



**LUND**  
UNIVERSITY

# **Understanding the Complexity of Emerging Markets from a Multinational Company Perspective**

– A Case Study of the Nigerian Dairy Sector –

By

Semjon Magon and Leonie Mentrup

May, 2018

Master's Program in International Strategic Management

**Supervisor**

Thomas Kalling

**Examiner**

Devrim Göktepe-Hultén

## **ABSTRACT**

Reduced growth rates in saturated developed economies have put increasing pressure on multinational companies (MNCs) to expand to rapidly developing emerging markets and capitalize on their value potential. Yet, this value potential comes with several challenges which are very different from what firms experience in developed countries, especially with regards to the bottom of the pyramid. The Transnational Model, which is one of the most influential internationalization frameworks argues that firms should be locally responsive in order to reflect market specificities.

This study shows that firms need to be more than responsive to capture the full value potential of emerging markets. Therefore, the authors of this study developed an external environment framework for analysing emerging markets, based on an embedded case study about Nigeria and its dairy industry.

The empirical findings show that in contrast to existing emerging market analysis frameworks, external environment factors are not equally relevant at all levels. Key factors of a firm's general environment can prevent and support advancement of an industry whereas each element of an emerging markets value network can be equally important as it requires a collective cooperative progress in order to increase the network's value potential.

**Keywords:** Internationalization, Transnational Model, bottom of the pyramid, emerging markets, social embeddedness, environment analysis, value network, Nigeria, dairy

## **ACKNOWLEDGEMENTS**

The composition of this thesis would not have been possible without the numerous people who supported us during the process.

First, we would like to express our gratitude to Prof. Dr. Thomas Kalling whose supervision furthered us along the way. Your unembellished and valuable feedback contributed significantly to the learning and writing process of this thesis.

Second, we dedicate special appreciation to our interview partners in Nigeria. The way you welcomed us in Lagos was far beyond our expectation and made this trip unforgettable. Your willingness to share your personal network and your insights on Nigeria and the dairy industry enhanced our work in the most fruitful way and the experiences we shared will always remain in our memory.

Last but not least, we want to thank our fellow students who made long study nights easier to endure, if not even enjoyable.

**Thank you - Danke - Tack**

# Table of Contents

<b>1. INTRODUCTION</b>	7
1.1 Background and Problematization	7
1.1.1 Empirical Background	7
1.1.1 Theoretical Background	8
1.1.1 Current Empirical and Theoretical Findings	9
1.1.1 Problematization	10
1.2 Research Purpose	10
1.3 Aim and Objectives	12
1.4 Outline of the Thesis	13
<b>2. THEORETICAL STUDY</b>	14
2.1 Definitions	14
2.2 Literature Review	17
2.2.1 The Transnational Model	18
2.2.2 Emerging Markets	19
2.2.3 Bottom of the Pyramid (BOP)	22
2.2.4 External Environment	24
2.2.5 Preliminary Conceptual Framework	30
<b>3. METHODOLOGY</b>	33
3.1 Research Approach	33
3.2 Research Design	34
3.2.1 Theoretical study	34
3.2.2 Case study	35
3.2.3 Case selection	37
3.3 Data Collection Method	38
3.3.1 Interviews	38
3.3.2 Documentation	42
3.4 Data analysis	42
3.5 Validity and Reliability	43

<b>4. EMPIRICAL STUDY</b>	<b>45</b>
4.1 General Environment	45
4.1.1 Socio-economic System	45
4.1.2 Socio-political Governance	48
4.1.3 Infrastructure	50
4.1.4 Cultural System	51
4.1.5 Technology	52
4.1.6 Regulative System	53
4.1.7 Sustainability	53
4.2 Value Network	54
4.2.1 Consumers	56
4.2.2 Distributors	58
4.2.3 Suppliers	59
4.2.4 Nigerian Dairy Industry Outlook	61
<b>5. DISCUSSION</b>	<b>62</b>
5.1 The Preliminary Framework	62
5.2 External environment	62
5.2.1 General environment	63
5.2.2 Value Network	69
5.3 Final Framework	74
<b>6. CONCLUSION</b>	<b>76</b>
6.1 Research Aims	76
6.2 Research Objectives	76
6.3 Practical Implications	77
6.4 Research Limitations	78
6.5 Future Research	79
<b>Bibliography</b>	<b>80</b>
<b>Appendix</b>	<b>89</b>

## List of Figures

Figure 1: Research domains and resulting gaps .....	11
Figure 2: Literature Review Structure .....	17
Figure 3: General environment factors .....	25
Figure 4: Task and general environment categorization .....	27
Figure 5: Theoretical approach to external environment framework for emerging markets ...	31
Figure 6: Preliminary framework for the analysis of emerging markets .....	32
Figure 7: Case study design.....	36
Figure 8: Generic interview structure.....	41
Figure 10: External environment framework for the Nigerian dairy sector .....	74

# 1. INTRODUCTION

For decades, globalization has posed challenges on multinational corporations (MNCs), facing critical decisions of which internationalization strategies to pursue in times of reduced growth rates in saturated developed economies (International Monetary Fund, 2018). Consequently, emerging markets have increasingly gained economic relevance for MNCs' internationalization strategies, primarily for their rapid pace of development together with tremendous growth and resulting value potential for MNCs. (McKinsey & Company, 2012)

## 1.1 Background and Problematization

### 1.1.1 Empirical Background

Since the early 1990s, emerging countries have been considered the fastest growing markets in the world (Khanna, et al., 2005). CEOs of MNCs have realized that emerging markets offer the key to long-term competitiveness and economic success. Precisely, by 2025 annual consumption in emerging markets is estimated to reach \$30 trillion and is regarded "the biggest growth opportunity in the history of capitalism" (McKinsey & Company, 2012). Where two decades ago the consuming population accounted for 20% of the world's population and the majority was based in developed countries, by now the urbanization of emerging markets has led the consuming class to double (2.4B in 2012). By 2025 the number is estimated to have doubled again to 4.2B, which then represents almost 50% of the world's population, making consumers from emerging markets the driving force of the global economy (McKinsey & Company, 2012; Prahalad & Hammond, 2002)

Among others, Prahalad and Hammond (2002) argue that a large portion of this growth will stem from the bottom of the pyramid (BOP). Even though, according to the authors, people at the base are classified to earn an equivalent of less than \$2000 per year, their purchasing power should not be underestimated due to the vast aggregated market size of a total of four billion people of the world's population. Therefore, they claim markets at the BOP can be regarded substantially new sources of growth for MNCs. Even so, they critically assess that much of the emerging market potential has remained untapped due to the assumption that the poorest of the poor cannot afford products and services beyond basic needs. