology and Process

The need to embrace additional research methods in developing this thesis emanates from the fact that the theoretical framework established in chapter 2 would not be enough in answering the research question. This is especially due to the fact that there is no previous research on the subject matter of this thesis (Strategic International Expansion Opportunities in Nigeria for Selected Finnish Industries). The implication here is that though many country-to-country international expansion process could be found in existing literature, no attempt has been made to discuss the Nigerian-Finnish arrangement.

Seppänen et al (2008) claim that in the field of Industrial Management typical and also in every academic research, the research problem or question can be examined by adopting an appropriate research approach and methodology to match the adopted approach. To this end, in addition to the theoretical framework established in chapter 2 based on existing literature on the internationalization theory, this thesis also adopts an experimental research methodology that is action-oriented. Thus, this research is based on a combination of both theoretical and experimental approaches or methods. The theoretical approach applied in gathering the information used in developing the theoretical framework of this thesis was mainly based on versatile source materials including books, articles from professional and scientific journals and magazines, newspaper articles, TUTCAAt-database, company’s websites, and other Internet sources. On the other hand, in order to establish sound basis to take care of the how much, how many, and how often questions (Gummesson, 1993), the questionnaire approach was also adopted in this thesis to buttress its reliability and soundness.

In order to collect data for the experimental aspect of this research, four major Finnish firms with operations already in Nigeria were contacted for the purpose of finding out their readiness to accept interviews and/or questionnaires. Three of them responded positively and welcomed the idea of questionnaire via e-mail. A concise questionnaire was then prepared and dispatched to them. One fact which I must not fail to highlight here is that all three companies responded fully to the questions and sent back their responses very promptly.

In line with Leedy and Ormrod (1993), this research is designed with a focus to maximize the validity and reliability of its findings. While Smith (1993) define validity as extent or degree to which the researcher measures the required attributes, Smith et al (2002) posit that validity refers to how convincing it is that the test or instrument measured exactly the intended attributes. In other words, validity can be expressed in terms of the extent to which the findings of a research typify what happens in the real
life situation. Thus the validity of a data collection method implies the degree to which the method measures the variables or attributes it is intended to measure. According to Deschombe (1998), validity revolves around the extent to which research data and the methods of acquiring them are deemed accurate, honest, and on target. To this end, validity must embrace the phenomenological paradigm (Collis and Hussey, 2003) which aims at extracting data that is rich in its explanation and analysis thereby gaining full knowledge and meaning of the phenomenon. On the other hand, O'Leary (2004) premises reliability on the notion that there is sense of uniformity or standardization between what is being measured hence; the methods adopted in conducting the measurements need to consistently capture what is being explored. Similarly, Leedy (1993) postulates that reliability deals with accuracy and seeks to investigate how accurate the measuring instrument is in performing the measurement, and according to Kumar (2005), the reliability of a research is influenced by the wording of the questions; the mood of the respondents; as well as the nature of the interaction.

Overall, the process of developing this thesis commenced with the decision on the title in February 2011. Immediately following this was the drafting of a clearly-worded research question in March as a way of embracing and solving the research problem. The next step was the literature review in April 2011 during which existing literature on the subject of internationalization were investigated and the more useful ones identified. This was followed by the empirical part of the research which involved creating a questionnaire and communicating it to some designated respondents in May 2011. Following this was the stage of writing and editing between June and September 2011 during which the various data collected in the literature review and empirical research were compiled to create meaningful information in order to generate useful academic knowledge. The last part of the thesis was the completion period in October 2011 during which the corrective input of my supervisor was applied in overhauling the work and the final submission. The research timeline described above is depicted in figure 2.

<table>
<thead>
<tr>
<th>Choice of Title</th>
<th>Research Question</th>
<th>Literature Review</th>
<th>Empirical Research</th>
<th>Writing and Editing</th>
<th>Completion and Submission</th>
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*Figure 2. Timeline of the Thesis Research Process.*
2. THE GLOBALIZATION PROCESS

2.1. The Concept of Globalization

The quest to become “global firms” which according to Kotler and Keller (2006) plan, operate, and coordinate their activities on a world-wide basis, has prompted many companies to embrace internationalization as part of their business strategy. There are varying views about internationalization: the process of increasing involvement in international operations (Welch and Luostarinen, 1998); the process by which a firm gradually becomes involved in international business and enters foreign markets (Karlsen, 2001); and firms internationalize when they cross borders (Schweizer et al, 2010). Johnson and Valhe (1990) show that “internationalization theory builds upon the incremental process of a firm’s experiential learning in foreign markets” and can thus be seen as “an incremental or stepwise approach through various systematic phases” and thus can be explained in terms of increasing experience in knowledge as well as commitment and investment in foreign markets. Similarly, Nik (2006) submits that internationalization is a process by which firms extend their products and services in overseas markets, usually from their home countries and describes it as the first stage of globalization or the process by which a business creates value by leveraging its resources and capabilities across borders including the coordination of cross-border manufacturing and marketing strategies. Similarly, Jatuliaviciene and Kucinskiene (2006) postulate that globalization enables nations, businesses and people to become more connected and interdependent across the globe via increased economic integration and communication exchange, cultural diffusion and travel, and thus the culmination of the international market entry and expansion process.

Axinn and MatthysSENS (2002) are of the opinion that many theories of internationalization emerged over the past half century which Weisfelder (2001) claim have their roots in industrial organization and economics and developed to explain the observed behaviors of firms in the international arena with respect to increasing expansion into export markets, increasing capital investments across the globe, and decisions made by firms in their choice of entry modes to access foreign markets. Axinn and MatthysSENS (2002) further claim that today firms internationalize in greater numbers and faster than ever before hence and that they do so in more different ways often adopting combinations of entry and exit strategies with smaller firms (especially high tech companies which practice advanced entry modes right from their outset).
The purpose of the international strategy can be explained from the point of view of Kogut (1985) that by exploiting country-specific differences, an organization can improve the configuration of its value chain and network. On this, Johnson et al (2008) identify two available principal opportunities linked with internationalization namely the exploitation of particular national advantages (often in the company’s home country) and the sourcing of external advantages overseas via an international value network. By creating such international value networks, a company can systematically draw some advantages through exploiting the different skills, resources and costs of countries around the globe through such means as FDIs, joint ventures, and global sourcing (buying services and components from the most appropriate suppliers around the world regardless of their locations).

Aaker (2008) submits that the motivations for embracing the outside market include access to low-cost labor or materials, access to national investment incentives, cross-subsidization, dodge trade barriers, and access to strategically important markets. Similarly, Griffin and Pustay (2007) observe that the strategic imperatives or motives for internationalization include leveraging on core competencies for increased revenue and profitability, acquisition of resources which are otherwise costly or unavailable domestically from the outside market thereby cutting costs, gaining new markets for increased revenue and profit growth, and for greater competitiveness. Also Baldwin et al (2001), Rasheed and Gilley (2005), Farell (2005), Sanders et al (2007), and Bengtsson et al (2009) point out cost saving and increased revenue as the major reasons for embracing foreign markets. Furthermore, Griffin and Pustay (2007) opine that changes in the political environment such as the imposition and removal of trade barriers and tariffs, and changes in governmental policies, as well as technological changes are the environmental causes of globalization.

Overall, Harrison (2008) broadly categorizes the motives for going international into overarching factors and firm-specific factors. The overarching factors include primary motives (profit-making opportunities, business growth, international reputation, and competitive advantage); the changing international environment (international peace and stability, world economic growth and emerging regions, reduction in trade barriers, and technological development and skills); and country-specific factors (political and economic stability, culture, country’s stock of “created assets”, supportive government policies, and the absence of “nuisance costs”). The firm specific factors comprise access to markets (large and emerging markets, access to regional trade blocs, first-mover advantages, and need to follow the competition); access to resources (resources are core to business, large sources of resources are needed, specialized resources are immobile); and cost reduction (access to low-cost materials, financial incentives, and avoidance of trade barriers) as shown in figure 3.
Obviously, internationalizing a company’s operations has potentially high merits however, as Sanders et al (2007) observe, doing business in foreign markets comes with high risks and hidden costs. Such additional costs according to Gilley and Rasheed (2000), Rasheed and Gilley (2005) and Ellram et al (2008) include costs of staff training and monitoring to communicate with overseas suppliers, travel and transportation costs,
and extra costs that accrue from market-based transactions. Similarly, from the rights activists’ perspectives, Griffin and Pustay (2007) submit that humanitarians, labor unions, and environmentalists believe that globalization allows firms to shirk their responsibilities to their workforces and to their communities by shifting production activities from developed countries to developing countries where labor laws and environmental protection are weakly enforced.

McIvor (2005) expresses that over-dependence on suppliers which could be as a result of customized arrangements in outsourcing as put by Quinn and Hilmer (1994) and loss of flexibility according to Beaumont and Sohal (2004) could lead to a major risk especially due to disruptions in supplier operations according to Sanders et al (2007). In the same vein, Lee and Carter (2005) identify microeconomic volatility, globalization of competition, and growing anti-globalization sentiments as the major threats to globalization which Wolf (2006) substantiate to include fear and protectionism, economic instability, resource shortages, terrorism, rapid spread of pandemic diseases, climate change, crime, climate change, drugs, and piracy. The major threats to globalization are presented in figure 4.

![Figure 4. Barriers to Globalization.](image)

It is important to point out also according to Harrison (2008), that the risks of internationalization can be classified as political, economic, social, and environmental while Govindarajan and Gupta (1999) are of the view that where products have foundations within a particular culture, there are enormous difficulties in applying the global approach. Also Sloman and Hinde (2007) postulate that globalization contributes to growing inequality and further impoverishes the poor nations.
However, Govindarajan and Gupta (1999) submit that the choice of strategy is a sensitive one hence; if a company does not go far enough towards globalization, it fails to achieve positive synergies, and if the strategy goes too far, diseconomies become inevitable. Sharing a similar view, Nickels et al (2008) observe that getting started globally is often a matter of observation, determination and risk hence; it is the onus of the internationalizing company to develop and implement strategies that could meet its goal for embarking on the program and to yield the desired results.

2.2. Globalization Strategies

Hitt et al (2009) describe international strategy as that through which the firm sells its goods and services outside its domestic market while Griffin and Pustay (2007) advise that though firms should quickly exploit across-the-border opportunities to maximize profitability and growth; they must also be ready to respond to changes in domestic and international markets as they arise. Thus in addition to exploiting the potential opportunities which the international market avails, Johnson et al (2008) are of the view that a major issue which companies must contend with in their internationalization agenda is the “global-local dilemma” which they relate to the extent to which a company standardizes its products and services in order to meet specific market requirements both at home and abroad. In the same vein, Barney (2007) expresses that in order for globalization strategies to be economically viable, they must exploit real economies of scale which outside investors could find difficult to realize on their own.

According to Johnson et al (2008), there are four different kinds of international strategy based on choices about the configuration of the performance of an organization’s international activities and the degree to which they are coordinated. They include: simple export strategy, multi-domestic strategy, complex export strategy, and global strategy as shown in figure 5.

![Figure 5. Four Different Globalization Strategies.](image-url)
Simple Export Strategy

Johnson et al (2007) describes this as a strategy involving a concentration of activities, particularly manufacturing in one country (the company’s domestic country). The source claims that the marketing of the company’s exports is loosely coordinated internationally through independent sales agents whereas pricing, packaging, distribution, and even branding policies are determined at home. According to Austrade (2006), adopting this strategy requires the company to consider what it would gain from exporting, whether the exporting program would conform to its goals, availability of resources to execute the export program, the exportability of its products, and the possible need to modify the products in order to meet foreign market requirements. Furthermore, the company that wants to go into exportation must assess its capabilities, analyze the export environment, analyze its product and service offerings, analyze its strengths and weaknesses (SWOT), assess its needs and how to succeed, draw up a sound “export plan”, and then implement and monitor developments (Austrade, 2006).

Johnson et al (2007) are of the view that the simple export strategy is typically useful to those organizations that have strong locational advantage and sufficient managerial capabilities that could enable effective and efficient coordination of their international marketing programs. Lending credence to this, USATRADE (1998) suggests that in general, a company that is new to exporting should focus on fewer than ten markets and also claims that exporting to one or few countries will allow the company to concentrate its resources more efficiently and effectively without jeopardizing sales in the domestic market while using internal resources to determine its level of effort and commitment on the international scene.

Multi-domestic Strategy

Aaker (2008) submits that a multi-domestic (also multinational) approach is that whereby separate strategies are developed for individual country markets and implemented autonomously. Johnson et al (2007) postulates that the strategy is loosely coordinated internationally but involves dispersion of various activities including manufacturing and sometimes product development overseas. The source also shows that goods and services are produced locally in each national market instead of exporting and each market is treated independently with priority given to its domestic requirements (needs) thereby giving rise to the “multi-domestic” nomenclature. Thus, the strategy requires companies to strive to maximize local responsiveness by customizing their product offerings and marketing strategy to match different domestic market needs. Consequently, production, marketing, and R&D activities must be established in each national market in order to meet local needs, demands, and values of the respective markets.
Rondstadt and Kramer (1982) claim that companies adopt the multi-domestic strategy in situations where customized products are needed in some countries, national competitors are common, countries have unique distribution channels, and there is prevalence of few or no economies of scale. According to the source, multi-domestic strategy involves tailoring the products to individual local market needs, innovating through the application of local R&D, decentralizing the organizational decision making process, localization of sourcing, and cost disadvantages. Johnson et al (2007) claim that this type of strategy is appropriate where there are few economies of scale and the benefits from adapting to local needs are high. Similarly, Goddard (2000) observes that the advantages of the multi-domestic strategy include access to resources and skills, differential advantage through combination of core competencies, attaining the status of the dominant competitor, increased profitability, and reduction in bureaucratic costs.

However, Goddard (2000) also adds that the multi-domestic strategy has its own shortcomings which include lack of global learning due to poor interaction among divisions and missed opportunities for long-term value creation. In the same vein, Johnson et al (2007) observe that the strategy also carries risks towards brand and reputation in the event of too much diversity among the various domestic markets.

**Complex Export Strategy**

Johnson et al (2000) postulates that the complex export strategy involves locating most of the company’s activities in a single country while the international marketing of products is strongly coordinated. Thus according to the source, economies of scale can be gained from manufacturing and R&D whereas branding and pricing activities are managed in a more systematic manner. More effort is needed in coordination more than in the case of the simple export strategy; the complex export strategy is beneficial when applied by companies in emerging economies in order to retain some domestic locational advantages while also seeking to build stronger brands and networks in the foreign market (Johnson et al, 2000).

**Global Strategy**

Economy Watch (2011) define global strategy as a business strategy engaged by businesses, companies, or firms operating in a global business environment with the aim of serving consumers spread across the world whereas John and Gillies (1997) describe it as being concerned with the important long-term policy decisions of international firms operating across various frontiers in the world economy. Similarly, Johnson et al (2007) see the global strategy as the most mature international strategy, with highly coordinated activities dispersed across the globe. The source goes further to add that by utilizing international value networks fully, locations are chosen in accordance with the specific locational advantage for each specific activity thereby making it possible for
different activities such as product development, manufacturing, and headquarters functions to be located in different countries and geographic regions hence; according to Aaker (2008), the global strategy serves as an organization’s strategic guide to globalization which many firms adopt for their effective global competitiveness.

Govindarajan and Gupta (1999) posit that the global strategy could be either fully or partially integrated. The source shows that some companies such as Coca-Cola employ an integrated global business strategy whereby functions, processes, products and strategies are fully globalized with the underlying assumption of high similarity or homogeneity of markets and customers across the world whereas others rather adopt a partial globalization approach in which case some elements of the business are globalized while others are adapted to local environments. According to Govindarajan and Gupta (1999), partial global strategies can take the form of global category strategy which requires all operating units to stay within the same category of business with the hope of offering leverage in the form of operational efficiency and learning. The source states that it can also take the form of global segment strategy whereby the company pursues a certain customer or application segment in all regions in the effort to leverage experience with existing homogeneous segments in all key markets, or it can be a global customer strategy which is built around specific customers for worldwide service or delivery, or a global function strategy in which case an entire function (such as marketing or R&D) is globalized.

It is worth noting that while the global strategy could, according to Economy Watch (2011) help companies to realize economies of scale, preserve the image of the home country housing the global corporation as well as create time and cost savings, and help in faster accumulation of the learning experience as a fallout of the learning-by-doing approach yet Johnson et al (2007) reveal that implementing the strategy requires high investments and skills for efficiency and effectiveness in coordinating the various business units dispersed across the globe. Similarly, Economy Watch (2011) postulates that though basic human needs may be similar everywhere, standardization may not be really easy across different international markets and cultures.

2.3. Globalization Drivers

The push to embrace the international market frontiers by companies is determined by a set of factors identified as the globalization drivers. Govindarajan and Gupta (1999) postulate that globalization occurs as specific company managers make decisions that result in increased cross-border flow of capital, goods and/or know-how and that the rate at which they make such decisions has increased rapidly and identify four major trends namely: an ever-increasing number of countries have embraced the free-market ideology, a shift of the economic center of gravity from the developed to the developing
countries, advances in technology have improved the effectiveness of communication, and the opening of borders of trade investments and technology transfers have created market opportunities for companies and also enabled the entry of foreign competitors.

According to Laudon and Laudon (2002), the drivers of globalization can be grouped into cultural factors and specific business factors while pointing out that improved information, communication, and transportation technologies have created a global village where communication and transportation are both cheaper and faster thereby resulting in more companies joining the global business. Jatuliaviciene and Kucinskiene (2006) indicate that the drivers of environmental change: regulations, legislations, and government policies can potentially drive firms to globalize. Summarily, Yip (2001), Sloman and Hinde (2007), and Johnson et al (2008) agree that globalization drivers could be classified under market drivers, cost divers, government drivers, and competitive drivers. The major drivers of globalization are depicted in figure 6.

**Figure 6. Major Globalization Drivers.**
Czinkota et al (2004) indicate that the drive to internationalize could be proactively or reactively motivated or as a result of some change agents. The source claims that proactive motivation results from a firm’s pursuit of higher profitability while reactive motivation is as a reaction to competition. It goes further to express that change agents could be either internal or external and that while internal change agents could come from an enlightened management’s international expertise and experience, external change agents such as increased demand in the international market could motivate a firm to internationalize.

Summarily, Australian Trade Commission (2011) expresses that the various market entry strategies have their individual strengths and weaknesses as the levels of risk, legal obligation, advantages and disadvantages differ between one entry strategy and another. To this, Global Thoughts (2011) posits that since the choice of the correct entry strategy is critical for the long-term success of a business, the most appropriate strategy to employ will depend on the potential of the market to be embraced, the firm’s degree of international expertise and experience, the amount of resources at the disposal of the firm, and the country sought for entry.

Market Globalization Drivers

According to Sloman and Hinde (2007), market drivers focus on the extent to which markets throughout the world are becoming homogeneous or standardized. To this, Johnson et al (2008) opine that a critical facilitator of internationalization is some standardization of markets whereas Sloman and Hinde (2007) show that the more consumers are similar with respect to their income and taste the more significant globalization market drivers become. The three components pointed out by Johnson et al (2008) as the underlying market drivers are the presence of similar customer needs, availability of globalized customers, and possibility of transferrable marketing. However, Sloman and Hinde (2007), and Jatuliaviciene and Kucinskiene (2006) expand the market globalization drivers to include convergence of per-capita income, similarity of lifestyles and tastes, growth of global and regional distribution channels, and growth in the number of world brands and advertising.

Cost Globalization Drivers

Sloman and Hinde (2007) express that cost drivers present the business with the potential of recognizing its operations globally and the need for cost reduction. According to Jatuliaviciene and Kucinskiene (2006), cost globalization provides a potential for acquiring competitive advantage through scale and scope economies, sourcing efficiencies, and country-specific costs. Furthermore, according to Johnson et al (2008), costs can be reduced through international business operations, and to achieve such goal three components come into the perspective: scale economies can result by
increasing volumes beyond what a national market can support, possibility to exploit country-specific differences can prompt internationalization, and advances in transportation have created favorable logistics. Sloman and Hinde (2007) and Jatuliavicien and Kucinskiene (2006) further submit that accelerated technological innovations, sourcing efficiencies, emergence of newly industrialized countries with high productive capability and low labor costs, and increasing cost of product development are among cost drivers.

**Government Globalization Drivers**

Governments often play a key role in driving the process of globalization, especially when they positively welcome trade and inward investment thus global political agreements (for instance, WTO which covers world trade and related issues) not only directly influence market operations but are also helpful in determining global trade rules and protocols (Sloman and Hinde, 2007). However, Jonhson et al (2008) cautions that government drivers can as well inhibit internationalization since no government could allow complete openness hence the existence of tariff barriers, technical standards, subsidies to local firms, ownership restrictions, local content requirements, technology transfer controls, intellectual property regimes, protectionism, and currency and capital flow controls. Openness typically varies between industries as some such as agriculture and hi-tech (which is related to national defense) are likely to be more sensitive (Johnson et al, 2008).

Overall, according to Yip (2001) and Johnson et al (2008) as expanded by Jatuliaviciene and Kucinskiene (2006) and Sloman and Hinde (2007), the major components of government globalization drivers can include favorable trade policies (reclassification, reduction of tariff barriers, reduction on non-tariff barriers, incentives for foreign investments, local content regulations, and ownership restrictions) and creation of economic and regional blocs (E.U, NAFTA, ECOWAS, and numerous others). Others are decline in governments’ role as producers and customers, privatization of economies previously dominated by the state, common marketing regulations, as well as common technical standards.

**Competitive Globalization Drivers**

According to Sloman and Hinde (2007), with increasing competition organizations are compelled to develop strategies to reinforce their strategic positions reflecting the fact that global business networks and cross-border strategic alliances are major indications of the growing competitive global process. To this end, Johnson et al (2008) show that competitive globalization drivers have two major trends: first, interdependence between country operations increases the pressure for global competition, and secondly, companies embrace global strategies to counter competition in domestic market. The
major competitive globalization drivers can be summarily presented as increase in the level of world trade, high volumes of exports and imports, and increased number of global competitors. Others include increased formation of strategic alliances/networks, increased acquisition of corporations by foreigners, and the tendency of companies to become globally rather than nationally centered.

Other Globalization Drivers

Barnat (2005) includes technology as another driver of globalization. Also, Sloman and Hinde (2007) claim that revolution in information and communication, financial market globalization, and improvements in business travel also drive globalization.

2.4. Market Selection

According to Aaker (2008), market entry is a risky venture as resources could be misused in pursuing the wrong markets rather than making strategic investments elsewhere. It is important, therefore, to select markets with high likelihood of success and possibility of minimized resource drain since according to Johnson et al (2008), “not all countries are equally attractive”. Ayal and Zif (2009) submit that companies would prefer not to go global if the domestic market is huge enough considering that market entry and market control costs are high, product and communication adaptation costs are high, population and income size and growth could be high in the countries initially chosen for entry, and dominant foreign firms can create high entry barriers thereby making entry exorbitant. Kotler and Keller (2006) advice that in deciding to embrace the foreign market, a company needs to define its marketing objectives and policies, as well as make a decision on what proportion of foreign total sales it seeks.

However, Gupta and Govindarajan (1999) point out that no firm can be regarded as truly global unless it is present in all strategic markets stressing that a major challenge is in deciding which markets are of most strategic importance as well as when to enter them. The source also expresses that a market’s strategic importance is actually determined through a variety of factors some having to do with “market potential” and some with “learning potential”. Whereas market potential refers to current market size and growth expectations for a particular area of business, learning potential is driven by two factors: the presence of sophisticated and demanding customers who demand continuous innovation from the company, and the pace of technological evolution in the market.

In order to identify which markets are strategically important, Johnson et al (2008) suggest that countries can initially be compared by means of some standard environmental techniques (PESTEL or Porters five forces frameworks). According to Aaker (2008), market selection starts with several basic dimensions including market
attractiveness in terms of size and growth, value-adding capability, level of competition intensity, feasibility of implementing company’s business model in the host country, level of operational and cultural barriers, degree of political uncertainties, and the potential to gain a critical mass. However, Johson et al (2008) rather postulate that the specific determinants of market attractiveness considered in internationalization process can be classified into intrinsic market characteristics and the nature of competition.

In a different submission, Ghemawat (2001) stresses that what matters is not just the attractiveness of countries vis-à-vis one another, but also the level of compatibility of the potential foreign market with the internationalizing firm. The source also claims that a company is likely to trade ten times as much with a country that is a former colony than with a country it does not have such ties with. Consequently, with respect to the “CAGE framework”, four different dimensions of distance in international marketing are identified namely: cultural distance-dimension which to differences in language, ethnicity, religion and social norms; administrative distance-dimension relating to differences in administrative, political, or legal traditions; geographical distance-dimension relating not only to the physical distance between places but also other geographical characteristics such as size, sea size, and quality of communications; and economic distance-dimension which relates to the differing capabilities of companies from different countries rather than simply assuming that entering a wealthy market is more advantageous than a poorer one as Ghemawat (2009) observes that multinationals from rich countries are typically weak at serving smaller markets.

Summarily, the major determinants of the global market selection process are shown in figure 7.

![Figure 7. Global Market Selection Criteria.](image)
Gupta and Govindarajan (1999) recommend that a firm should make rapid entry into those markets with high strategic importance and high exploitation ability while stressing that a firm could be much more opportunistic in markets of low strategic importance that are much easier to exploit. The authors also point out that in the case of markets with high strategic importance but are difficult to exploit, phased entry approach can be employed. In this case, market entry is preceded by the development of needed capabilities at a “beachhead” or a market very similar to the one that is targeted and provides a lower-risk opportunity for learning how to enter and succeed in the chosen market. Finally, a firm must not make any entry into those markets that are of no strategic importance and are difficult to exploit.

2.5. Entry Strategies

Kotler and Keller (2006) and Gupta and Govindarajan (1999) claim that once a company has selected the country or countries (market or markets) to enter, and the product line(s) with which to make such entry, the next challenge would be to determine the appropriate entry mode or strategy to adopt. Schramm-Klein and Swoboda (2009) are of the view that the choice of entry modes is one of the most important decisions in the internationalization process whereas Andersen (1997) expresses that the enormous significance of choosing the correct market entry mode reflects in the fact that it determines the success of a company’s international operation. Buttressing these facts, Agarwal and Ramaswani (1992) stipulate that the choice of entry mode is a difficult task which any firm seeking to serve the international market must contend with. They also submit that since market entry might involve huge resource commitment, the choice of how to operationalize it becomes critical.

According to Johnson et al (2008), entry modes differ in the degree of resource commitment to a particular market as well as the extent to which an organization operationally involves itself in a given market location. Karlsen (2001) points out that empirical evidence from many countries support the original idea that firms internationalized like “rings in the water” with their knowledge of the foreign market increasing gradually while uncertainty as well as risk are reduced over time for each country market. This traditional internationalization process, according to Knight and Cavusgil (1996), seems slow as a result of incremental adaptations to changing firm and environmental conditions rather than the result of a deliberate strategy.

Johnson et al (2008) claim that entry modes are often selected with respect to the level of organizational development of the firm and thus see internationalization traditionally as a sequential process whereby companies gradually increase their commitment to newly entered markets, accumulating knowledge and increasing their capabilities along the way. The authors also postulate that the traditional entry strategy otherwise known
as “staged international expansion” implies that organizations often begin their internationalization process by adopting such entry modes as licensing and exporting which allows them to acquire local knowledge while at the same time, minimizing exposure of their assets. Agarwal and Ramaswani (1992) indicate that normatively, the decision on the type of international market entry mode to be adopted is a function of the tradeoffs between risks and returns whereas from the behavioral point of view, Cespedes (1988), and Stopford and Wells (1972) contend that availability of resources and the need for control could impact on an organization’s choice of market entry mode.

According to Agarwal and Ramaswani (1992), the firm’s ownership advantages, the international market’s locational advantages, and the internationalization advantages of firm-wide integrated transactions determine a firm’s choice of entry modes. However, as pointed out in Harris and Chee (1998), Kotabe and Helsen (2003), Cateora and Graham (2007), Cullen and Parboteeh (2008), Mellahi et al (2005), and Terpstra and Sarathy (2000) in Chen (2009), the major factors companies consider in their choice of foreign market entry mode could be classified as internal and external. The internal factors include the firm’s objective, size, experience, and products whereas the external factors are political, economic, socio-cultural, and technological as shown in figure 8.

![Figure 8. Major Factors Influencing Choice of Foreign Market Entry Modes.](image-url)
According to Kotler and Keller (2006), Johnson et al (2008), and Nickels et al (2006), the choices at the disposal of a firm for staging entry into a new international market frontier include exporting (direct and indirect), licensing, strategic alliances, FDI, franchising, and contract manufacturing as illustrated in figure 9.

![Diagram of International market entry strategies](image)

**Figure 9. Different Internationalization Strategies.**

**Indirect Exporting**

According to Fletcher (2004), indirect paths to internationalization are those whereby firms get into exporting, sourcing, or distribution agreements with intermediary companies to manage their transaction, sale, or service with overseas companies on their behalf. In this arrangement, Griffin and Pustay (2007) submit that a firm has to sell its products to a domestic customer (in the foreign market) who in turn sells or exports the products either modified or in their original state. Kotler and Keller (2006) buttress this by claiming that companies typically start making their goods and services available on the international front through indirect exportation usually with the services of independent intermediaries. Peng and York (2001) submit that such independent intermediaries play the role of middlemen in international trade by linking up individuals and companies that would have rather remained unconnected, an arrangement which according to (Trabold, 2006), makes transactions feasible and successful.

Salomon (2006) identifies different forms of indirect exporting: export trading companies (ETCs), export management companies (EMCs), export merchants, confirming, and non-confirming purchasing agencies. Export trading companies (ETCs) provide support services of the entire export process for one or more suppliers and
absorb some risks in the process. They are mostly employed by suppliers who lack exporting experience. Export management companies (EMCs), according to Foley (1999), are like ETCs as they usually export for the manufacturer but on the other way round, they rarely take on export credit risks. EMCs carry only one product type which may not be of the competing type and they usually trade on behalf of their suppliers as export departments. Export merchants are wholesale companies which buy unpackaged products for suppliers or manufacturers for resale overseas under their own brand names. Confirming houses are intermediate sellers that work for foreign buyers whereas nonconforming purchasing agents which are like confirming houses except that they do not pay suppliers directly rather payments occur between the manufacturer (or supplier) and the foreign buyer.

Kotler and Kelly (2006), and Johnson et al (2008) point out that the indirect mode of exportation has two main advantages: investment costs are low as the company does not necessarily have to develop an export department, an overseas sales force, or international contacts; and the process is less risky as the international sales intermediaries apply their know-how and services hence the seller makes little or no mistakes. Furthermore, Peng (2009) claims that non-direct handling of export processes is yet another advantage of indirect exporting.

Nevertheless, indirect exporting has its shortcomings as Acs and Terjesen (2006) argue that the use of intermediaries may particularly add transaction costs and rent extraction in the exporting business thereby making the process rather costly. Similarly, Blomstermo and Sharma (2006) submit that loss of business control could result from the use of intermediaries thereby making indirect exporting rather risky. Also, Johnson et al (2008) claim that indirect exporting could prevent a company from exploiting locational advantages in the foreign country, limit the firm’s opportunities to gain knowledge of local markets and competitors, create dependence on export intermediaries, create exposure to trade barriers, lead to high transportation costs, and limit the ability to respond promptly to customer demands. Furthermore, New Zealand Trade and Enterprise (2011) submit that further disadvantages of indirect exporting include possible costly sales support to the intermediary, allowing some margin to the intermediary, inability to have direct contact with the customer, and slowed expansion plan due to the inability to gain direct knowledge of the foreign market while Evans (2005) points out that wrong choice of markets and distributors by overseas partners with the resultant lower sales potential compared to direct exporting is a major demerit of indirect exporting.

**Direct Exporting**

Hessels and Terjesen (2007) describe direct exporting as the mode of internationalization whereby the firm exports directly to its customers in the foreign
markets and claim that it is the most common path to SME internationalization. Kotler and Keller (2006) are of the view that the investments and risks involved in direct exporting as well as the potential returns are high while according to Griffin and Pustay (2007), a firm’s initial direct exporting to a foreign market is the result of an unsolicited order with subsequent direct exporting emanating from the firm’s deliberate effort to expand internationally. The source also shows that direct exporting could be by sales representatives or import distributors and claim that sales representatives stand in for foreign suppliers or manufacturers in the local market for an established commission on sales and they provide support services such as local advertising, local sales representation, customs clearance, as well as local market legal requirements to the manufacturer or supplier. Import distributors, according to Reynolds (2003), purchase products in their own rights and resell them locally to wholesalers, retailers, or both; they serve a useful market entry strategy for goods carried in inventories such as toys, appliances, and prepared food.

Adorjan (2008) expresses that by using direct exporting; managers can keep control of their products and maintain stronger relations with their customers-conditions which are highly indispensable for company development. The author also points out that this mode of internationalization facilitates direct and fast transmission of information and feedback between customers and manufacturers. New Zealand Trade and Enterprise (2011) claims that the advantages of direct exporting include control over pricing; brand control; direct knowledge of customers’ needs and requirements and hence, the ability to customize accordingly; direct maintenance of customer relationships; and easy identification of potential opportunities. Similarly, Griffin and Putsay (2007) submit that through direct exporting activities, the firm gains valuable expertise about operating internationally as well as the specific knowledge of the individual country markets it operates in. Johnson et al (2008) identify possible advantages of direct exporting as including the possibility of exploiting economies of scale, and the possibility of firms with little or no experience to gain access to international markets via Internet. In the same vein, Reynolds (2003) posits that direct exporting provides the manufacturer or supplier the opportunities of control over the selection of foreign markets and choice of foreign representatives; qualitative information feedback from target market; better protection of trademarks, patents, goodwill, and other intangible companies; potentially greater sales relative to indirect exporting.

Nonetheless, New Zealand Trade and Enterprise (2011) and Johnson et al (2008) argue that direct exporting has its own demerits: high start-up costs (time, energy, human resources, money); possibility for customers to perceive competitors with local presence as less risky to buy from; need for knowledge of the local language and culture; promptness may require additional visits (more costs) since it cannot be done remotely; and slowed growth. Similarly, Reynolds (2003) submits that greater information
requirements, higher risks vis-à-vis indirect exporting, and longer time-to-market are further shortcomings of direct exporting.

Licensing

Nickels et al (2008) describe licensing as an arrangement whereby a firm (the licensor) competes in the global market by licensing the right to manufacture its product or use its trademark to a foreign company (the licensee) for a fee (royalty); under such arrangement, the licensor may also assist or work with the licensee in such areas as distribution, promotion, and consulting. According to Griffin and Putsay (2007), the terms of a licensing arrangement are specified in details in a legal contract which also addresses issues such as the specific limits of the agreement, compensations, rights, privileges, and constraints, as well as the duration.

According to Nickels et al (2008), a licensing agreement can be beneficial in several ways. First, the licensor gains additional revenues which the firm would otherwise not if it concentrated only on the domestic market. Secondly, foreign licensees must as a matter of agreement, purchase start-up supplies, component materials, and consulting services from the licensor. Also, the licensor spends little or no money to produce and market its products. Similarly, Johnson et al (2008) claim that the licensor gains some contractually agreed income through the sale of its production and marketing rights and also enjoys limited economic and financial exposure. Additionally, according to Griffin and Putsay (2008), licensing could yield relatively low financial risk provided that the licensor fully analyses the market opportunities at its disposal as well as the abilities of its licensee. Furthermore, Kotler and Keller (2006) submit that licensing is a simple way for a firm to get involved in international marketing, enabling it (the licensor) to gain international market entry at little risk while the licensee gains production expertise or a popular product or brand name.

However, Johnson et al (2008) argue that licensing could equally be counter-productive due to the difficulty in identifying the appropriate partner and agreeing to the contractual terms, loss of competitive advantage through imitation, and limitation of the locational advantages in the host country (foreign market). Similarly, Nickels et al (2008) argue that due to the long-term nature of licensing, if the licensor’s product experiences remarkable growth and success in the foreign market, the bulk of the revenue would go to the licensee; also, if the licensee gains good knowledge of the licensor’s technology or product secrets, there is the tendency that it (the licensee) could break the licensing agreement and commence producing a similar product on its own; and in the absence of legal remedies, the licensor may lose its trade secrets as well as the agreed-on royalties. Furthermore, according to Griffin and Putsay (2008), licensing has opportunity costs and hence limits market opportunities for both the licensor and licensee companies; also, irrespective of how carefully worded a licensing agreement
could be, there is always the tendency for problems and misunderstandings between the licensor and licensee; and finally, by sharing its technology with the licensee, the licensor runs the risk of creating a potential competitor for itself.

**Franchising**

According to Doole and Lowe (2001), franchising is a means of marketing goods and services whereby a firm (the franchiser) grants the legal right to use branding, trademarks and products, as well as the method of operation to another party (the franchisee) for a fee. Nickels et al (2008) see franchising as an arrangement by which someone with a good business idea (the franchisor) sells the right to use its business name and to sell a product or service to another (the franchisee) in a given territory and in a specified manner. Griffin and Putsay (2007) claim that the franchisor has more control over the franchisee but provides for more support to it relative to the licensor-licensee relationship. The source also stresses that a franchising agreement allows the franchisee to operate business under the name of the franchisor in return for a fee but as in licensing, it is spelled out in formal contracts, with a typical set of terms. Cateora and Graham (2002) postulate that franchising is an important form of vertical integration as well as the fastest-growing entry mode for firms wishing to expand geographically.

According to Nickels et al (2008), “franchising has penetrated every aspect of the American and global business life by offering reliable, convenient, and competitively priced products and services”, and point out that the worldwide growth of franchising could not have been by accident. The source claims that the advantages of franchising include provision of management and marketing assistance, personal ownership rights, nationally recognized business name, provision of financial advice and assistance, and lower failure rate. Accordingly, franchising arrangement enables a franchisee to enter a business that has already established and proven products and operating system. Also, it is possible for a franchisor to expand internationally with relatively low risk and cost. Furthermore, a franchisor can gain knowledge of the of the host country much easier than without the franchisee, and possible learn more from the franchisee beyond the host country (Griffin and Putsay, 2007).

However, on the negative side, Nickels et al (2008) state that franchising requires large start-up costs; profits are shared between the franchisor and franchisee; management assistance from the franchisor may become managerial orders, directives, and limitations against the wish of the franchisee; one party could be forced out of business owing to the failure of the other; franchisees face severe restrictions in the reselling of their franchises; and fraudulent franchisors may exploit the ignorance of their franchisee partners. Furthermore, Griffin and Putsay (2007) show that international franchising is often complicated, with control as a major issue.
Contract Manufacturing

Contract manufacturing is an arrangement used by firms, large and small, that outsource most of their manufacturing needs to other companies (Griffin and Putsay, 2007). Nickels et al (2008) claim that under such arrangement, goods and services are produced by one firm under the label and brand of another implying that a foreign company produces private-label goods to which a domestic company then attaches its own brand name or trade mark. The source also posits that the practice of contract manufacturing falls under the broad category of outsourcing. According to UNIDO (2006), a company willing to enter a foreign market can contract a domestic enterprise to manufacture the products it intends to sell locally; this eliminates the need for the contracting company to set up its own facilities in the targeted country thereby avoiding the burden and risks of direct investment.

Griffin and Putsay (2007), and Nickels et al (2008), postulate that the main advantages of contract manufacturing include a radical reduction in the financial and human resources firms earmark for the physical production of their products as well as the possibility to exploit the locational advantages generated by the host countries. Also the strategy allows a firm to experiment in a new market without having to incur heavy start-up costs; if the brand name becomes successful, the firm will end up penetrating the new market with relatively low risk; and finally, the strategy enables a firm to temporarily meet an unexpected increase in orders at very low labor costs. Similarly, Doole and Lowe (2001) point out that local production in the host country via contract manufacturing has several implications: it is a demonstration of the commitment which often results in customers switching suppliers, investing locally in the host country could also serve a means to defend an existing business against certain restrictions such as import barriers, and, contract manufacturing is an effective strategy to follow-the-customer.

Strategic Alliances

Nickels et al (2008) define strategic alliance as a long-term partnership between two or more companies with the intention to help each other build competitive market advantage. It is a voluntary, formal arrangement requiring two or more companies to pool resources together in order to achieve a common set of objectives (Serrat, 2009). According to Webster (1992), the essential features of a true strategic alliance are the intention to move each partner towards achieving some long-term strategic goal, and the sharing of objectives as well as commitment of resources by both parties thus making the strategy an important marketing phenomenon. Delvin and Bleakely (1988) in Webster (1992) claim that “strategic alliances take place in the context of a company’s long-term strategic plan and seek to improve or dramatically change a company’s competitive position” whereas Serrat (1992) stresses that strategic alliances involve
exchange, sharing, or co-development of products, services, procedures, and processes with the aim to sustain long-term competitive advantage in a fast-changing business world. Webster (1992) submits that joint venture, though often used interchangeably, and defined by Nickels et al (2008) as basically a partnership in which two or more companies, from different countries, join to undertake a major project, is a type of strategic alliance. The unique feature of a joint venture is that a new firm is created, with its own capital structure, as well as other shared resources. The sources posit that joint ventures are established with the intention of existing in perpetuity, though there are chances that the founding partners may subsequently change their ownership participation.

According to Johnson et al (2008) and Nickels et al (2007), the main advantages of strategic alliances include shared investment risks, pooled complementary resources and know-how, and it is often governmental condition for market entry. Soares (2007) identifies four potential merits of the strategic alliance arrangement namely: ease of market entry, shared risks, shared knowledge and expertise, and synergy and competitive advantage. However, Johnson et al (2008) submit difficulty to identify the appropriate partner and to agree on the specified contractual terms, difficulty to manage the relationship with a foreign partner, loss of competitive advantage via imitation, and limited ability in integrating and coordinating activities across national boundaries as the major drawbacks of strategic alliances while Mahoney et al (2001) point out that where partners in a strategic alliance pursue selfish rather than mutual benefits, there arises the tendency to pursue undisclosed and secret agendas which eventually result in difficulties to share a common vision.

**Foreign Direct Investment**

Foreign direct investment (FDI) is the buying of permanent property and businesses in foreign countries according to Nickels et al (2008) while Griffin and Putsay (2007) claim that it enables a firm to enter the international market by owning and controlling assets in the host countries. Thus, a firm wishing to embark on the FDI strategy may prefer to initially internationalize its business through exporting, licensing, franchising, or contract manufacturing with the aim to gain knowledge of and expertise in operating in the host country. According to Nickels et al (2007), the FDI arrangement allows a company (parent company) to own another company (foreign subsidiary) in a foreign country with the aim of operating like a domestic company with respect to production, distribution, promotion, pricing, and other business functions under the control of the foreign subsidiary’s management. OECD (2002) observes that FDI is an integral part of an open and effective international economic system and serves as a major catalyst to development.
Griffin and Putsay (2007) identify three different forms of foreign direct investment: the greenfield strategy which involves starting a new operation from the scratch implying that the firm buys or leases land, constructs new facilities, hires new and/or transfers existing managers and employees, and then launches a new operation; acquisition strategy in which case an existing firm already conducting business in the host country is acquired; and joint ventures (already discussed under strategic alliances).

Full control of resources and capabilities, facilitation of integration and coordination of activities across national boundaries; rapid market entry via acquisition, development of state-of-the-art facilities, and financial support from the host government are some of the advantages of FDI (Johnson et al., 2008). According to OECD (2002), most empirical studies conclude that FDI contributes to productivity and income growth in host countries beyond what the domestic investment could generate. In the same vein, Griffin and Putsay (2007) point out increased control over international operations, easy transfer of technological and managerial expertise, and a beneficial strategy where host country customers prefer to deal with local companies as the major benefits of FDI.

On the other hand, Griffin and Putsay (2007) show that FDI may expose the firm to greater economic and political risks, and potential erosion of its foreign investment value in the event of adverse exchange rates whereas Nickels et al (2008) claim that the major shortcoming of FDI is that owing to the huge capital and technology committed in the overseas subsidiary, there is the danger that in the case of expropriation (asset takeover by the host government), the parent company could suffer a great deal thus making FDI a risky venture.

2.6. Culture and CSR

According to Hofstede (1981), “culture is the collective programming of the mind that distinguishes the members of one category of people from another” whereas Griffin and Putsay (2007) claim that it is the “collection of values, beliefs, behaviors, customs, and attitudes that distinguish one society from another”. However in the words of Serrat (2008) culture, in its broadest sense, is the totality of a society’s distinctive ideas, beliefs, values, and knowledge; it exhibits the ways humans interpret their environments. The source contends that managers engaged in cross-border transactions are often faced with the need to bridge the cultural gap existing between their cultural backgrounds and those of their foreign counterparts who come from different backgrounds claiming that this is so since aggressive foreign investment combined with domestic restructuring has dramatically changed the workforce of many companies. Thus according to Kumar and Sethi (2005), the new reality is a highly diverse workforce composed of employees from a variety of countries and cultures in order to exploit the potential of diverse workforce which, according to Rosenzweig (1999),
include effective representation of the company in the face of competition; improved knowledge sharing and creativity; talent promotion and full development of the firm; improved ability to attract and retain local talent; and successful operations in national markets via knowledge of the local languages, traditions, and rules of behavior, effective interaction (with local customers, public officials and other stakeholders). To this end, Usunier and Lee (2005) caution that the perception of other cultures often tends to be rather shallow which is in line with the iceberg theory of Hall (1976), and stereotyped thus portraying an imperfect picture of the operation of a cultural group which often creates defensive interpretation and overly simple analysis.

Nickels et al (2008) have pointed out that just as individuals need to be good citizens, contributing to the welfare of society; corporations also need to be good citizens. Thus, being socially responsible has become the concern of businesses all over the world, and following Johnson et al (2008), “the regulatory environment and the corporate governance arrangements for an organization determine its minimum obligations towards its stakeholders”. Forstater et al (2010) submit that there is no global standard definition of CSR, or a definitive list of the issues it encompasses just as Dartey-Baah and Amponsah-Tawiah (2011) posit that CSR is a controversial issue for business managers and their stakeholders. CSR has a large range of contrasting definitions, and often varying terminology hence; the concept lacks a universally accepted single definition and therefore is constantly redefined to serve changing needs, situations, and times. Consequently, although certain CSR fundamentals may remain the same, some CSR issues vary in nature and importance between industries and locations hence emphases differ in different parts of the world (O’Riordan and Fairbrass, 2006).

However, according to Griffin and Putsay (2007), CSR is the set of obligations an organization undertakes to protect and enhance society in which it operates as buttressed by Atuguba and Dowuona-Hammond (2006) in their submission that CSR is about the relationship of corporations with society as a whole, and the need for them to align their values with societal expectations. Similarly, the World Bank in Jørgensen et al (2003) defines CSR as the commitment of business to contribute sustainable economic development, working with employees, their families, the local community, and society at large in order to improve their quality of life in ways that are good for both business and development. Whereas ACCA (2006) describes CSR as an open and transparent business practice based on ethical values and respect for the community, employees and the environment, the Commonwealth of Australia (2006) sees it as focusing on the environmental and social impact of an organization’s conduct as well as taking responsibility for its actions. Similarly, Helg (2007) opines that CSR is a set of standards by which organizations can impact on their business environment with the potential of creating sustainable development. Fonteneau (2003) submits that observance of CSR has become a must hence; in recent times public institutions (such
as the EU, UN, and ILO, the business world, employers, as well as civil society organizations) seem to have come to the realization that it is an essential element of present and future social policies across all continents and sectors. CSR could either be explicit or implicit according to Matten and Moon (2004), explicit CSR refers to the corporate policies a company chooses to implement as a way of expressing its responsibility to society such as voluntary, self-driven policies and strategies. On the other hand, implicit CSR is a company’s agreed share of responsibilities such as values, norms, and rules which stakeholders consider important and thus expect the company to address for society’s interests and concerns.

Nickels et al (2008) identify two groups on the CSR ideology: proponents claim that a business owes its existence to society as it was granted license to operate in it and exploits what it provides such as labor and other resource implying that failure of society would create consequential effects on the business hence; its goal must be to make society humane and just. However, the source submits that critics of the CSR agenda, on the other hand, claim that the only social responsibility of any business is to maximize revenue and profits for its shareholders hence they see the CSR movement as unethical, misguided and inappropriate and opine that promoting CSR goals could lead to loss of focus from profit making which is the major motivation of business (Griffin and Putsay, 2007).

Summarily, Hayakawa et al (2010) have shown that the viewpoints of individual corporate firms are vital in the internationalization process since globalization offers new competitive opportunities as well as pressures to the business firm. Thus, at the firm level, the source claims that the opportunities that result from internationalization are seen from different angles owing to the heterogeneity of firms. In this regard, Peng et al (2008) recommend that the resource-based view (Barney, 1991) which suggests that firm-specific differences drive strategy and performance must be considered in the internationalization program of the firm. Consequently, Hayakawa et al (2010) posit that while some firms are favorably disposed to expand their business tentacles into the foreign market in order to exploit the potential opportunities it creates, others decide to rather stay in their domestic market domain as a way to remain competitive, profitable, and sustainable.
3. EMBRACING THE NIGERIAN MARKET

3.1. Nigeria: Country Profile

Nigeria is located 10 00 N and 8 00 E on the west coast of the African continent (Motherland Nigeria, 2011). According to Wikipedia (2011), the country shares land borders with the Republics of Cameroun and Chad in the East and with the Republic of Benin in the West. Similarly, Nigeria shares common boundaries with the Republic of Niger in the North while in the South; the country is bordered with the Atlantic Ocean. According to Business-Travel-Nigeria (2011), with a total area of 923,770 square kilometers (356,700 square miles), Nigeria is the seventh largest country in Africa. Figure 10 shows the map of Nigeria.

Geography and Population

Japan African Network (2011) claims that Nigeria has a population of over 154.7 million people (July, 2009 UN estimate) while CIA (2011) estimates Nigeria’s population to 155.2 million in 2011 and ranks the country as Africa’s most populous and eighth in the world. Furthermore, according to Business-Travel-Nigeria (2011), Nigeria’s weather is characterized by heavy rain (with the highest precipitation between June and October), high humidity, and relatively low temperature (with possibilities of maximum temperature of 31 Celsius during the day and minimum of 26 Celsius at night).

Government and People

Administratively, the CIA Fact Book (2009) shows that Nigeria has three tiers of government: Federal, State, and Local. The Federal Government is headed by the President and Commander in Chief of the Armed Forces, the Sate by the State Governor, and the Local Government, by the Local Government Chairman. Currently, there are 36 States in Nigeria, excluding the Federal Capital Territory (Abuja) which is specially administered by the Minister of the Federal Capital Territory (FCT). There are also 774 LGAs in the country. The source also claims that the Nigerian legal system is based on English Common Law, though some 12 states in the country practice Islamic (Sharia) Law. The legislative arm of the Federal Government comprises the National Assembly (Senate) and the House of Representatives. Nigeria is a multi-religious country: Christianity is predominantly practiced in the South mostly by the Ibos in the East and Yorubas in the West whereas Islam is practiced mainly by the Hausa-Fulanis in the North and also in the Yoruba West. There are several other traditional religious groups in the country. According to Japan Africa Network (2011), literacy rate in Nigeria stand at 68 percent total based on 2005 estimate (75.5 percent male and 60.6 percent female).

According to Japan Africa Network (2011), Nigeria has over 250 different ethnic groups with the Hausas in the North, the Yorubas in the West, and the Ibos in the East are the most dominant. Business-Travel-Nigeria (2011) points out that Nigerians are generally very friendly and welcoming. English remains the official language in Nigeria though Hausa, Ibo, and Yoruba are widely spoken. Also “pidgin” or “broken English” is a major form of communication among the various ethnic groups. Since independence from Britain in 1960, Nigeria’s government was dominated by successive military juntas which truncated several civilian regimes until May 1999 when the democratically elected government of H.E Olusegun Obasanjo was sworn into power, a move which ushered in new hope for the country as it was opened up, once more, to embrace the international community.
Nigeria is involved in numerous international relations and associations including the AU, ECOWAS, Common Wealth, UN, IMF, and the World Bank, to mention but a few. UHY (2008) posits that Nigeria has become a significant player on the world’s political stage and plays an important role in international organizations like the World Bank and in international affairs generally. Nigeria is one of the founding members of the AU, and continues to serve as an important international conference center in the African continent. The CIA Fact Book (2009) points out that Nigeria’s participation in international trade, and other issues like world peace, health, human rights, disarmament, sustainable development, and poverty alleviation has influenced the high rate of recognition accorded the country on the world stage.

Abuja, located centrally in the Federal Capital Territory (FCT) is Nigeria’s federal capital city and the seat of the Federal Government of Nigeria while Lagos (the former capital city), with a population of over 15 million (Lagos State Government, 2011) is Nigeria’s biggest city and commercial nerve center. There are many other cities in Nigeria that are heavily populated including Ibadan, Kano, Port Harcourt, Onitsha, Kaduna, Enugu, Maiduguri, Aba, Sokoto, and Benin City. With such international airports as the Murtala Muhammed International Airport (Lagos), Nnamdi Azikiwe International Airport (Abuja), Port-Harcourt International Airport, and Aminu Kanu International Airport (Kano), and several other international and numerous local airports, air travel to and fro within Nigeria is not a problem. In the same vein, Nigeria has several seaports located mainly in the seaport cities of Lagos, Calabar, Warri, and Port-Harcourt which facilitate the movement of bulky goods in and out of the country. Also, there are good networks of roads and railways in Nigeria which permit easy transportation of people and goods in the country. Furthermore, with huge investments in communication, flow of information within and outside Nigeria is no longer a threat. Christianity, predominantly practiced in the South and Islam, practiced mainly by the Hausa-Fulanis in the North are Nigeria’s major religions. According to Japan Africa Network (2011), literacy rate in Nigeria stands at 68 percent total based on 2005 estimate (75.5 percent male and 60.6 percent female).

Economy

Economy Watch (2010) indicates that Nigeria is a lower income economy with the country’s petroleum reserves serving as its major economic contributor. Nigeria is a major agricultural nation in Africa, producing and supplying such agricultural products as groundnuts, Cocoa beans, Rubber, Gum Arabic, Kola nuts, Beniseed, Cotton, Soybean, Palm kernel, Cashew nuts, Cassava, Yams, Mellon, Maize, Sorghum, Millet, Cowpeas, Bananas and Plantains, Palm oil, and Tobacco, to mention but a few (Japan Africa Network, 2011). Apart from the rich agricultural produce, Lawal and Atte (2006) claim that Nigeria is generously endowed with abundant natural resources. According to
Becker et al (2008), AEO (2011), and FSDH (2011), Nigeria is the second-largest economy in Africa with nominal 2006 GDP standing at over 235 Billion Dollars (at PPP) and one of the fastest-growth economies in the world while Goldman Sachs Global Economics (2010) ranks Nigeria among the team of eleven developing countries code-named “Next Eleven” (N -11) which might have the BRICs-like potential.

MMSD (2010) states that Nigeria has proven reserves of over 33 different types of minerals including coal, bitumen, gypsum, iron-ore, lead and zinc, Gold, phosphate, uranium and many others in well over 400 locations across the country whereas according to Nwilo and Osanwuta (2001), Nigeria’s mineral resources range from a wide variety of mineral fuels to metallic and non-metallic minerals. Nigeria’s reserves of oil is estimated at over 350 billion barrels (Odularo, 2007) while according to Yar’adua (2007), the country has the seventh largest reserves of natural gas in the world. According to MMSD (2011), Nigeria’s natural gas reserves stand at over 166 Trillion standard Cubic Feet (both associated and non-associated); of high quality and particularly rich in liquid with low sulfur content. The United States Energy Information Administration (2002) claims that Nigeria ranked eleventh in the production of crude petroleum and condensate by volume accounting for over 3 percent of the world’s total, whereas Bala (2003) states that the country ranks fifth among OPEC members.

According to Omale and Akuma (2001), Odularo (2007), and EIA (2010) oil has been the mainstay of Nigeria’s economy and plays but Becker et al (2008) indicate that though heavily reliant on oil and gas which accounts for over 95 percent of the GDP, the non-oil sector has also made increased impact on the growth of the economy (which is put at a CAGR of over 7 percent over the past ten years). The source argues that despite the political unrests in the Niger Delta region which adversely affected Nigeria’s oil export, the country’s GDP still grew at 5.8 percent in 2007, an indication of a strong growth in the non-oil sector especially telecommunications, retail trade, and construction.

EDC (2011) states that Nigeria’s economic policy is focused on addressing key infrastructural shortcomings orchestrated by years of military rule and the crisis in the Niger Delta have created negative impacts on Nigeria’s economic development. On this, Iweala and Kwaako (2007), and Economy Watch (2010) add that continued military governance, corruption, and poor economic management led to Nigeria a prolonged period of economic stagnation, rising poverty levels, and the decline of its public institutions, and widespread corruption undermined the effectiveness of various public expenditure programs in the country. Similarly, Iyayi (2008) stipulates that the Niger Delta crisis has had major implications for development and socio-cultural relations in the region and Nigeria at large and claims that the crisis has created severe negative impacts on the development of the region and Nigeria as a whole. However, with external reserves standing at 45.469 billion dollars, a GDP of 267.779 billion dollars.
(2009 estimates), and an increased GDP growth from 7.0 percent in 2009 to 8.1 percent in 2010 (AEO, 2011), Nigeria’s economy is back on track with brighter prospects. This reflects also in all the sectors and subsectors of the nation’s economy. MMSD (2010) submits that Nigeria’s economy has witnessed steady continuous growth in recent years as shown in table 1.

Table 1. Nigeria’s GDP Growth 2001-2010 (Adapted from Indexmundi, 2011).

<table>
<thead>
<tr>
<th>Country</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Nigeria</td>
<td>3.5</td>
<td>3.0</td>
<td>7.1</td>
<td>6.2</td>
<td>6.9</td>
<td>5.3</td>
<td>6.4</td>
<td>5.3</td>
<td>5.6</td>
<td>8.4</td>
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AEO (2011) stresses that Nigeria has shown economic outlook in recent years and points out that the economy exhibited a robust growth in 2010 in the midst of the global economic crisis which is a good indication that the government’s reform efforts are worthwhile. Similarly, FSDH (2011) indicates that Nigeria is among the world’s fastest growing economies since 2001 as depicted in table 2.

Table 2. The fastest growing economies in the world and their corresponding growth rates in the periods 2001-2010 and 2011-2015 (Source: Myweku, 2011).

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<th></th>
<th>2001-2010</th>
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<th>2011-2015</th>
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<tbody>
<tr>
<td>Angola</td>
<td>11.1</td>
<td>China</td>
<td>9.5</td>
</tr>
<tr>
<td>China</td>
<td>10.5</td>
<td>India</td>
<td>8.2</td>
</tr>
<tr>
<td>Myanmar</td>
<td>10.3</td>
<td>Ethiopia</td>
<td>8.1</td>
</tr>
<tr>
<td>Nigeria</td>
<td>8.9</td>
<td>Mozambique</td>
<td>7.7</td>
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<td>Ethiopia</td>
<td>8.4</td>
<td>Tanzania</td>
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<tr>
<td>Kazakhstan</td>
<td>8.2</td>
<td>Vietnam</td>
<td>7.2</td>
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<tr>
<td>Chad</td>
<td>7.9</td>
<td>Congo</td>
<td>7.0</td>
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<tr>
<td>Mozambique</td>
<td>7.9</td>
<td>Ghana</td>
<td>7.0</td>
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<tr>
<td>Cambodia</td>
<td>7.7</td>
<td>Zambia</td>
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<td>Rwanda</td>
<td>7.6</td>
<td>Nigeria</td>
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Economy Watch (2010) and AEO (2011) express that Nigeria has bright economic prospects with the GDP still showing signs of strong and stable growths, and sector-wide productivity increasing in recent times. This is as the CBN governor, Sanusi (2010) states that with good democratic governance, improved agricultural productivity, more investment-friendly environment, and high oil prices, and improvements in all the industrial sectors, Nigeria’s economy will continue to have robust growth. Consequently, with these positive developments in the nation’s economy Iweala and Kwaako (2007) strongly optimize that Nigeria stands firm among the world’s fastest emerging economies buttressing which, Aminu (2011) contends that Nigeria stands the chance of overtaking South Africa by the year 2015 to become Africa’s biggest economy. Nigeria’s major economic indicators are shown in table 3.

Table 3. Key Economic Indicators in Nigeria (Adapted from FSDH, 2011).

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<tbody>
<tr>
<td>GDP (at 1990 Current Prices)</td>
<td>21.07</td>
<td>24.79</td>
<td>24.30</td>
<td>22.91</td>
<td>18.56</td>
</tr>
<tr>
<td>Real GDP Growth Rate (%)</td>
<td>7.86</td>
<td>6.96</td>
<td>5.98</td>
<td>6.45</td>
<td>5.63</td>
</tr>
<tr>
<td>Inflation Rate (Year-on-Year)</td>
<td>11.80</td>
<td>12.00</td>
<td>15.1</td>
<td>6.60</td>
<td>8.50</td>
</tr>
<tr>
<td>External Debt Stock (US$'bn)</td>
<td>4.58</td>
<td>3.95</td>
<td>3.72</td>
<td>3.397</td>
<td>3.54</td>
</tr>
<tr>
<td>External Reserves (US$'bn)</td>
<td>32.35</td>
<td>42.41</td>
<td>52.82</td>
<td>52.00</td>
<td>45.01</td>
</tr>
<tr>
<td>Total Population (mn)</td>
<td>150.00</td>
<td>150.00</td>
<td>149.00</td>
<td>144.00</td>
<td>140.00</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>19.70</td>
<td>19.70</td>
<td>11.80</td>
<td>5.80</td>
<td>5.30</td>
</tr>
<tr>
<td>Exchange Rate (N/US$1)</td>
<td>149.17</td>
<td>148.10</td>
<td>131.25</td>
<td>116.80</td>
<td>127.00</td>
</tr>
</tbody>
</table>

3.2. Major Industries

Ajayi (2007) contends that industrial development in Nigeria involved considerable craft works in the early stages but grew progressively into large-scale manufacturing. The source further stipulates that the modern industry in Nigeria is largely a consequence of colonial preoccupation centered on market expansion and profit
maximization and also that the modern Nigerian industry differs from its counterparts in the developed world in that while western industries aim at generating, accumulating, and reproducing capital, that of Nigeria is premised on import-substitution with industrial equipment and raw materials transported into the country, installed, and used for routine production activities either by the multinational corporations, the state, or indigenous entrepreneurs. Ukaegbu (1991) states that the continued negligence of indigenous production techniques, superficial technology transfer, over-pricing of industrial equipment, centralization of research in the advanced countries, and the repatriation of profits from the host country have led to the low industrial revolution as well as many other negative impacts on the Nigeria’s industrial development aspirations. Also, continued dominance of MNCs in the industrial sectors and the shift towards an oil economy are considered among the major factors militating against the emergence of an indigenous entrepreneurial class in Nigeria.

Figure 11 is a depiction of the major industrial sectors found in Nigeria.

![Diagram of Major Industries and Sectors in Nigeria]

**Figure 11. Major Industries and Sectors in Nigeria.**

**Agriculture and Forestry**

The indispensability of the agricultural industry in Nigeria’s economic emancipation needs not be overemphasized; being the country’s oldest and second largest industry. With the Nigeria’s fast growing population, meeting food and industrial demands becomes a major challenge especially as focus shifts to other industrial sectors of the nation’s economy. Folawewo (2010) observes that Nigeria was one of the largest exporter of agricultural commodities in the world before the oil shock of 1970 and early
1980s whereas Daramola et al (2007) point out that agriculture contributed over 48 percent of Nigeria’s GDP in 1970, but fell drastically to 20.6 percent in 1980 and rose slightly to 23.3 percent in 2005. This fall could also be explained from the point of view of Agriculture and Agri-Food Canada (2011) that Nigerian agricultural industry is subsistence-based and under developed.

According to Ogen (2007), a strong and efficient agricultural sector is imperative in order for any country to feed its growing populace, generate employment, earn foreign exchange, and provide raw materials for the industries. Nigeria has been mapping out strategies to refocus on agriculture as an indispensable sector of the national economy as Ajakaiye and Fakiyesi (2009) submit that the federal government had commenced a comprehensive agricultural policy focusing on making large-scale private sector commercial agriculture a means for increased productivity. Accordingly, the Nigerian authorities embarked on the provision of grains (sorghum, maize, and millet) and extension of credit facilities to farmers. The source further claims that the government approved the importation of rice and a tax holiday for the importers and undertook major infrastructural rehabilitations in the sector. With these, Ajakaiye and Fakiyesi (2009) submit that Nigeria recorded sharp rise in the production indices of agricultural sector and sub sectors.

Furthermore, apart from food production, FDF in FAO (2001) indicates that Nigeria has huge forest reserves constituted as depicted in table 4.

Table 4. The Composition of Nigeria’s Forest Reserves (Adapted from FAO, 2001).

<table>
<thead>
<tr>
<th>Forest Land Designation</th>
<th>Forest Type</th>
<th>Area in Hectares</th>
<th>Gross Volume (in cubic meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest Reserve</td>
<td>Lowland Rainforest</td>
<td>788,053</td>
<td>140,682,489.73</td>
</tr>
<tr>
<td></td>
<td>Freshwater Swamp</td>
<td>186,621</td>
<td>24,397,003.35</td>
</tr>
<tr>
<td></td>
<td>Sub Total</td>
<td>974,674</td>
<td>165,079,493.08</td>
</tr>
<tr>
<td>Free Area</td>
<td>Lowland Rainforest</td>
<td>905,930</td>
<td>120,742,644.93</td>
</tr>
<tr>
<td></td>
<td>Freshwater Swamp</td>
<td>1,424,995</td>
<td>187,474,508.28</td>
</tr>
<tr>
<td></td>
<td>Mangrove Forest</td>
<td>948,430</td>
<td>212,613.14</td>
</tr>
<tr>
<td></td>
<td>Sub Total</td>
<td>2,342,147</td>
<td>308,429,366.35</td>
</tr>
<tr>
<td>Sum Total</td>
<td>Gross Total</td>
<td>3,316,821</td>
<td>473,509,259.43</td>
</tr>
</tbody>
</table>
The impact of the forestry sub-sector to the Nigerian economy is worth mentioning; the FAO (2004) stresses that a vast majority of the Nigerian populace depend on the forest resources of the nation formally or otherwise. FAO (2001) postulates that Nigeria is the largest producer of wood in Africa whereas FAO (2004) indicates the formal sector of the country’s forest resources is essentially wood-based, fairly well developed, and comprises mechanical wood industries (including sawmills, veneer and plywood manufacturers, particle board, paper and paper board manufacturers). Furniture manufacturing is carried out at a secondary level. The informal sector comprises an informal wood-based sector and the non-wood forest products sector. Products from the wood-based sector include industrial round wood, sawn wood, wood-based panels, particle board, as well as pulp and paper. Other forestry products include fuel wood and charcoal which is predominantly used by the Nigerian rural population to meet their basic energy needs for cooking and heating.

FAO (2004) also indicates that there are also non-timber forest products in Nigeria which could be broadly classified into leaves, fruits, barks, nuts, resins, honey, mushrooms, wildlife, canes, chewing sticks, medicinal plants, and a long list of others. Furthermore, wildlife and tourism constitute a reasonable share of Nigeria’s annual revenue with over 8 National Parks spread across the country most prominent of which according to the FAO (2004) include the Chad Basin (45,696 hectares in 1991), Cross River (422,688 hectares in 1991), Gashaka/Gumti (636,300 hectares in 1991), Kainji Lake (534,082 hectares in 1975), Old Oyo (251,230 hectares in 1991), Yankari (224,400 hectares in 1991), Kamuku (112,700 hectares in 1999), and Okomu (11,200 hectares in 1999).

According to FAO (2004), the challenges faced by Nigeria’s forest industry sector include sustainability issues due to blurred forest ownership system that prevents Federal intervention; unlimited powers of the States to de-reserve or exploit the forests; poor forestry policies lacking enforceable legal backing; poor funding; dearth of state-of-the-art forest equipment; low levels of R&D; proliferation of forest agencies resulting; unreliable forest data-base; planning and execution difficulties; low and non-frequently updated tariffs; obsolete forestry legislations; and natural disasters such as droughts, flooding, forest fires orchestrated by bush burning, extensive arable farming, and over grazing.

Mining

Mining is one of the biggest industries in Nigeria as over 95 percent of the nation’s wealth comes from minerals. Activities in Nigeria’s mines include the exploration of oil and gas as well as excavation of solid minerals. According to All Business (1999),
mining activities in Nigeria dates back to 1958 when Shell-BP commenced full exploitation with the discovery of oil in commercial quantity in Oloibiri in the present-day Bayelsa State in the Southern tip of the country. Daramola et al (2007) express that oil and gas contribute a whopping 99 percent of Nigeria’s total export and nearly 85 percent of government’s revenues. NAPIMS (2011) point out that with the inclusion of condensates production, Nigeria’s current daily average production stands at over 2 million barrels and that with the capacity of increasing the reserves to 30 billion barrels in two years, the daily output could rise to well over 3 million barrels per day though it is the government’s aspiration to hit the 40 billion barrels reserve target by the end of the decade with an increased daily output of 4 million barrels per day. Past mining activities in Nigeria were bedeviled by lack of well-developed infrastructure, corruption, use of obsolete machinery and equipment, poor power supply, and lack of good governance however, MMSD (2011) claims that the average exploration success rate has moved from cumulative of about 11 percent to over 60 percent at present which it emphasizes is among the best in the world.

NNPC coordinates oil and gas exploration in Nigeria in partnership with numerous multinational oil giants including Shell BP, ELF, Agip, Exxon Mobil, Chevron, Texaco, Petriobras, Dowell Schlumberger, Sinopec and a host of others whose operations have wide geographic spread across the country. Oil exploration in Nigeria includes both onshore and offshore activities. According to MMSD (2011), there are over 500 oil fields in the Niger Delta at the moment with 55 percent onshore and the remaining in the shallow waters (less than 500 meters). To date, over 5284 wells have been drilled in the country (predominantly, in the Niger Delta) of which 603 are discovery wells, current emphasis is to increase the number of high performance wells capable of producing above 20,000 barrels of oil per day. All these have been made possible through government’s revolutionary efforts on power generation and telecommunications in the country.

Apart from oil and gas exploration, Nigeria is highly blessed with many other mineral resources among which are solid minerals. This buttressed by Akwenuke (2008) and Farri Consulting (2010) in their claim that Nigeria is heavily endowed with huge deposits of numerous solid minerals many of which are hitherto untapped. Apart from solid minerals shown in table there are yet proven huge reserves of diamond, gypsum, gemstone, tantalite, lignite, granite, and numerous others lying in the earth within Nigeria that are yet to be mapped and quantified. Consequently, with the growing instability in the price of oil in the world’s energy market, Nigerian authorities have decided, as a matter of national growth and sustainability strategy, to focus more on harnessing the nation’s solid mineral base as a way to further strengthen the economy. Following this, Adebanjo (2011) contends that the future of Nigeria’s economy will
shift away from oil and gas to depend more largely on solid minerals. Table 5 depicts the major solid minerals found in Nigeria.

Table 5. Nigeria’s Major Solid Minerals (Adapted from MMSD, 2010).

<table>
<thead>
<tr>
<th>Minerals</th>
<th>Reserves (in million tons)</th>
<th>Minerals</th>
<th>Reserves (in million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore</td>
<td>3,000</td>
<td>Gold</td>
<td>1,000</td>
</tr>
<tr>
<td>Barite</td>
<td>7.5</td>
<td>Gypsum</td>
<td>1,000</td>
</tr>
<tr>
<td>Phosphate</td>
<td>750</td>
<td>Kaolin</td>
<td>300</td>
</tr>
<tr>
<td>Bitumen</td>
<td>42,000</td>
<td>Bentonite</td>
<td>70</td>
</tr>
<tr>
<td>Rock salt</td>
<td>1,500</td>
<td>Talc</td>
<td>100</td>
</tr>
<tr>
<td>Lead and Zinc</td>
<td>10</td>
<td>Limestone</td>
<td>2,300,000</td>
</tr>
<tr>
<td>Coal</td>
<td>3,000</td>
<td>Diatonite</td>
<td>0.2</td>
</tr>
</tbody>
</table>

It is worthy of note according to Bala (2003), Nigeria’s huge resource base is yet to attract the deserved economic growth and FDI. Following this, Dike (2011) observes that the major setbacks to FDI in Nigeria’s solid mineral sector include overdependence on oil and gas revenue, bribery and corruption, crime and insecurity, exchange fluctuations, political instability, high borrowing rates, inadequate infrastructure, low level of education and training, unstable power supply, lack of modern mining equipment, and low R&D investments. Nevertheless, successive regimes in Nigeria since the enthronement of democratic government in 1999 have relentlessly worked towards tackling the challenges above with the aim of attracting huge FDI in the solid minerals sector. To keep this dream alive, the present administration under President Goodluck Jonathan is committed to opening up the Nigeria solid mineral sector as another line of economic mover (Sada, 2011) to which end businesses within and outside are wooed to invest in this sector which has the potential of taking the Nigerian economy to yet another level.

Education

Nigeria’s ever-increasing crave for quality academic education, right from the pre-colonial era, has given rise to steady growth and development in the country’s education
sector. According to FME (2005), education has continuously been seen as a major engine driving the socio-economic development of Nigeria and is thus given priority in the nation’s on-going reform agenda. Okecha (2008) identifies three forms of education in Nigeria: formal education which is received in schools; non-formal education which is attainable through semi-formal arrangements such as learning of trade; and informal education, derived from the streets and peer groups. However, with the country’s multinational ethnic orientation, providing education to all has become a major challenge. The Nigerian Education system is composed mainly of three levels; primary, secondary, and tertiary. Primary education normally takes six years after pre-primary or kindergarten education. Secondary education comes in two phases: junior secondary (three years) and senior secondary (three years). Finally, tertiary (university) education takes a four–year period thus giving rise to the 6-3-3-4 education system practiced in the country. Presently, there are over 117 universities operating in Nigeria; 36 are federal government-owned; another 36 are state government-owned; and 45 are privately-owned (NUC, 2011).

The huge number of educational institutions in Nigeria poses its own danger as Olawale (2010) points out that the problems facing education in Nigeria are numerous and multifarious. Poor funding, inadequate number of academic institutions, low level of infrastructural development, low availability of facilities, low and ineffective research, corruption, incessant strikes by teachers and lecturers, examination malpractices, low lecture-student ratios, staff shortages, and cultism have been identified as the major challenges facing education development in Nigeria. Also, as observed by Achebe (1983), failure of leadership and poor quality control according to Okecha (2008) are additional problems bedeviling development in the Nigerian education sector. These issues, according to Olawale (2010), are responsible for the yearly turnout of thousands of poor quality graduates from Nigeria’s universities. Consequently, the government, at the various levels, is embarking on numerous projects aiming providence in the education system and to alleviate the sufferings of the citizenry in their quest for quality education.

Health

Obembe and Ogundele (2009) observe that Nigeria’s healthcare industry is still at the stage of development relative to the developed countries of the world. Similarly, Uneke et al (2009) claims that with DALE figure put at 38.3 years and the rank of 187 in the World Health Report 2000, Nigeria’s health system performance is worse than many sub-African countries. Also, WHO (2009) indicates that most of the health and developmental changes in Nigeria since the first Country Cooperation Strategy (2000-2007) have not shown any significant improvements. The source also points out that the however that the country is on track toward achieving, partly or wholly, only three out
of the eight MDGs namely, basic education, HIV prevalence, and global partnership for development. Aina (2010) identifies two paradoxes with the Nigerian healthcare system. First, he opines that Nigeria’s healthcare industry must have been one of the greatest in the world as the country is blessed with some of the most cerebral, intelligent, and hardworking professionals in healthcare but this could not happen since they mostly practice abroad leaving a dearth of practitioners at home. Also, private investment (local and foreign) in the Nigerian health sector is very low resulting in untold inadequacies in the country’s healthcare delivery system.

Generally, the major challenges confronting Nigeria’s healthcare industry according to Obember and Ogundele (2009), WHO (2009), and Aina (2010) are shortage of manpower, inadequate facilities, poor infrastructural development, poor management, poor funding, poor healthcare policy implementation, poor R&D, corruption, and poor management, among numerous others. In the same vein, Erhun et al (2001) add inadequate supply of drugs as yet another challenge to Nigeria’s healthcare delivery system. Okoli (2000) contends that out of over 130 existing pharmaceutical manufacturers in the country, only 60 are in active manufacturing and claims that this leads to low capacity utilization and the importation of over 75 percent of the country’s drug needs. Also, Uneke et al (2009) submit that the poor state of health system in Nigeria is traceable to several factors such as poor organization, stewardship, financing, and provision of healthcare services compounded by other socio-economic and political problems in the country. To this, Uneke et al (2009) stress that the overall availability, accessibility, quality, and utilization of health services in Nigeria either decreased significantly or stagnated in the past decade and claim that the proportion of Nigerian households residing within 10 kilometers of a health center, clinic or hospital is 88 percent in the Southwest of the country, 87 percent in the Southeast, 82 percent in the Central, 73 percent in the Northeast, and 67 percent in the Northwest.

Nevertheless, Obembe and Ogundele (2009) observe that major improvements were made in Nigeria’s healthcare industry in the past decade; they claim that those improvements are evident in the restructured modalities of the nation’s healthcare systems with respect to the changing pace of health services delivery, increased competence of medical practitioners, availability of resources, and others. The different tiers of government in the country as well as the private sector are getting more actively involved in healthcare delivery issues providing funds, facilities, and training to ensure efficiency and effectiveness in the system. In order to fully address the challenges in Nigeria’s healthcare delivery system, Aina (2010) suggests the creation of an environment of continuous improvement in service delivery and focus on quality service based on measurable parameters which will also serve as a form of motivation to healthcare professionals. The source contends that by so doing, the issues of pernicious and continuing brain drain in Nigeria’s health sector could be arrested. In the same vein,
Oleribe (2009) claims that health management training is needed to rescue Nigeria’s health industry from possible decay and suggest that health management training schools should be established in each of the nation’s geo-political regions, and a department of health management established in each of the first and second generation universities in the country. The authors also point out the need for the enactment of laws to ensure job security for all healthcare workers, especially those in the private sector and to promote the use of counseling and psychological programming as the most common correction technique in Nigeria’s health sector. In addition, the source observes the need to promote the regular use of incentives for good performance as well as to promote the development of a humanistic working environment and to ensure that healthcare managers are adequately trained and educated. Furthermore, Aina (2010) postulates that there is the need for the deployment of six sigma as a means of improving quality measures in Nigeria’s health sector as well as to develop a culture that supports continuous improvements and quality assurance in the overall system.

**Banking and Finance**

Banking and finance rank among Nigeria’s biggest and most vibrant industries in recent times. The role of the banking industry in Nigeria could be visualized from Adeyemi (2006) that the banking system is the engine of growth in any economy, given its function of financial intermediation. According to Donli (2005), there were 90 licensed banks, 282 licensed commercial banks, 74 licensed primary mortgage institutions (PMIs), and 6 DFIs operating in Nigeria by the end of 2002 while Ebong (2010) claims that the number of banks in Nigeria grew by over 154.8 percent from just 42 in 1986 to 107 in 1990 and by about 12 percent to 120 in 1992. However, the growth dropped to 89 in 2004 owing to liquidations and downsizing by the authorities of inefficient banks in the country during the period. The number of branches also rose from 1,394 in 1986 to 2,013 in 1990. The growth continued from 2,391 in 1992 to 3,100 in 2004 translating to inter-temporal increases of 44 percent, 18.8 percent, and 29.7 percent respectively (Ebong, 2010). The banking and finance industry in Nigeria is coordinated by country’s epic bank which, according to Ojeaga (2009), plays a vital role in the industry.

Adeyemi (2006) reports that Nigeria’s banking at a 2004 reflected that marginal and unsound banks accounted for 19.2 percent of the total assets as well as 17.2 percent of the total deposit liabilities. The source also indicates that the non-performing assets of the industry covered 19.5 percent of the total loans and advances. This is as Soludo (2004) observes that many banks in Nigeria appear to have abandoned their essential intermediation role of mobilizing savings and inculcating banking habit at the household and micro-enterprise levels. Similarly, according to Ningi and Dutse (2008), the Nigerian banking sector was characterized by banks with relatively small-sized banks with high overheads and low capital bases. The source also claims that the
industry which was highly fragmented and showed low levels of financial fragmentation also featured banks with low capital bases that were rather highly reliant on government patronage prior to the bank reform and capitalization in 2004.

Consequently, with these remarks and other ugly impressions about nation’s banking industry, the Nigerian authorities started to implement some programs in the sector with the aim of restoring confidence in the banking system. To this end, the nation’s epic bank, the CBN was mandated to embrace some major reform agenda that could sanitize the banking industry in Nigeria. According to Ebong (2010), the reform agenda was motivated by the need to proactively put the Nigerian banking industry on the path of global competiveness in order to effectively respond to the challenges of globalization and to prevent the Nigerian economy and people from remaining as fringe players in the context of the globalizing world. According to Donli (2005), the major challenges facing the Nigerian banking industry prior to the reform era included weak capital base and the challenge of ethics and professionalism. Buttressing this, Ebong (2010) submits poor corporate governance practices; gross insider abuses; insolvency; over-reliance on public sector deposits; inadequate attention to small savers; unstable operating environment; weak corporate governance; fraud and other corrupt practices; and inadequate legal provisions as some of the major factors negatively impacting on the Nigerian banking industry prior to the reform era.

Ajayi (2005) points out that “banking sector reforms in Nigeria are driven by the need to deepen the financial sector; to reposition the economy for growth; to become integrated into the global financial structural design; and to evolve a banking sector consistent with regional integration requirements and international best practices”. The source claims that the reforms also aim at addressing issues such as poor governance, risk management, and operational inefficiencies. It also indicates that part of the reform agenda was the consolidation and recapitalization regime that led to many of the smaller and weaker banks merging together or acquired by the stronger and dominant ones. Imala (2005) identifies the reasons for these mergers and acquisitions as cost savings, revenue enhancement, risk reduction, new developments, and removal of several legal and regulatory barriers. Other reasons identified by the source for bank mergers and acquisitions in Nigeria are to embrace the globally integrated financial services, financial stability, as well as improved profit margins. The author further contends that the most important synergies accruing from the consolidations include the ability to create economies of scale, increased revenues, and the potential for tax gains.

Furthermore, according to Adegbaju and Olokoyo (2008), bank consolidation in Nigeria is implemented to strengthen the banking system, embrace globalization, create healthy competition, exploit economies of scale, adopt advanced technologies, raise efficiency, improve profitability, and strengthen the banks. Nigeria’s banks are shown in table 6.
Table 6. List of some Banks Operating in Nigeria (Adapted from FSDH, 2011).

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name of Bank</th>
<th>Business</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Access Bank Plc</td>
<td>International</td>
<td>Bank</td>
</tr>
<tr>
<td>2</td>
<td>Afribank Plc</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>3</td>
<td>Bank PHB Plc</td>
<td>International</td>
<td>Holding Company</td>
</tr>
<tr>
<td>4</td>
<td>Citi Bank</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>5</td>
<td>Diamond Bank Plc</td>
<td>International</td>
<td>Bank</td>
</tr>
<tr>
<td>6</td>
<td>EcoBank Plc</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>7</td>
<td>Equatorial Trust Bank</td>
<td>Regional</td>
<td>Bank</td>
</tr>
<tr>
<td>8</td>
<td>Fidelity Bank Plc</td>
<td>International</td>
<td>Bank</td>
</tr>
<tr>
<td>9</td>
<td>Fin Bank Plc</td>
<td>Regional</td>
<td>Bank</td>
</tr>
<tr>
<td>10</td>
<td>First Bank of Nigeria Plc</td>
<td>International</td>
<td>Holding Company</td>
</tr>
<tr>
<td>11</td>
<td>First City Monument Bank</td>
<td>International</td>
<td>Holding Company</td>
</tr>
<tr>
<td>12</td>
<td>Guarranty Trust Bank</td>
<td>International</td>
<td>Bank</td>
</tr>
<tr>
<td>13</td>
<td>IntercontinentalBank Plc</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>14</td>
<td>Oceanic Bank Plc</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>15</td>
<td>Skye Bank Plc</td>
<td>International</td>
<td>Bank</td>
</tr>
<tr>
<td>16</td>
<td>Spring Bank Plc</td>
<td>Regional</td>
<td>Bank</td>
</tr>
<tr>
<td>17</td>
<td>Stanbic IBTC Plc</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>18</td>
<td>Standard Chartered Bank</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>19</td>
<td>Sterling Bank Plc</td>
<td>National</td>
<td>Bank</td>
</tr>
<tr>
<td>20</td>
<td>United Bank of Africa Plc</td>
<td>International</td>
<td>Holding Company</td>
</tr>
</tbody>
</table>

(Note: Union Bank Plc (21), Unity Bank (22), Wema Bank (23), and Zenith Bank(24) are also in this list.)
Azeta et al (2009) claim that with improvements in ICT many banks have embraced e-banking or internet banking (Ovia, 2001) as a means to improving customer satisfaction. Obviously, the future of the banking industry in Nigeria would to a great extent depend on the ability to address the many challenges facing it presently. To this end, Sanusi (2010) submits that the consolidation reform embarked by the government is not an end in itself hence; there is the need to enable a healthy financial sector evolution in the country. This attainable by leveraging the CBN’s governor’s role as the advisor to the President on economic matters as a way of ensuring that the financial sector contributes to the real economy and takes the lead to measure more accurately the relationship between the real economy and the financial sector transmission mechanism. Evaluating continuously the effectiveness of existing development finance initiatives such as agriculture credits and import-export guarantees; taking the public lead in encouraging examination of critical issues for economic development; leading further studies on the potential of venture capital and private-public partnership initiatives for Nigeria; and cooperating with the state governments in directing the financial sector’s contribution to the state’s socio-economic development are by Sanusi (2010) as ways the CBN governor can help evolve an effective to the industry in Nigeria.

**Manufacturing**

Manufacturing has become a major industry in Nigeria as the country implements efforts to minimize its dependence of imported goods as well as on oil and gas as the major foreign exchange earner. Adenikinju and Chete (2002) show that manufacturing in Nigeria witnessed a phenomenal growth between the 1970s and 1980 but stagnated afterwards and then started declining since 1983. The authors further submit that much of the growth recorded in manufacturing up to 1981 resulted from market expansion investment rather than enhanced productivity. The source also indicates that the share of manufacturing in the national GDP rose from 4 percent in 1977 to peak at 13 percent in 1982 but declined afterwards. Encyclopedia of the Nations (2007) points out that manufacturing accounted for less than 5 percent of Nigeria’s GDP in 1999 but witnessed a 4.9 percent growth in 2000. It also expresses that as a result of the high costs of production owing to inadequate infrastructure, Nigeria’s manufacturing capacity utilization remains low.

This decline, according to Soderbom and Teal (2002) is a manifestation of Nigeria’s dependence on oil export as the main source of foreign earning as well as infrastructural constraints, inaccessibility of credit, and the broader macro-economic conditions affecting the demand for goods produced by the manufacturing sector Malik et al (2004). Other factors to which the decline in manufacturing productivity in Nigeria could be attributed to include prolonged economic recession resulting from the collapse of the world oil market in the early 1980 and the attendant sharp fall in foreign earnings;
excessive dependence on imports for both consumption and capital goods, dysfunctional social and economic infrastructure; unprecedented fall in industrial capacity utilization rate; as well as the negligence of the agricultural sector which resulted in the unavailability of locally-sourced raw materials (Anyanwu, 2000)

Wolgin (1978) demonstrates that Nigeria’s manufacturing sector subsumes two sub-sectors with substantially different technologies, organization, and factor proportions. The source argues that large-scale manufacturing in Nigeria adopts more modern technology and relatively capital intensive techniques and produces over 80 percent of the value-added in manufacturing though employing just over 10 percent of the labor force. The other small-scale manufacturing sub-sector which employs less than 10 workers with assets and equipment worth less than 100,000 Dollars is largely engaged in craft activities with artisans constituting over 90 percent of its labor force. Generally, Nigeria’s manufacturing industry could be classified into multinational, national, regional, local, large-scale, medium-scale, and small-scale.

According to Wolgin (1978), the textile sub-sector which is already gaining grounds is still in its early stage of development with more than 60 percent of all the raw materials sourced locally. Huge foreign investment in this aspect of the economy is already coming from China and India. The Delta Steel Plant in Aladja, built by a German-Austrian consortium has been in operation since 1982 and supplies raw materials to the three steel rolling mills in Oshogbo, Katsina, and Jos (Encyclopedia of the Nations, 2007). Other major industries operating in Nigeria include sawmills, breweries, cigarette factories, sugar refining, cement factories, footwear factories, pharmaceutical plants, rubber processing plants, assembly plants (for radio, record players, television sets, computers), paper processing factories, paint factories, soap and detergent factories and lots of others. It is also important to mention that Nigeria has five state-owned motor-assembly plants for Volkswagen, Peugeot, and Mercedes with motor vehicle production growing by 10 percent in the period between 2000 and 2001 according to Encyclopedia of the Nations (2007).

**Building and Construction (B&C)**

Ingvaldsen et al (2004) claims that the building and construction industry is very important in every country accounting for between 5 and 15 percent of the total GNP of most European countries and further demonstrates that the importance of the industry is strengthened by the impact it has on other sectors each nation’s economy. The building and construction industry is a fast growing sector and one of the most important industries in the Nigerian economy. Obviously, it is among the few industrial sectors currently enjoying a boom in the country as Dantata (2008) observes that the Nigerian construction industry has overgrown the other sectors in recent years with growth rates of 12.1 percent in 2005, and 20 percent between 2006 and 2007. Nevertheless, this
growth is very paltry relative to global figures as the source further contends that the 3.18 billion dollars growth figures recorded by the industry in 2008 accounts for a mere 0.2 percent of the global output. It is noteworthy that despite its continued impact on the Nigeria’s economy, the building and construction industry contributes very little relative to some other sectors (mining and agriculture) as OECD (2003) claims that it contributed a mere 2.3 percent of Nigeria’s GDP in 2001 with a growth rate of 15.3 percent.

The building and construction industry in Nigeria is faced with numerous challenges such as shortage of manpower, low capacity utilization, and poor funding, lack of modern equipment, contractor bankruptcy, and managerial incompetence which often result in the abandonment of projects (Dantata, 2008). Olayiwola (2008) submits that the Nigerian construction industry is characterized by several incomplete and abandoned major capital projects most of which are owned by government agencies and public corporations mainly due to lack of continuity in government policy, poor strategic corporate plans, and inefficient use of ICT.

Generally, building and construction activities in Nigeria span across road and bridge construction and maintenance, rehabilitation and refurbishment of sea and airports, residential buildings, and office complexes. The OECD (2003) shows that some of the major building and construction activities embarked upon by the Nigerian federal government include the commencement of the reconstruction of the domestic terminal of the Murtala Mohammed International Airport in Lagos, maintenance of the Nnamdi Azikiwe International Airport in Abuja, rehabilitation and ancillary works at the Apapa Port Complex, the Lily Pond Container Terminal, and the Port Harcourt Bitumen Jetty. These are apart from the numerous road and bridge construction and maintenance projects, residential and office complex construction and maintenance works and so many other such projects handled at the federal, state, and local government levels as well as by the private sector across the nation.

Performing these building and construction projects are many companies and corporations both indigenous and multinational which include Julius Berger PLC, Cappa D’Alberto PLC, Dantata and Sawoe Construction Company, China Civil Engineering Construction Corporation (CCECC), Setraco Nigeria PLC, Costain West Africa, PW Nigeria Limited, Reynolds Construction Company (RCC), and others too many to mention. Worthy of note is that these are apart from the many local and foreign companies and corporations in charge of building and construction projects in the nation’s mining industry. According to Dantata (2008), Julius Berger (Nigeria) PLC is by far the largest player in the Nigerian building and construction industry with activities spread all over the thirty six states of the Nigerian Federation as well as in the Federal Capital Territory.
Power and Electricity

Power and electricity constitute one of Nigeria’s most indispensable industries as power supply is the hallmark of the nation’s economy buttressing which, Sambo (2008) claims that electricity plays a very important role in the socio-economic and technological development of any nation. Sambo et al (2010) also points out that adequate power supply is an inevitable prerequisite for any nation’s development hence; electricity generation, transmission and distribution must be properly implemented. Nevertheless, considering Nigeria’s large and energy hungry population, a high level of capital intensiveness, and huge resource-requisites (Nnaji, 2011), Sambo et al (2010) expresses that meeting the demands of efficient and effective generation, transmission, and distribution of electric power is a big challenge to the country which is further characterized by progressively dwindling availability of funds and capacity.

Niger Power Preview (1985) submits that electricity generation in Nigeria dates back to 1896 when electricity was first produced in Lagos, just fifteen years after its introduction in England, with a maximum capacity of just 60 Kilowatts under the jurisdiction of the then Power Works Department (PWD) which had the sole responsibility of electricity supply in the Lagos area. A central body, Electricity Corporation of Nigeria (ECN) was established in 1950 with the responsibility of ensuring the generation, transmission and supply of electric power to all the nooks and crannies of Nigeria. According to Manafa (1995), the Niger Dams Authority (NDA) was established by the parliament to oversee the construction and maintenance of dams and other works on the River Niger and elsewhere in the country for the purpose of hydro-electric power generation, improving navigation, and promoting fish brines and navigation in Nigeria. Thus, while the ECN was responsible for the distribution and sales of electricity, NDA undertook the duty of building and running of the power generation stations as well as the transmission lines. Okoro et al (2007) submit that the ECN and NDA were merged together in 1972 with the National Electric Power Authority (NEPA) as the new nomenclature which later metamorphosed into Power Holding Company of Nigeria (PHCN) in 2004. Furthermore, another body, the Nigerian Electricity Regulatory Commission (NERC) established in 2005 is specifically empowered to ensure the safety, security, reliability, and quality of service in the production and delivery of electricity to consumers (NERC, 2005).

According to Ita et al (2004), there are many hydro-electric dams that are presently operational in Nigeria including the Ikere Gorge Dam in Oyo State, Jebba Dam, Kainji Dam, and Shiroro Dam (all in Niger State), and a host of other smaller ones scattered all over the country. Apart from the hydro dams, Okoro et al (2007) show that there are numerous other sources of energy in Nigeria such as gas-fired, oil-fired, and coal-fired power generating stations located in different parts of the federation prominent among
which are the Afam thermal generating plant with an installed capacity of 700 Megawatts, Egbin thermal plant (1320 MW), Delta thermal plant (812 MW), Ijora thermal plant (66.7 MW), Sapele thermal plant (1020 MW), Orji River thermal plant (60 MW) and numerous others operating on diesel. There are also a huge number of other power generating plants currently under construction in the country.

Nevertheless, Barros et al (2011) regret that despite the role of power industry as one of the most important industries supporting infrastructural development and electricity generation in Nigeria, the industry has remained under-developed with electric power in short supply across the country. Nnaji (2011) shows that Nigeria currently has a generation capacity of 5.96 GW with 40 Watts per capita of which only 25 Watts per capita is available whereas Ogunsanya (2008) points out the major characteristics of the Nigerian power industry as follows:

- The Nigerian Electric Supply Industry (ESI) is monopolized by the state
- Only 36 percent of the populace is currently connected to the national grid
- The current power generation capacity is just between 25,000 MW and 35,000 MW relative to the 5,963 MW installed capacity
- Over 2,500 MW of electricity is generated from petrol and diesel power generating sets
- Transmission loss of over 25 percent of generated electric power owing to poor maintenance of transmission lines and frequently vandalized facilities
- Over 30 percent revenue loss due to poor billing

Generally, Nigeria has been faced with numerous setbacks with respect to power generation, transmission and distribution in the country. NERC (2011), Sambo et al (2010), and Nnaji (2011), and Ogunsanya (2008) list inadequate expertise, inadequate generation capability, poor facility maintenance, obsolete equipment and tools, low staff morale, bloated and unmotivated labor force, limited transmission capacity, obsolete infrastructure, grid instability and frequent system collapse, old and unreliable distribution network, high operating costs, government monopoly, absence of private sector participation, managerial inefficiencies and leakages, poor funding, low level of investment, and higher demand relative to supply as the major problems confronting the Nigerian electricity and power industry. Overall, Okoro et al (2007) categorized the challenges facing the industry more broadly into socio-economic, technical, political, and environmental.

According to Market Research (2011), the newly published Nigeria Power Report from BMI forecasts indicates that Nigeria’s power consumption will increase from an estimated 19.7 TWh in 2010 to 44.6 TWh by 2020. The forecast shows that gas will remain the dominant source of electricity supply in Nigeria with a market share
increment from 65.7 percent in 2010 to 69.0 percent by 2015. In the same vein, gas-fired generation will rise from expected 15.4 TWh to 23.7 TWh over the same period. Also, the forecast postulates that oil will remain a relatively significant part of Nigeria’s power generation mix though its share of the market is set to fall as focus shifts to gas and renewable energy sources with oil-fired power generation accounting for a mere 1.5 TWh at the end of the forecast period whereas hydro generation is expected to increase from 6.7 TWh in 2010 to 9.2 TWh by 2015. Furthermore, Market Research (2010) points out that Nigeria also has abundant renewable energy resources including solar energy, biomass, wind, hydro power, and a high potential for the existing geothermal and tidal power. It is worth mentioning at this point the Nigeria generates thousands of tons of wastes daily which could be harnessed for power generation as Hinrichsen (1998) claims that the city of Port-Harcourt alone generates nearly 100,000 metric tons of solid waste annually.

Sambo et al (2010) indicate that in order for Nigeria to overcome the challenges of power generation, three key issues including adequate power generation, effective power transmission, and efficient distribution to consumers must be addressed. To this end, the Nigerian federal government embraced some reforms of the power sector in 2000, adopting a holistic restructuring approach of the sector and privatizing the respective business units unbundled from NEPA. According to the Power Sector Team of the BPE (2011), the call for the reform of the power sector emanates from the obvious electric power generation and supply inadequacies, continuous power outages, poor capital investment, ineffective regulation, insufficient transmission and distribution facilities, inefficient consumer usage, inappropriate industry and market structure, unclear role delineation, low generating plant availability, as well as the high technical and non-technical losses that characterized the industry over a long period of time. It is unfortunate, however, that these forms have not yet yielded enough dividends as power supply in Nigeria remains very low and most parts of the country are still faced with epileptic power supply and often total blackouts which drive down the economy. It has been repeatedly argued that Nigeria must also embrace alternative energy sources (such as wind, solar, and nuclear) to complement its hydro and thermal generating capacity in order to overcome the menace of power shortages and to meet the continuously growing energy needs in the country.

**Commerce**

Trade and commerce constitute Nigeria’s biggest industry with millions of entrepreneurs actively involved in a variety of business activities within and outside the country. Urbach Hacker Young (2008) observes that free enterprise is the norm in Nigeria, a country adjudged to be the largest free market in the African continent, and having an economy common to those of China, India, and Malaysia. The Nigerian
federal government has been formulating and implementing numerous policies aimed at promoting the commercialization, restructuring, and privatization of certain government-owned enterprises as WTO (2005) submits that Nigeria considers trade as the main engine of its development strategies and has the implicit belief that trade creates jobs, expands markets, raises income, facilitates competition, and disseminates knowledge.

However, according to World Trade Indicators (2009), Nigeria though open to trade, is more restrictive than the average lower-middle-income country while contending that apart from the numerous trade barriers that abound in the country, Nigeria also has a long list of prohibited imports resulting in the prevalence of smuggling. To this end, WTO (2005) claims that liberalization reforms through the simplification of import duties (including its tariff structure) and an increase in the scope of its binding commitments and removal of import prohibitions should help in enhancing the predictability of Nigeria’s trade regime thereby contributing to better allocation of resources and to the diversification of the economy away from petroleum products.

Real growth of trade goods and services increased slightly from 3.5 percent in 2007 to an estimated 3.9 percent in 2008. Although export fell slightly by 0.6 in 2008, it was considered a significant improvement relative to the 8.9 percent contraction registered in 2007. Imports grew by 7.1 percent in 2008 relative to 14.9 percent in 2007 and in nominal terms, growth of trade in goods and services accelerated from 9.9 percent in 2007 to 26.6 percent in 2008. However, a sharp decline of 26.1 percent in trade was registered in 2009. Export of goods and services grew impressively by 31.1 percent in 2008 from a mere 2.9 percent in 2007 whereas import remained static at 20.5 percent. The bulk of export growth emanated from export of goods which witnessed a growth of 33.7 percent in 2007 boosted by rise in the price of oil in the world energy market (World Trade Indicators, 2009).

Commerce, the Nordic Chamber of Commerce, Industry and Agriculture, and the National Council of International Chambers of Commerce. The Nigeria-Finland Business Forum is the body representing the trade interests between Nigeria and Finland presently. According to AHK (2009), the Nigerian-German trade relations date back several years, and apart from importation of goods (chemical products, machines, and complete plants, steel products, vehicles, food products, and electro-technical products) from Germany, Nigeria exports crude oil, cocoa, vegetable oils and fats to Germany; the German private sector had over the years been investing in the Nigerian market.

Becker et al (2008) indicate that Nigeria has a favorable domestic macroeconomic background and points out that the country has the largest population in the African continent and is among the world’s fastest growing economies attributable to continued growth in the oil sector. The source states that the non-oil sector has also made strong steady growth, with a CAGR of 7 percent over the past ten years despite that the sector is still underdeveloped. However, apart from international trade, Nigeria has a very huge domestic market which concentrates mostly in the major cities and urban centers. To this, Uzunwanne (2011) points out that Nigeria’s population is well structured with over 72 percent of the population under the age of 30 years. The source also claims that Nigeria’s population is excellently distributed around the eight regional “anchor cities” of Lagos, Kano, Ibadan, Abuja, Kaduna, Enugu, Benin City, and Port-Harcourt, each with a population of over 1 million inhabitants and serving as regional distribution centers from where other parts of the country can be served. Metropolitan Lagos has a population of about 15 million (Lagos State Government, 2011).

**Telecommunications**

Telecommunications rank among Nigeria’s biggest and fastest growing industries due to the ever-increasing demand for effective and efficient communication within and outside the country. Ajiboye et al (2007), Traffic (2009), and Free Press Release (2010) postulate that Nigeria is presently rated as Africa’s fastest growing telecommunications market with huge potential for development which, according to Wills and Daniels (2003), offers a clear and exciting investment opportunity for telecom operators. According to Afeikhena (2002), telecommunications infrastructure lies at the heart of the information economy owing to which countries lacking modern telecom infrastructure automatically are devoid of the capability for effective competition in the global economy. To this, Tella et al (2007) show that telecommunications infrastructure are indispensable in the economic development of nations and also claims that no nation in the contemporary era can achieve full development potential without adequate telecom infrastructure in place hence; information tools such as telephones, personal computers, and Internet are increasingly critical for national economic development and personal advancement.
Similarly, Ndukwe (2004) claims that modern telecommunications networks are indispensable for economic growth, attraction of foreign investments, and the improvement of the productivity and efficiency of other sectors of the economy whereas Noll (2000), ITU (2003), Sridhar and Sridhar (2004), the World Bank (2005), and Tella et al (2007) demonstrate that a positive correlation exists between telecommunication infrastructure development and economic growth. Balogun (2000) points out that GSM facilitates economic development by providing easy and effective communication which stimulates and promotes trade between Nigeria and its foreign business partners; and that the entry of GSM into the Nigerian market has actually radicalized the spate of information generation and communications among the populace. Furthermore, apart from job creation, increased income, improved time management, and easy information flow, Balogun (2000) submits that GSM is playing a very vital role in the area of crime detection and control in Nigeria while Ajiboye et al (2007) posit that mobile phone communications have reduced Nigeria’s mortality rate.

According to Juwah (2011), the telecommunications business in Nigeria has a history spanning over a century starting from the colonial era, through independence in 1960, to the year 2000 pointing out that from fixed telephone lines sky-rocketed from 18,724 between 1886 and 1960 to over 400,000 in 2000; a period marked with several sectorial restrictions and globally-dictated telecom monopoly. The 1960 figures suggest that with a population of 40 million then, telephone penetration was very poor, just 0.5 telephone lines per 1000 people, according to Tella et al (2007), which was far below the target of one telephone line per 100 inhabitants targeted by ITU for developing countries. Tella et al (2007) posit that the network then consisted of 121 exchanges out of which 116 were of the manual (magneto) type and only 5 were automatic. During the period between 1960 and 1985, the Nigerian telecom sector consisted of the department of Post and Telecommunications (P&T) which was a public liability company in charge of internal network, and the NET responsible for external communication services. All the exchanges during this period were analogue in nature. According to Juwah (2011), the telephone system of the period was unreliable, congested, expensive, and customer unfriendly.

In order to address the shortcomings of the telecommunications sector, the Nigerian authorities split up the erstwhile P&T Department into Postal and Telecommunications Divisions in 1985 with the latter merged with NET to form the NITEL. In 1992, the NCC was established and given the authority to create an enabling telecommunication environment that will facilitate private sector participation as well as to expand the infrastructure (Tella et al, 2007). Several other reforms have been embarked upon by the government, all, involving some degree of change along four directions which, according to Wellenius and Stern (1994), include commercializing and separating operations from government; increasing private sector participation; restraining
monopolies, diversifying service supply, and developing competition; shifting
government responsibility from ownership and management to policy and regulation.

The period thereafter was marked with tremendous changes in the Nigerian telecom
industry as the reforms yielded increased profitability, greater productivity, expanded
network, sector-wide modernization, telecom system expansion, and availability of new
services. The second phase of the historical evolution of Nigeria’s telecom industry,
between 2000 and 2011, has been very eventful with some of the underlying
motivational factors being the sectorial liberalization effort by the government and the
subsequent institution of a regulatory regime sustained by professionals with clear
vision and purpose about global telecom evolutionary trends and business potential as
well as the ability to transfer such potential to services delivery within the Nigerian
business environment (Juwah, 2011).

According to Internet World Stats (2009), Nigeria is presently the most competitive
fixed-line market in Africa. It claims that the country features second national operator
(SNO) and has over 50 other companies licensed to provide fixed telephony services
and also that the demands for internet services and broadband capabilities are strong
thereby aiding the development of the fixed-line which has great growth potential. The
source further states that the majority of new fixed-lines in Nigeria are provided by
fixed-wireless systems and that with the introduction of a unified licensing regime in
2006, there is high tendency for intensified competition between fixed and mobile
operators. In the area of mobile telephony, Rao (2011) ranks Nigeria first among the
largest mobile phone markets in the African continent as shown in figure 12.

![Figure 12. Major Mobile Markets in Africa (Source: Blycroft Ltd., 2008).](image)

Similarly, Internet World Stats (2009) exhibits a three-digit growth rate for Nigeria in
terms of mobile phone penetration since 2001 claiming that sub-sector has provided
huge foreign investments though the penetration rate is yet rated very low. The source
claims that Nigeria’s telecommunications landscape has been transformed since the licensing of 3GSM networks in 2001 and the 4 GSM networks in 2002 and further that Nigeria surpassed Egypt and Morocco in 2004 to become Africa’s second largest mobile market after South Africa. However, Internet World Stats (2009) however that mobile penetration in Nigeria is only 25 percent though there is the potential to overtake South Africa in the near future. Figure 13 shows Nigeria’s teledensity in November 2004.

Figure 13. Nigeria’s Teledensity in November 2004 (Source: FSDH, 2011).

Internet World Stats (2009) postulates that NITEL will embrace more aggressive and effective competition as the new unified licensing regime introduced in 2006 allows private operators to provide both fixed and mobile services in Nigeria. This is obvious considering that both the fixed and mobile service providers will benefit from increasing demand for internet and broadband capabilities. Presently, there are many mobile service providers in Nigeria including NITEL (the national carrier), Globacom, MTN (which holds over 50 percent of the market share), Vmobile, MTEL, Econet, and Airtel, which according to Swaroop (2011), has embarked on building additional 2,000 new base stations in Nigeria. Others are Etisalat, Multilinks, Starcoms, Intercellular, M-Tel, Visafone, Reltel, and MTS.

Internet World Stats (2009) regrets that out of a population of nearly 143 million in 2000, Nigeria had only 200,000 Internet users representing a penetration rate of only about 0.1 percent though the figure grew to 3.1 percent in 2006 with 5 million users and further to 16.1 percent in 2009 with close to 24 million internet users. The source also shows that Internet usage in Nigeria had been hindered by underdevelopment and unreliability of fixed-line infrastructure and claims that the status quo has changed through intensified competition as new technologies to deliver wireless broadband access are put in place. At present, over 400 ISPs and a number of data carriers as well
as Internet exchange and gateway operators have been licensed to operate in Nigeria with VoIP already in use to carry the bulk of the international voice traffic (Internet World Stats, 2009). Table 7 shows Africa’s top ten Internet countries in 2007.

Table 7. African Internet Countries in 2007 (Adapted from Internet World Stats, 2009).

<table>
<thead>
<tr>
<th>Country</th>
<th>Users(mn)</th>
<th>Country</th>
<th>Users(mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>8.0</td>
<td>Kenya</td>
<td>2.8</td>
</tr>
<tr>
<td>Morocco</td>
<td>6.1</td>
<td>Algeria</td>
<td>2.5</td>
</tr>
<tr>
<td>Egypt</td>
<td>6.0</td>
<td>Tunisia</td>
<td>1.6</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.1</td>
<td>Zimbabwe</td>
<td>1.2</td>
</tr>
<tr>
<td>Sudan</td>
<td>3.5</td>
<td>Uganda</td>
<td>0.8</td>
</tr>
</tbody>
</table>

However, the development of Nigeria’s telecommunications industry has been impacted upon by a number of challenges which prevented it from attaining full performance status for many years. Lending credence to this, Afeikhen (2002) posits that in spite of all the reforms, deregulations, and the resultant landmark achievements witnessed in the telecommunication industry in Nigeria, the industry still lacks the capability to meet customer needs. The source also stipulates that the Nigerian telecommunications industry is still characterized by under-investment, large unmet demand, and an adverse monopolistic market structure. It worthwhile pointing out here that telecommunications in Nigeria prior to the reformation era was completely monopolized by the NITEL under the auspices of the federal government. Thus, there was no private sector participation in the industry thereby giving rise to lack of competitive investment in this all-important sector of the nation’s economy. Similarly, Tella et al (2007) submit that poor public power, vandalism, high import duties, anti-competitive practices, poor funding, and high operational costs are also among the major problems affecting full development of Nigeria’s telecommunication industry. Other challenges which adversely impact the industry include lack of state-of-the-art equipment, shortage of skilled professionals, poor maintenance culture, corruption, late or lack of payment of bills, overload of available network, inadequate service providers, and poor organization.
3.3. Environmental Threats and Opportunities

Generally, according to Eifert et al (2005), the tendency to overcome Africa’s difficult business climate by working in ethical networks slows the pace of new business entry into the continent. The source points out that apart from South Africa and Mauritius which have shifted from primary to manufactured export economies, manufacturing and processing capacity remains modest in Africa further postulates that the business environment has great impact on productivity. To this, Collier (2000) submits that the business environment directly impacts on the cost of production while on the firms level whereas on the industry level, it often relates to market structure and competition. According to Eifert et al (2005), failure to broaden the base of the business community increases the level of public skepticism of the private sector, and particularly of foreign-owned firms, in Sub-Saharan Africa.

Expectedly, with a population of over 154 million which constitutes a huge and vast market Nigeria, at the microeconomic level, has a challenging business environment. According to McKern et al (2010), the country seems to have mineral wealth in equal measure to its economic, social, and political troubles. The World Bank Group (2002) portrays the Nigerian business environment as the pervasive legacy of widespread corruption and breakdown of the normal institutions of civil society which act to ensure a supportive business environment. It is clear evidence that the years of military rule in Nigeria characterized by the promulgation of several decrees, most of which were not investment-friendly, resulted in huge setback for the country’s economic emancipation and growth. During the period, FDI ebbed as foreign investors lacked confidence in the Nigerian market. According to the World Bank Group (2002), the impact of corruption and poor governance under the successive military regimes in Nigeria created deep-seated anomalies in the business environment and undermined the effectiveness of traditional policy instruments while arguing that poor state of infrastructure, non-credibility of public institutions, non-payment of corporate taxes, illegitimate public sector functions (protecting some sectors at the expense of others), uneven enforcement of business regulations, discrimination against SMEs, high entry barrier, unethical business practices, and administrative barriers are among the major prevalent problems in the Nigerian business environment. Furthermore, Harrnischfeger (2008) posits that the enthronement of democracy which marked the end of 15 years of military misrule in Nigeria was also greeted by ethnic and religious violence.

Becker et al (2008), and UNCTAD (2009) express that Nigeria has high poverty rates, limited access to finance, poor physical infrastructure and high levels of corruption whereas Value Fronteira Limited (2009) include high costs, poor infrastructural development, high inflation rate, poor private property rights and unstable exchange rates among the problems bedeviling Nigeria’s economic development. Furthermore,
NEEDS (2004) sees the main obstacles to Nigeria’s progress as including poverty and inequality, weak and inappropriate public sector, and hostile environment for private sector growth while McKern et al (2009) demonstrates that the major business issues confronting Nigeria at the moment include sustaining the momentum, overcoming the key challenges, and creating an enabling business environment that could permit effective competition on the global arena. In addition to the afore-mentioned environmental problems inherent in the Nigerian market, Uzonwanne (2011) stipulates that major issues companies seeking to invest in Nigeria must contend with include start-up capital needs, logistics requirements, and availability of skilled local labor.

Robit’s Jussi Rautiainen (personal communication, August 31, 2011) points out that corruption, late payments, and failure to stick to agreed business terms are some of the challenges the company faces in Nigeria whereas Ari Jaakonmaki (personal communication, August 26, 2011) of Metso submits that lack of open communication, lack of a solid legal structure, and corruption seriously hinder their operations in the country. Furthermore, Sandvik’s Glenn Schoemann (personal communication, July 18, 2011) posits that corruption, political instability, lack of incentives for middle class participation in wealth creation, and the widening gap between the rich and the poor are major challenges to creating an investment-friendly environment in Nigeria.

Overall, according to Dike (2011), the major environmental problems and challenges which inhibit FDI in Nigeria are shown in figure 14.

Figure 14. Major Threats of Nigeria’s Business Environment.
However, efforts are being made at various levels to contain these threats; for instance, UNCTAD (2009) points out that the return of democratic governance in Nigeria in 1999 was accompanied by a fundamental re-orientation of economic policy in the country’s home-grown NEEDS ideology following which, the government is gradually withdrawing from direct conduct of commercial activity with the aim to embrace a private-sector led growth strategy. Also, SEED and LEEDS programs are created at the state and local government levels respectively to complement the efforts of NEEDS at the national level. According to NEEDS (2004), the NEEDS program is the response to the development challenge of Nigeria and aims to address the grossly underestimated socio-political and economic problems facing the country.

Similarly, OECD (2005) shows that the enthronement of democracy in Nigeria raised the hopes that the country to start to fulfill its enormous economic potential and also paved way for the implementation of a series of economic reforms including macroeconomic management and healthy financial sector reforms; privatization and deregulation reforms; institutional reforms; as well as infrastructural reforms. The source also states that the Nigerian Federal Government has provided some incentives aimed at attracting FDI to promote innovation and competition, generate employment for the local populace, improve the country’s export profile, increase domestic capital transfer, and improve the level of technology transfer in the country.

According to Value Fronteira Limited (2009), Nigeria is endowed with huge and well developed manpower base which is the best in the African continent and also that both the Nigerian federal and state governments are making efforts to provide friendly investment environment in the country through the creation and implementation of investment incentive programs such as tax holidays, free land allocations, and other similar measures; privatization and commercialization; provision of export-oriented industrial estates; and provision of security. Similarly, NEEDS (2004) points out that empowering people through job creation, creation of affordable housing, improved healthcare, strengthened skill base, protecting the vulnerable, and promoting peace and security are vital to creating a healthy business environment in Nigeria. The source also posits that promoting private enterprise through improving infrastructure, promoting industry, improving agriculture, and promoting other sectors as well as changing the way government works through fighting corruption, restoring it’s integrity, trust building, and creating system-wide transparency are also sure ways of creating an investment-friendly Nigerian environment.

Uzonwanne (2011) demonstrates despite the presence of some challenges still in the Nigerian business climate, the federal government has embarked on major reforms and infrastructure programs aimed at meeting its “Vision 2020” agenda which aims at ranking Nigeria among the world’s top 20biggest economies by the year 2020. The
source also stipulates that the Nigerian authorities also aim to use the reforms and infrastructure as a means of diversifying the nation’s economy away from its current dependence on oil and gas while pointing out that the consensus between the government and the opposition parties on this common agenda is a strong indication for optimism considering Nigeria’s past history of political instability.

Dike (2011) highlights some of the major steps taken by government to address the Nigerian question in figure 15.

**Figure 15. Major Efforts for Creating an Investment-friendly Nigerian Environment.**

UNCTAD (2009) reveals that the main priority of NEEDS is to attract foreign investment into Nigeria and points out that strategy aims at achieving 30 percent annual investment and between 7 and 8 percent growth as well as to reduce poverty by 50 percent by the year 2015 in line with the country’s millennium development goals. Recent moves by Nigeria’s incumbent government headed by Goodluck Jonathan in achieving the above objectives are laudable. The President in Fadeyi (2011) has assured foreign investors of government’s effort to provide adequate security in the country whereas Idonor (2011) indicates that the Federal Government’s newly constituted Economic Management Team will put fresh import policies in place to enable better
business transactions between Nigeria and the outside world; a program which Transparency NG (2011) claims includes a visa regime of multiple entries lasting between five and ten years, against the current regime of two maximum years, for foreign investors and businesspeople operating in the country.

Consequently, the investment environment in Nigeria appears more promising as confidence gradually returns in the system. Numerous companies and organizations are already queuing to get their own slices of the Nigerian market via investments in different sectors of the economy. For instance, Archibong (2011) claims that Hyundai Heavy Industries is currently embarking on a multi-billion dollar shipyard project in Brass, Bayelsa State (South-South geopolitical region) which aims at boosting the nation’s economy as well as to create employment for the local populace. Figure 16 reveals the impact the above improvement efforts have had on Nigeria’s economy in recent years.

![Figure 16. FDI Inflows to Nigeria, 1970-2007 (Source: UNCTAD Database).](image)

As observed in the figure there was a drop in FDI in Nigeria in 2007 reflecting the negative effects of the Niger Delta crisis and also, a testimony of the fact that FDI in Nigeria is mostly in the oil and gas sector hence any disruption in the sector’s activities promptly creates an impact on the nation’s overall economy. In this regard, government has been making strong effort to control the Niger Delta crisis, knowing fully well that over 90 percent of the nation’s wealth comes from the region. Rocker (2011) claims that Nigeria has been ranked number 2 among the top 3 investment destinations in Africa by the independent Africa Business Panel in The Netherlands reaffirming the government’s
efforts in reforming the economy which has already dragged inflation downwards to 10.2 percent while the GDP holds firm at 6 percent. To further buttress the current FDI situation and the present condition of the investment environment in Nigeria, SMC’s Glenn Schoemann (personal communication, July 18, 2011) claims that the investment environment in Africa has generally improved as each nation are makes it easier for companies to do business in the continent. Ari Jaakonmaki (personal communication, August 26, 2011) claims that Metso has the feeling that business in Africa is improving and that Nigeria is particularly more open to normal business practices than a decade ago whereas lending more credence to these claims, Robit’s Jussi Rautiainen (personal communication, August 31, 2011) adds that the African business environment at the moment is absolutely better and interesting—with plenty of opportunities!

3.4. Overview of Business Relationship with Finland

Nigerian-Finnish business relations have been on for several decades though statistics show that trade between the two countries has remained very low all the while. According to Udo (2011), the volume of trade and investment between Finland and Nigeria has been abysmally low in recent times. The Ministry for Foreign Affairs of Finland (2009) claims that Finnish export to Nigeria in 2008 stood at approximately 70million Euros which came mainly from paper, machinery and electronics which dropped to a mere 48million Euros in 2010, with export from Nigeria to Finland stood at just over 100,000 Euros (Akpe, 2011). In a further breakdown, Jukka Seppala in Agboola (2010) indicates that 80 percent of Finnish export to Nigeria consists of machinery and that while 41 percent of the main export product groups constituted power generating machinery, telecommunications equipment account for 30 percent, and 13 percent covers paper and paperboard. The Embassy of Finland (2010) regrets that despite being the most populated country in Africa and one of the key economies in the continent, the commercial ties between Nigeria and Finland are far behind their potential as evidenced by the poor trade figures between the two nations.

To reverse this ugly trend, high-level trade delegations have started taking between Nigeria and Finland in recent years. Ministry for Foreign Affairs of Finland (2009) postulates that Nigeria’s former president, Olusegun Obasanjo paid an official visit to Finland in November 2004, with a return visit, by the Finnish the Finnish President, Tarja Halonen, in March 2009. Follow-up bilateral trade visits include that of Nigeria’s Vice-President, Jonathan Goodluck to Finland in May, 2009 as well as the visit to Nigeria in March, 2010 of the Finnish Minister for Foreign Trade and Development, Paavo Väyrynen, and a business delegation representing 16 Finnish companies from the high-tech, ICT, infrastructure and construction, metal industry, financing, mining, recycling, healthcare, and pulp and paper industries. Furthermore, the agreement for the protection and promotion of investment between Finland and Nigeria was signed in
2005 during the visit of Nigeria’s Minister of Industry, Magaji Muhammed. The Nigeria-Finland Business Forum has also been established with a view to strengthen the business ties between Nigeria and Finland. Arete-Zoe Amana, executive director of the forum in Afrique Avenir (2011) indicates that “the Nigeria-Finland Business Forum provides a prime platform for networking and information sharing on opportunities in Finland and Nigeria within the context of existing comparative and competitive advantages and development histories between the two countries”. The forum also enables participants understand the trade and investment environments in Nigeria and Finland. It worth noting that Finland has limited natural resources but the country has made remarkable advancements in technology and manufacturing whereas Nigeria has vast natural resources, but clearly lacks the technology and expertise to harness them.

The need for strengthened business ties between Nigeria and Finland emanates from the strategic importance of the two countries to each other. In a statement accredited to Paavo Värynen, the Finnish Minister for Foreign Trade and Development in Uzor (2010) Finland is interested in the strong economic growth recorded by Nigeria in recent years irrespective of the global economic crisis and claims that opportunities offered in the Nigeria have created great confidence in Finnish businesses about the future of the countries market. Consequently, Finnish industries consider Nigeria a very attractive market. The source further posits that Nigeria’s robust economic growth, fast improving economic environment, favorable geographic location, and vast natural resources are great assets in the global economy. Already, energy, healthcare, environmental technology, ICT, telecommunications, mining, and road construction have been identified as major sectors of the Nigerian economy with high potential for Finnish investment. Recognizing Nigeria as Finland’s second largest trading partner in Africa after South Africa, Anneli Vuorinen, the Finnish Ambassador to Nigeria notes in Afrique Avenir (2011) that “the importance of Nigeria as a superpower in Africa remains the major reason for Finnish presence in the country” and submits that regardless of priorities, Nigeria offers the best outpost for Finland to monitor business trends in West Africa and Africa as a whole.

Expectedly, number of Finnish companies operating in Nigeria has risen steadily in recent years with their activities broadening as well. According to Udo (2011) they include Wärtsilä, which currently has more than 15 sites in Nigeria and making up to 340 megawatts (MW) of electricity in the country, Geographical Survey Agency of Finland, which was involved in the first geochemical mapping of Nigeria and other Sub-African regions. Others are Nokia, Sandvik Mining and Construction (SMC), Metso Minerals, Robit, Abloy, and several other Finnish SMEs.

Despite this recent increment in Finnish operations in Nigeria, Jussi Rautiainen (personal communication, August 31, 2011) of Robit and SMC’s Glenn Schoemann
(personal communication, July 18, 2011) seem to have a common voice in relating that the contemporary Nigerian business environment is not quite suitable for investment. The former claims that Africa as a whole still remains “unknown” to Finnish companies owing to cultural differences, political instability, late payments, and several other setbacks already identified in section 4.3 which make Finns cautious to invest in Africa. Also, the two sources claim that the poor reputation of Nigeria vis-à-vis corruption, rebel conflicts, and terrorist attacks have halted Scandinavian investments in the country. However, Ari Jaakonmaki (personal communication, August 26, 2011) states that Metso is already active in Nigeria and that he does not see Finnish companies being any more skeptical of the Nigerian market more than other parts of the world.

3.5. Expansion Opportunities for Finnish Industries

Being a large emerging market with positive economic outlook, Nigeria offers a huge potential for firms that want to expand internationally outside their domestic domains. Already, there is huge number of foreign companies operating in Nigeria while many others are trying to expand their business tentacles by investing in the nation’s economy. Top among these are multinational corporations mostly in the oil and gas sector such as Shell, Chevron, Elf, Agip, Dowell Schlumberger, Petrobras, Addax, Conoco, Exxon Mobil, Texaco, Brass, Phillips Oil, Sinopec, Star Deep Water Petroleum, Syntroleum, and a host of others harnessing the country’s oil and gas resources. Apart from these corporations, there are numerous other multinationals with remarkable activities in other sectors of the economy apart from oil and gas. These include the American giant P&G, Unilever, PWC, Accenture, Coca-Cola, MTN, Globalcom, Ericsson, General Electric, GSK, Lafarge, and so many others including world renowned international airlines such as BA, Air France, KLM, Lufthansa, and numerous others. Generally, international corporations operating in Nigeria range from telecommunications companies to consumer product producers and to industrial firms.

Though it is clearly understandable that Finnish companies are not prominent in oil and gas exploration, they still have great potential to expand into the Nigerian market by focusing their operations in other sectors especially in solid minerals extraction and telecommunications. Thus, Finnish firms can take advantage of recent efforts by Nigeria’s Federal Government to diversify the nation’s economic base and to attract investors from different parts of the world to invest in the various sectors of the economy apart from oil and gas exploration. To this end, Uzor (2010) states that the former Nigeria Vice President and current President, Goodluck Jonathan remarked that the Finnish company, Nokia, which has massive patronage in Nigeria should consider establishing its phone factories in the country in order to generate employment for the local populace and enhance home-grown technology.
Also, the high level of technological advancement and competence of Finnish mining technology and solutions providers avail them with great opportunity to invest in the Nigerian mining sector especially in the solid minerals sub-sector. Dike (2011) argues that such collaborative approach would create strong potential for further development of Nigeria’s mining sector with the aim of maximizing the exploitation of the numerous solid minerals lying untapped in the country as a way to optimize Nigeria’s economic base. Collaboration in this sense must go beyond the exportation of Finnish-made technologies such machinery to Nigeria to include the exchange of ideas and expertise between the two countries through training, seminars, symposia, and conferences. Figure 17 shows the potential for further development of Nigeria’s mining cluster which Finnish companies could leverage on to invest in the economy.

Figure 17. Potential for Further Development of Nigeria’s Solid Mineral Sector.

Finnish companies dealing with the manufacture and commercialization of advanced technologies and solutions which could potentially and profitably invest in Nigeria’s mining sector include Metso Minerals (construction, mining and recycling), Robit (rock drilling and overburden drilling), Outotec (contract mining), Arctic Platinum Partnership (element mining), Doofor (manufacturers of hydraulic rock drills), Nordberg Group (quarrying of Stone, Sand and Clay), Outokumpu Chrome Oy (Chromite mining), Outokumpu Group (Copper mining, Nickel and Cobalt mining, Zinc and Lead mining, manufacture of Basic Iron and Steel), Sandvik Tamrock Corp (contract mining, architectural and engineering activities and related technical consultancy) and William Resources (Gold mining). It is noteworthy that SMC, Metso, and Robit are already actively involved in Nigeria and work towards further expansion into the market. Also Finnish universities like Aalto and Oulu with programs on mining technology as well as other institutions such as the Geological Survey of Finland (GTK), the Geographical Survey Agency of Finland, VTT Technical Research and others specializing on mining technologies and solutions would be indispensable.
With respect to agriculture and agro-allied industry, Niemi and Ahlstedt (2011) show that Finland has sound agricultural policy and well developed agriculture and rural industries covering activities in arable cropping, livestock production, horticulture, food marketing, and general farming. Apart from the purchase of state-of-the-art technologies, Nigeria can learn new farming techniques from Finland through collaboration with the Finnish agriculture ministry as well as universities and special agricultural research centers (such as MTT Finland). It is important to point out that since research and development (R&D) in the Nigerian agriculture sector is very low relative to Finland. Apart from the need for improved agricultural productivity, food processing in Nigeria is very poor as thousands of tons of food products are wasted annually in Nigeria. Furthermore, Nigeria’s forestry sector is poorly development at the moment hence it could be a competitive market for Finnish forest equipment manufacturers. Asva, Elkoneet Valtra, Kesla, Logmer, Finn Forest, Ponsse, Metso, Tume and the Finnish Agriculture Ministry, universities and R&D institutes some of the Finnish agro and forestry machinery suppliers which could find easy market in Nigeria.

In the field of education, Nigeria has a lot to gain by collaborating with Finland in the further development of the country’s education sector. Quoting the Newsweek Magazine in the Embassy of Finland (2010), Finland was ranked the best overall country in the world in education claiming that Finland did remarkably well in OECD’s Program for International Student assessment (PISA). It must be pointed out that Nigeria was placed in the 99th position out of the 100 countries ranked by the Newsweek Magazine thereby proving that the country has a lot to learn from Finland in order to improve the quality of education in the country. A step in the right direction is that a sizeable number of Nigerians are already benefiting from the highly qualitative education Finland offers. In collaborating with Nigeria in the area of education, the Finnish education ministry, universities, polytechnics (universities of applied sciences), special education centers, educational research centers, and the private sector should invest in the country’s education system in order for Nigeria to gain much needed expertise and skill requirement for change. The Finnish National Board of Education, educational service providers such as Kanki International Oy and Kanki Research Center, education service providers, education facility providers and developers, education fund providers and financiers, as well as publishers are also very useful in this regard.

As pointed out in section 4.2, the health industry in Nigeria is poorly developed and cannot meet the demand of the teeming population country. To this end, the sector needs outside influence in order to relive. Thus, Finland known for her superb performance in the area of health care delivery should not be left out in the on-going effort to revive and sustain this all-important sector of the Nigerian economy. In this regard, Finnish universities, health ministry, medical research institutes and centers,
health service providers, medical equipment manufacturers, as well as hospital facility providers have a lot of investment opportunities in Nigeria. Such Finnish companies as Ergorest Oy, Kellokurvi Oy, KWH Group, Innokas, as well as Biotie therapies and Orion Corporation (which are major Finnish pharmaceutical companies), and a host of others can find easy business in Nigeria.

Also, Finland is recognized world over as one of the highest developed economies with a strong banking and finance sector. Thus, the present level of development in the Nigerian banking and finance sector offers good business opportunities for the Finnish banking and finance industry. Through joint efforts in this area, Finland can go a long way to assisting Nigeria to revitalize its banking industry which is at the verge of collapse. Experts from the various universities in Finland, banks (Nordea, Sampo, S-Pankki, and others), and other financial institutions will be very valuable in this regard. This agrees with the submission by Kallonen (2011) that Finnish banks have strong capital adequacy which could easily imply that they could equally do well in a growing economy like Nigeria. Furthermore, in recognition of the fact that bank robbery is a common phenomenon in Nigeria, this offers an easy business opportunity for Finnish security and control equipment manufacturers, and security providers. Consequently, using banks as their stepping stone, various Finnish companies in the security industry could end up establishing big businesses in Nigeria. In this case, companies like Abloy (which is already operating in Nigeria), Armoria Oy, Esmi Oy, Turenko Oy, Kaso Oy, Mikro-Pulssi Oy, S. Sareskoski Oy, Tracker Oy, and a host of others are potential benefactors of the opportunities offered in Nigeria through security lapses, providing closed-circuit television (CCTV) systems, locks, safes, surveillance equipment, and related security gadgets.

Similarly, the manufacturing sector in Nigeria seeks further development as it is currently underdeveloped and thus cannot cope with the demands of contemporary Nigerian society. With the high level of automation Finland is well known, Finnish companies are renowned all over the world as manufacturers of superb technologies. Finnish major manufacturers including Kahrumäki Brothers, Patria (aviation and aerospace technology manufacturers), Nammo, Patria, Robonic, and SAKO (firearms and defense equipment manufacturers), Nokia, Finlux, GeoSentric, Satel, and Vacon (consumer electronics manufacturers), Outokumpu, Peikko Group, and Rautaruukki (metal manufacturers), Kemira, Biohit, KemFine Oy, Amroy Oy, and Woiskoski Ab (chemical manufacturers), Transtech, and VR (railway/locomotive manufacturers and service providers), Baltic Yachts, Nauticat Yachts Oy, and Nautor Ab (ship builders), and Valtra (tractor manufacturers), Kone (elevator manufacturers), Konecranes (crane manufacturers), Amer Sports Oyj, Polar Electro, and Suunto Oy (sport equipment manufacturers) have the capability to improve the status quo in Nigeria’s manufacturing sector. Apart from exporting to or possible manufacturing of equipment and machinery
in Nigeria, these companies and many more Finnish manufacturing companies covering various spheres of the industry such as Elematic, Fiskars Corporation, Helkama Oy, Hutamäki, Nordic Aluminium, Hydrauliska Industri Ab, Kone, Lumon Inc., Nokian Tyres, Nokian Footwear, Huurre, can also provide training, expertise, skills, and techniques to local Nigerian manufacturers in order to boost their know-how.

In the area of building and construction (B & C), Finland has a lot to gain by investing in Nigeria as being a fast developing economy; Nigeria is actively involved in putting new structures in place. Such structures include the construction and erection of new home and office complexes, roads, railways, bridges, airports, dams, jetties, pipelines, and a host of other engineering projects. The Finnish construction industry, according to European Foundation for the Improvement of Living and Working Conditions (2005), has the involvement of the public and semi-public organizations and its private-public partnerships-an extension of the traditional Scandinavian industrial development policy as its strengths, is at a relatively high level of development and already in the international market. Consequently, the Finnish construction cluster comprising universities, labor and allied ministries, public and private construction companies, as well as banks and other financial institutions from various tiers of the Finnish construction industry could be very useful in this regard of assisting in further development of Nigeria’s building and construction industry, in particular, and the nation, in general. Top among such organizations and companies would include; Skanska, YIT-Yhtymä, VTT, VERA, RT, Lemminkäinen, Nokia (Real Estate), ABB Installaatiot, TEKES, Honkarakenne, and a host of others which could offer expertise, machinery, training, and funding in the field of building and construction. Allied companies such as Nokia, Tramigo, Sparklike, and similar companies which manufacture and supply such products as mobile phones, GPS, GPRS, and WLAN products could also be indispensable in this pursuit; buttressing the claim by Leskinen (2006) that mobile technologies and Internet are vital in contemporary construction sites. Furthermore, considering the indispensability of the knowledge of the weather to the building and construction business, the meteorological expertise of such Finnish company as Vaisala becomes inevitable.

Power and electricity is yet another sphere of the Nigerian economy where Finland can strategically invest in its internationalization effort. As observed earlier in section 4.2, major challenge to Nigeria’s economic development is power shortage. To overcome this, authorities are leaving no stone unturned to ensure adequate and constant supply of electric power, which current level of development in the sector cannot guarantee. Consequently, this is another area where Finnish technological superiority could play important role. Companies that could benefit through this would include Fennovoima, Fingrid, Fortum, Helsingin Energia, Pohjolan, Teolissuuden Voima, Wärtsilä, Moventas, Nokian Capacitors, U-Cont,Uponor, and a host of others involved in power
generation, transmission, and other activities. Furthermore, companies like Beneq, Endeas, and Naps Systems (solar energy equipment manufacturers), Winwind, Windside Production, Tuulivoimala, VTech Energy (wind energy systems manufacturers), Suntrica, AC Tower, Axteco, Ekogen, and numerous others dealing on the manufacture and distribution of renewable energy systems and equipment.

In the area of commerce, it is important to reiterate that Nigeria is the fastest growing and biggest market as well as the most naturally-endowed country in Africa with the potential of overtaking South Africa in the nearest future to become the continent’s richest and most robust economy. Consequently, the country offers the highest potential for any foreign investor in the continent. To this end, Finland has a lot of opportunity to participate in the commercial and further economic development of this great African market. A step in the right direction is the establishment of the Nigeria-Finland Business Forum which seeks to strengthen economic ties between the two nations. However, creating a full-fledged Nigerian-Finnish Chamber of Commerce would provide additional support in order to boost the level of trade and other economic activities between Finland and Nigeria. The role of FINPRO which already with has a trade center in Nigeria and others in several other African countries must be recognized. According to Finpro (2011), the body serves as a global network of Finnish companies and has the national task for promoting the growth and competitiveness of Finnish companies through the needs of the international markets. The organization is already challenging Finland to exploit more business opportunities in Africa while addressing Finnish businesses to look beyond Egypt and South Africa which are Finland’s biggest African partners to embrace Nigeria more for greater sustainability. Similar organization like the Finnish Export Promotion Association (FEPA), Ministries, Embassies, educational institutions, and research centers focusing on internationalization of Finnish businesses should borrow a leaf from FINPRO in its effort to raise the level of awareness of the Nigerian market among Finnish entrepreneurs and investors. Furthermore, the big Finnish banks (Nordea and Sampo), the private sector, and other financial institutions can be part of this move to promote and heighten the scope of commerce between Finland and Nigeria.

With the current pace of mobile telephony penetration in the country, Nokia is having nice times doing business in Nigeria. The urge has been for the company to establish a manufacturing outfit in Nigeria in order to create employment opportunities for the local populace as well as to increase its level of profitability in the country, a move which has gathered momentum and is being actualized. According to Dmitri Diliani, the Head, Nokia Siemens Networks’ Africa Region in Nurudeen (2011), Nokia Siemens Networks has opened an office in Nigeria as part of its “Internet for every African Vision” which is in line with the company’s efforts to boost ICT utilizations among government agencies and businesses in the country submitting that Nigeria is an important country.
in this vision. The high potential offered by the nation’s huge population is an opportunity which Finnish telecom companies, both systems and equipment manufacturers as well as service providers, such as Nokia, Nokia siemens Networks, DNA, Elisa, Saunalahti, Tele Finland, TeliaSonera, and Tecnotree must exploit and internationalize their operations into Nigeria. Figure 18 shows the various sectors of Nigeria’s economy where Finnish industries can profitably invest.

**Figure 18. Linking Finnish Industries to the Nigerian Economy.**

76
In summary, this chapter has focused on discussing Nigeria with a view to highlight the major country market-specific issues which constitute vital information for any firm that seeks to invest in the country. The fact that Nigeria is Africa’s biggest market and second largest economy and among the top 10 fastest growing economies in the world needs not be over-emphasized as Uzonwanne (2011) states that the “Nigerian market is top-level issue among multinational corporations”, and stresses that executives from the world’s major MNCs are “huddling about how to invest in Nigeria”.

Noteworthy is the fact that Nigeria’s huge population base has placed the country in the enviable position of the largest consumer market in Africa with a fast emerging class that has further increased confidence in the market. Also, the average Nigerian consumer is brand-conscious which implies that there is ready market in place in the country for products of proven good quality. Furthermore, an analytical view of each of the industrial sectors in Nigeria discussed above will immediately reveal the need for more efforts in develop them further. This offers opportunity for Finland to invest in Nigeria, and with particular reference to telecommunications and mining equipment where Finland has remarkable competence, it is important to state categorically that there are large rooms for further development in these sectors of Nigeria’s economy thereby offering great opportunities for Finnish industries to exploit.

With respect to the right choice of entry strategy to adopt in getting into the Nigerian market, joint ventures and merger and acquisition are highly recommended owing to the advantages they command. While joint venture could be a timely and mutually beneficial to the market, merger and acquisition offers good potential for timely entry into the market.

Concluding, it remains a fact that the Nigerian business environment is still faced with some challenges which have for years impacted negatively on FDI and possibly contributed to the low level of Finnish presence in the country. Nevertheless, it is important to point out as in Uzonwanne (2011) that “the attractiveness of the economy and the consumer base outweighs any concerns about the business environment or political climate”. Consequently, Finnish industries must not be left out in the current pursuit by numerous MNCs to grab some shares of the Nigerian market potential.
4. Strategizing Success in Nigeria

4.1. Setting out Right

The goal of every business establishment is to make profit, grow and become sustainable. Thus, in the bid to internationalize, a company aims at exploiting external market opportunities in order to boost its potential for success. It becomes very important, therefore, that any company trying to expand its business empire beyond home front must embrace strategies that would ensure that the goal for such business decision is realized in the long run. Consequently, such a company must ensure that it approaches its internationalization process properly, setting out in the right direction.

In this regard, Bianchi and Ostale (2005) caution that while internationalization can result in profitability, it can as well generate huge losses and frustrated outcomes for many a firm pointing out that based on empirical evidence, success in a company’s domestic market does not in any way guarantee success on the international arena. While Burt et al (2002) give example of such failed internationalization cases to with Marks and Spenser’s (UK) withdrawal from the US and Canadian markets following years of dismal performance, Markus and Blank (1999) adds the withdrawal of Home Depot from its operations in Chile to the list.

While Bianchi and Ostale (2005) claim that findings have indicated that these companies’ failure in the overseas markets was attributable to lack of legitimacy and support from the relevant local social actors owing to a number of mistakes not unconnected with internal and external elements of their transfer strategy, other factors such as governmental, cultural, psychic differences between countries, environmental differences, as well as firm’s internal factors and mistakes could lead to withdrawal from activities in foreign markets. All these facts point in the direction that before investing in a foreign market, a company needs to assess its capability in embarking on such a business bid. It also needs to study the necessary variables that could create differences in its immediate environment in the domestic market relative to the foreign environment it seeks to do business in. Failure to address these issues could ultimately lead to failures in operations in the international market and a subsequent withdrawal therefrom.

A major factor to put into consideration as part of the internationalization process is the mode of foreign market entry to adopt. As pointed out in section 2.5, each entry strategy has a host of factors influencing it while the respective entry modes have their merits.
and shortcomings. Consequently, it is the onus of the internationalizing firm to weigh the pros and cons of each case in order to identify the best option at the disposal of the company in its pursuit. The issue of market entry mode has also been severally identified as a major factor which has over the years kept Finnish firms at bay from investing in Nigeria.

To dissuade this ugly trend, FINPRO (2011) submits that Finnish companies can approach the African market through different routes, pointing out that not all the routes are direct, hence, some can even be through a third country. To buttress this, Jussi Rautiainen (personal communication, August 31, 2011) claims that the Finnish company, Robit, started their operations in Africa using South Africa as a beachhead before gradually adding up new markets (including Nigeria). Similarly, Glen Schoemann (personal communication, July 18, 2011) postulates that SMC started its operations on the African market in South Africa before expanding into other parts of the continent.

On the other hand, Ari Jaakonmaki (personal communication, August 26, 2011) points out that the history of Metso’s operations in Africa is pretty complex, and has happened through acquisitions and coincidences, while stressing that Nordberg, Syedala, and Bergeaud were operational in Africa decades before Metso acquired and merged them up into the present-day Metso as a way to gain entry into the African market. Thus, it becomes imperative also for Finnish firms to recognize and analyze the entry modes adopted by the countless MNCs from Britain, France, Germany, US, Portugal, Canada, Belgium, China, and many other countries to expand their operations into Africa in order to identify and embrace the best fitting entry modes for them into Nigeria. Furthermore, it is important also to point out here that a good number of Finnish firms are already doing good business in Nigeria as pointed out in section 3.4. Thus, rather than remain skeptical about the Nigerian business environment and cut short their drive to internationalize into the country, Finnish firms should take advantage of the existing knowledge which their counterparts already operating in Nigeria and Africa, in general, possess.

4.2. Understanding the Country

Business success in the Nigerian market, just like any other global market, requires the internationalizing company not only to apply the best globalization theories or principles or comply with the one-world-one-market ideology but also to have a clear understanding of how global, and how Nigerian it must be. It is quite understandable that with a population of over 154 million, a large, steady, and rapidly expanding market, abundant natural resources, excellent skilled manpower, science and technology expertise, a thriving private sector, existence of a proper legal framework, a liberalized
economic environment, knowledge of the English language, a large English language media presence, the Nigerian market might not be as easy to deal with as may be imagined. Nigeria might be a good destination for foreign investment, yet, it must be pointed out that not all the companies that seek to do business in the country could succeed. In a like manner, many MNCs with business operations in the country succeeded whereas some packed up. While most of the oil giants such as Chevron, Elf, Shell and others doing profitable business in Nigeria, some others such as Daewoo failed.

As pointed out in the case of India by Kumar and Sethi (2005), companies that could “think Indian” and had the right localization strategy emerged as clear winners in the country whereas those that possessed powerful brands, technology, and resources but sought to stick to the old globalization ideology of “One World One Strategy” foundered. The similarities between India and Nigeria in the sense of being populous countries in their respective continents (Indian is Asia’s second most populous country after China while Nigeria is Africa’s most populous nation), Anglophone, as well as fast developing and emerging economies need not be overemphasized. India and Nigeria have a lot of business commonalities hence; what obtains in any one country is easily traced in the other. Kumar and Sethi (2005) also point out the need for strategic adaptability, organizational adaptability, and behavioral adaptability. Strategic adaptability deals with the effectiveness of the internationalizing company in positioning itself in the foreign market environment, organizational adaptability deals with the issue of structure and processes that the multinational must develop in order to operate effectively abroad, while behavioral adaptability is concerned with the effectiveness of the expatriate managers in adjusting to the local cultural realities. The implication here is that any company that seeks to invest in the Nigerian market must recognize these issues and apply them in its efforts.

In line with the on-going, there is also the need for the internationalizing company to apply the conventional wisdom that local responsiveness is important for a multinational firm’s effectiveness in the host country environment. In this regard, multinational firms must be responsive to the local political, cultural, economic, and social realities of Nigeria if they must succeed in their businesses in the country. This implies that though such companies have to “Think globally, they must act locally”, and local responsiveness which means recognizing the afore-discussed three forms of adaptability.

Consequently, any multinational (Finnish and non-Finnish) that seeks to expand its business operation into the Nigerian market must recall the implications of the country’s vastness before commencing operations. Such a company must be ready to address the issue of adaptability on all three levels if it must prosper in the Nigerian sociocultural
environment. It must also be noted that inappropriate positioning of the multinational or its negligence of any one form of adaptability would ultimately result in disappointment and failure in its internationalization effort in Nigeria. To this end, it becomes absolutely important for the multinational to ensure a more accurate assessment of the Nigerian market before investing in the country.

Kumar and Sethi (2005) identify steps multinationals should undertake in order to ensure a more accurate assessment of the market characteristics as:

- Double-check your market data
- Recognize that personal interactions with customers and distributors are absolutely vital in gaining relevant information
- Be open to information that may contradict your preconceived assumptions

In the first case, it is important for the multinational to get accurate information about the environment it seeks to invest in. Unfortunately, just like India, it is difficult to obtain accurate statistics about the Nigerian market due to the complex nature of the country. To this end, multinationals tend to focus more on their target market segments, trying to have more understanding of the segments and the underlying motivations of the consumers therein.

In the second case, through effective personal interactions in the market, good relationships would result between the multinational and the customers and distributors in the market, as well as create trust building opportunities between the multinational and the local market. These relationships are obviously vital for gathering accurate market information however, it is noteworthy that they do not develop overnight, and also, considering the vastness of Nigeria, the development of relationships will gulp a lot of time, money, and other resource.

Finally, multinationals must recognize that being successful in one market does not necessarily guarantee success in another market. Repeated success in different markets must therefore create overconfidence in managers; thinking that they are born to succeed and thus believe it to be so in every market. They must rather listen to information that contradicts their previously conceived belief that they can be successful in every market. For instance, it is a known fact that power supply in Nigeria is epileptic; consequently, it would be unwise of a multinational which succeeded in other markets to zoom into operations in Nigeria without first addressing the issue of how to have constant supply of electric power in the country. Similarly, the management of such companies must recognize the insecurity issues relating to Nigeria and thus put in place adequate measures such as the employment of well-armed security personnel and avoidance of known risk-zones as ways to counter them.
4.3. Balancing Business with Culture

People behave differently on different parts of the globe; thus recognizing the way of life of the people in whose locality it seeks to carry out its business is one of the major challenges of any company that seeks to internationalize its operations. As observed by Lewis (2006), the picture of the universe shifts from tongue to tongue, and the way of doing business shifts accordingly; different languages provide different “segments of experience”. Thus, being aware of cultural differences among people of different geographic localities, and being sensitive to such differences are very vital in establishing the degree of communication between people of different origins. Laudon and Laudon (2002) shows that there is now a global culture created by television and other globally shared media, such as movies, that permits different cultures and peoples and peoples to develop common expectations about what is right and wrong, desirable and undesirable, heroic and cowardly. Doing business across cultures must therefore begin by comparing national marketing systems and the local commercial customs that obtain in various countries. In this intercultural approach, emphasis must be placed on studying the interaction between business people, distributors, buyers and sellers, and their respective companies with varying nationalities and cultural backgrounds. Usunier and Lee (2005) postulate that such interaction must be broad and not only between people, or people and messages, but also extend between people and products.

Business success in Nigeria (a country with a massive size, a huge population, numerous ethnicities and cultural groups, and several environmental threats) calls for some bold and determined effort in order to adapt well to the local culture. Thus the management of Western corporation that seeks to establish in the country must develop cross-cultural competencies that would lead to successful business operations. Such adaptation must be “thoughtful”, implying, according to Kumar and Sethi (2005) that the Western manager must undertake actions that demonstrate respect for his local colleagues (in this sense, his Nigerian counterparts and Nigerians in general). In doing this, the manager must not only make adjustment at work, which is seen as most critical, but also adjust to the entire socio-institutional environment of the country (Nigeria), but also interact effectively with the locals. In order to achieve effective interaction with the local populace, Hodgetts and Luthans (2000) observe that apart from the manager adapting to the local cultural environment, it is equally critical for his spouse to follow suit, claiming the spouse’s inability to adjust often creates a negative impact on the expatriate’s ability to function effectively in the home country. This should also extend to all other expatriate workers in the foreign corporation as well as their spouses. The consequences of effective adaptability of Western expatriates to the Nigerian socio-cultural environment could be visualized through their ability to develop good relationship with the local populace; communicate in the desired manner; and to secure cooperation with the local colleagues at work which are the key dimensions of
intercultural competence. Without such competence, it becomes difficult for the expatriate manager (and the corporation in general) to be in tune with happenings in the environment he operates.

The role of effective communication and cooperation in this regard must be stressed. Zaremba (2006) posits that expanding operations to other nations means that organizations have to concurrently expand their communication capabilities so that they can interact efficiently with their foreign offices and markets. Effective communication is therefore needed to enable the manager to send out the right signals and to ensure that the requisite tasks are performed effectively and efficiently. It is vital in managing diversity which according to Kreitner and Kinicki (2007) entails enabling people to perform up to their maximum potential. Kumar and Sethi (2005) claim that cooperation is essential in order for the foreign firm to execute its strategy effectively and not get bogged down in dysfunctional conflicts, while also positing that apart from creating positive impact at work, intercultural adjustment will also lead to a positive perception of the host country, as well as allow the expatriates to reframe their expectations in a manner that facilitates smooth interaction.

The ongoing argument reflects the fact that business success in any international environment must be linked to the culture of the local people. Also important here is to recognize according to Hall (1976) that just like an iceberg, culture has a visible layer above the waterline whereas the larger invisible section lies beneath. This implies that the culture of any social group has some observable visible aspect and others that can only be imagined, suspected, or intuited; the observable section is only a small part of the much bigger whole. Any attempt, therefore, not to recognize these facts and adapt to the sociocultural setting of the overseas business environment a firm wishes to operate in will ultimately lead to disappointment and failure. It is worth mentioning here that the success of multinationals from the UK, US, France, Canada, Spain, Belgium, and China in Nigeria emanates from their knowledge of the country's business environment and their ability to adapt accordingly. The overwhelming success of such corporations as Shell BP and Lever Brothers in Nigeria is attributed to the fact that they found it easy to adapt into the country following Nigeria’s history as a former British Colony and also their ability to communicate and transact their businesses effectively using English language as the medium. Also, easy communication and cultural adaptability can easily be identified as the major factors influencing the success of American and Canadian corporations in Nigeria, all being Anglophone countries. On the other hand, French, Belgian, and Spanish companies succeed in Nigeria not on the ground of language but possibly through the experiences they gained in other African countries that were their colonies in the past. China, on the other hand, seems to be successful in Nigeria through a combination of experiences from other parts of the world as well as the Chinese superb ability to easily adapt in the African continent.
The onus therefore for Finnish firms trying to internationalize their business operations into the Nigeria is to recognize the complexity of the country’s market and to identify the best possible strategies to adapt to the country as a whole as well as the individual ethnicities and the different sociocultural groups that make up the country. A good advantage here is that most Finns speak good English hence language will not be a barrier in their operations in Nigeria. Furthermore, the high level of innovativeness of Finnish people is an added advantage. Consequently, Finnish firms can easily adapt to the Nigerian local environment and their business activities can promptly conform to the local culture.

4.4. Compliance with CSR and Ethics

A major challenge to any company that operates any given environment is to be socially responsible; living up to the expectation of the local community in which it executes its business. Thus while they pursue economic interests, companies are held responsible for their activities by shareholders, employees, suppliers, communities, and other stakeholders. They must address the social, environmental, and economic impacts of their operations in their host communities thereby helping to meet their sustainable development goals. The implication here is that companies must perform some voluntary actions which go beyond minimum legal requirements in order to address their competitive business interests as well as the interests and concerns of society at large. This set of standards to which a company must subscribe itself has the potential to contribute positively towards the development of its business environment and society, at large.

Aaker (2008) identifies some corporate social initiatives or programs undertaken by some corporations in pursuit of their respective businesses: BP in recognition of its “Beyond Petroleum” motto, embarked on aggressively promoting conservation and investment in cleaner energy sources; the Body Shop built a following through its clear recognition of Third World ecology and other causes; Ben and Jerry’s showed support for environmental causes in a colorful way that has enhanced the image of the company; the Ronald McDonald House and the Avon Breast Cancer Crusade provide unmistakable expressions of organizational values; furthermore, the “HP way” involved a commitment to employees, customers, suppliers, and community to which people could relate. In all these cases, CEOs believe that CSR can pay off hence; their decision to embark on these various projects which take a tangible portion of their resources.

According to Visser (2003), the challenge for corporate social responsibility (CSR) in developing countries is framed by a vision formulated into the Millennium Development Goals in 2000 which according to the UN (2006) aims at creating a world with less poverty, hunger and disease, greater survival prospects for mothers and their
infants, better educated children, equal opportunities for women, and a healthier environment. Regrettably, however, these goal aspirations remain far from being realized in many developing countries today, in the words of Visser (2003). Similarly, Dartey-Baah and Amponsoh-Tawiah (2011) show that due to differences in the drivers or causes of CSR between the West and Africa, there is evidence that CSR practice differs between these two world regions suggesting that Western CSR theories are not totally applicable in Africa though CSR practice in Africa is adopted from Western business theories. Obviously, many contemporary Western corporations doing business in Africa are found wanting in their role of tackling the critical issues of human development and environmental sustainability in various regions of the continent.

The status quo is true also for Nigeria, a country where CSR is a major issue between MNCs and their host communities especially in the oil-producing Niger Delta region. Many of the MNCs operating in the nation’s oil and gas industry have repeatedly been accused of lacking corporate conscience, corporate citizenship as well as the ability for sustainable business through which a company can achieve a balance of economic, environmental, and social imperatives which CSR is all about. Thus cases of poor or absolute negligence to CSR practice among many MNCs are common in Nigeria. For instance, Seaman (2010) claims that Shell’s so-called visionary remediation plan for Nigeria had something panicky; pointing out that Shell blindly omitted the picture of its work in the Niger Delta; and claims that the Shell has completely ignored the truth of the damage its operations has done to the Nigerian environment and people. Tuodolo (2009) observes that Shell has undoubtedly contributed immensely to the economic growth of Nigeria assisting in the provision of employment, basic infrastructure, and community development yet; the corporation’s activities have caused a lot of damage to the environment; and Shell’s relationships with some local communities in the Niger Delta through its operations and community development programs have created a lot of social disorder as communities scramble for patronage and benefits.

Generally, all the multinational oil giants operating in Nigeria including Shell, Chevron, Texaco, Exxon Mobil, Total, Elf, Agip and a host of others including those outside the oil and gas industry are, in one way or the other, making some positive contributions towards the welfare of the local communities they operate in; yet, the problem according to Tuolodo (2009) and buttressed by Watts (2004), Stern (2005), and Eweje (2007) is for instance that, either by omission or commission, the activities of Shell in delivering its CSR programs also create some negative impact on the local communities which often outweigh the positives potential of such programs. This reflects the fact that in the process of being CSR-conscious, companies inevitably create some negative impacts which are anti-CSR. Nevertheless, the positive impact of these MNCs is often outweighed by the damage they cause to the livelihood and wellbeing of the people as well as to the environment and society at large. Current anti-CSR and unethical issues in
Nigeria are exemplified by Smith (2011) in the submission that a recent investigation by the oil industry watchdog Platform and a coalition of non-government organizations in Nigeria has implicated Shell in a decade of human rights abuses in the Niger Delta accusing it of fueling armed conflict in Nigeria by paying thousands of dollars to feuding militant groups, a routing payment which have exacerbated local violence, and in some cases leads to wanton destruction of property and loss of lives. Similarly, O’Brien (2011) claims that the pharmaceutical giant, Pfizer, has been accused of unauthorized use of Nigerians as guinea pigs for testing of the unapproved antibiotic, Trovan, a case which recently led to Pfizer being fined over 50 million pounds (75 million dollars) in settlements (Howden, 2009).

Following this, it has become obvious for Finnish firms that seek to establish and operate in Nigeria to recognize that Nigerians are already CSR-conscious. The operations and activities of numerous foreign MNCs and their domestic counterparts doing business in Nigeria have opened the eyes of the people hence; lapses in CSR are common causes of problems and distrust between companies and their stakeholders. To this end, such Finnish companies must also note the need that Nigeria being a developing country; their would-be host communities are still undergoing development. This implies that a lot of projects are already in the waiting hence they must incorporate them in their programs right from the onset. Also, it must be stressed that with the nasty experiences of the Niger Delta, Nigerians are very involved in issues concerning the environment.

Operating in the foreign market involves diversity which, according to several authors including Cox and Blake (1991), and Milliken and Martins (1996) offers potential benefits and costs to businesses across the world. Yukl (2002) postulates that diversity can take different forms including differences in race, ethnic identity, age, gender, education, socio-economic level, and sexual orientation and stresses that managing diversity is an essential part of the responsibility of the international business manager as it gives room for increased creativity and better decisions, as well as full utilization of the workforce. Thus the need for effective and efficient management of diversity in a vast international business frontier like Nigeria needs not be overemphasized.

Furthermore, it must be pointed out that poor ethical practice is a common cause of discord between MNCs and their stakeholders in Nigeria. As noted by the Josephson Institute Reports (2004), unethical behavior worsens productivity. Thus, as observed by Mahdavi (2001), global business expansion and foreign market entry create added importance for ethical conduct of the officers and employees since the very cultural diversity associated by such expansion may undermine the much shared cultural and ethical values observed in the more homogeneous organizations. The problem is that though mere knowledge and understanding of foreign cultures and the recognition of
their differences could enhance cross-cultural communication, it may not be sufficient to provide viable guidelines of proper ethical behavior for the Finnish organization operating in a foreign market like Nigeria. It is incumbent on such corporations to play according to the rule and recognize the several international codes of practice including, as analyzed by Gert (1990), the OECD; which is the primary policymaker for industrialized nations, the ICC; which is concerned with fair treatment among MNCs, the ILO; which is concerned with direct investment in developing countries, and the CTC; whose objective is to maximize contributions of transnational corporations to economic development and growth, as well as to minimize the negative impact of these corporations.

Consequently, any Finnish corporation with business interests in Nigeria must in addition to observing the above codes, be moral, and should address human rights and whistle blowing as well as international the international ethics codes recognized in Nigeria, considering that a major lapse of international ethics codes is in its lack of universal acceptance. Such a corporation must agree to the seven items recognized as ethical in business as demonstrated by Brooks (1989), and Berenheim (1989) including: employee conflict of interest; inappropriate gifts to corporate personnel; sexual harassment; unauthorized payments; affirmative action; employee privacy; and environmental issues. In furtherance of its pursuit for ethics in the Nigerian business market, the corporation must also embrace various strategies aimed at creating an ethical climate for its business operations in the country. Lending credence to this, Bartels et al (1998) claim that any organization with strong ethical climate experiences few serious ethical problems, and thus is successful in coping with ethical problems relative to those lacking such climate.

Consequently, therefore, it is imperative for managers of Finnish companies entering Nigeria to consider developing strong ethical climates if they aim to provide their organizational members with the ability to meet the ethical demands of the Nigerian business environment as well as to avoid possible inherent liabilities which any negligence thereof could create. They must recognize that Nigeria is very volatile on issues concerning religion and hence it would therefore not be in their best interest to meddle into religious matters in the country. Also, potential Finnish managers seeking to operate in Nigeria must bear in mind that as there are numerous ethnic groups in the country, so are there varying cultures and traditions. To this end, they must be ready to identify best possible ways to adapt into the multi-ethnic and cultural business environment associated with the Nigerian market. Furthermore, such managers must themselves, create and maintain clear and strong set of norms necessary to promote good ethical behaviors and proper business relationships with their customers and the general populace.
5. CONCLUSIONS

Internationalization has been upheld by numerous authors and scholars in the field of business management as a means by which companies improve their competitiveness, profitability, and sustainability. Existing literature shows that by moving operations beyond their domestic frontiers and embracing the proper strategies in their globalization agenda, numerous companies have gained steady and increased growth. Conversely, many companies which enter into the international market with ineffective and flawed programs end up in economic dooms. Consequently, it becomes inevitable that in order for any company to meet the desired goal and benefits of doing business on the global scene, it must be fully prepared to face and overcome the challenges and difficulties inherent in the international market environment.

This thesis has focused on discussing the opportunities in the Nigerian market which Finnish industries and their constituent firms could effectively exploit in order buttress their competitiveness in the African continent as part of expanding their internationalization program. The thesis discussed the Nigerian market, identifying the major industries and sectors that constitute the nation’s economy and highlighting the inherent existing and potential challenges and threats thereof. The potential offered by recent efforts by the Nigerian authorities to create an investment-friendly environment in the country is also discussed as part of the opportunities which willing Finnish companies can exploit to invest in Nigeria. The major outcome of the thesis was a framework which links several major Finnish industries to the various industrial sectors of Nigeria. Further discussion was made to address some of the major issues which such Finnish firms that seek to invest in the Nigerian market must take into consideration as part of their strategies to succeed in Nigeria.

The main findings of the thesis include as follows:

- Internationalizing into a country that is very distant in terms of culture, geography, and psyche (as in the case of Finland and Nigeria) is met with high level of pessimism and reluctance
- The current level of business relationship between Nigeria and Finland is very dismal as evidenced through the inadequate availability of literature on the Nigerian-Finnish business and the low trade figures between the two countries
- Existing literature on internationalization is very broad and does not address country market specific issues
• Finnish firms must seek ways to be on the ground in Nigeria rather than continuing to be skeptical of the country’s market
• Finnish firms seem to maintain the status quo in doing business in Nigeria as witnessed by their unwillingness to sponsor research that could enhance their profitability and business growth in the country
• In order to be profitable and sustainable in Nigeria, Finnish firms must, in addition to analyzing the opportunities and threats inherent in the Nigerian business environment, embrace effective strategies that could guarantee their success in the country

However, it must be stressed that this thesis is limited in scope owing to its inability to express in measurable terms, the degree of opportunities which the Nigerian market can offer to Finnish firms that want to invest in the country. It also falls short of showing the readiness of the identified Finnish firms to expand their operations into Nigeria, as well as its failure to identify the best suitable country-specific entry modes for them. It also failed quantify the share of the Nigerian market which existing Finnish firms in Nigeria control. The main reason for these limitations in this research is that existing literature on the Nigerian-Finnish business relationship is very shallow; there has not actually been enough research on the subject as well. Another factor that limited the scope of this thesis is the fact that all efforts to get a Finnish company to sponsor it proved abortive; the few that are already doing business in Nigeria seem to be content with the information they have on the ground about the country’s market. Consequently, much of the information based on which this work was developed emanated from the few existing literature on the Nigerian-Finnish trade as well as feedback from the few major Finnish companies that are currently doing business in Nigeria.

Based on the ongoing, the following recommendations are made as a way of enhancing the level of business relationship between Nigeria and Finland:

• In addition to the Nigeria-Finland Business Forum, a Nigerian-Finnish Chamber of Commerce, as well as a full-fledged Nigerian Embassy in Finland need to be established as part of the effort to boost bilateral relations and trade ties between the two countries
• Funds must be earmarked to sponsor research works which have the potential to encourage and boost trade between Nigeria and Finland
• Finnish firms must eschew their current skeptical view of the Nigerian market and go ahead to invest in this emerging African market which has the potential to boost their internationalization effort and improve their global competitiveness
• Such Finnish firms that already have interest in the Nigerian market need to embrace their counterparts from Finland and/or other countries that are
currently doing business in the country in order to identify the best suitable entry strategies for them to adopt to operate in Nigeria

- In order to be more confident about the Nigerian market, Finnish companies must employ the services of middlemen (distributors and dealers) who are very conversant with both Nigeria and Finland
- Prospective Finnish investors in Nigeria should employ the services of the Finnish-trained Nigerian graduates of Business Management in order to gain first-hand, unbiased knowledge of the country’s market

It must be pointed out, however, that owing to inadequate availability of literature at present, it was difficult to quantify the potential at the disposal of any firm seeking to invest in the Nigerian market. Also, existing literature fails to address how Finnish firms currently operating in Nigeria gained entry into the country and the possible entry modes they adopted hence; it is not possible to envisage the best possible mode of entry which prospective Finnish entrants into the Nigerian market could adopt. Thus, many windows of opportunity for further research have been thrown open through this thesis. However, it is important to point out that the author of this thesis is profoundly interested to continue research on the subject. Thus, motivation from Finnish firms that seek to invest in the Nigerian market is highly needed.

The level of validity and reliability of the research based on which this thesis was built is unequivocally very high. All the data adopted in this work were well scrutinized and effort was made to ensure that the sources are sound, reliable, up-to-date, and strongly connected to the subject matter. Similarly, the authority of each of the persons who responded on behalf of the three Finnish firms involved in the research questionnaire was confirmed as part of the effort to eliminate any bias to the authenticity of their responses. The medium through which the questions were dispatched to and fro the respondents, the electronic mail (e-mail) is very reliable. The level of promptness to which the respondents returned their answers (within two working days) is a strong testimony of the fact that the e-mail is undoubtedly an effective and efficient medium of communication. Furthermore, it is important to point out that the three Finnish companies involved in the questionnaire are already operational in Nigeria hence their information about the Nigerian market are both valid and highly reliable.
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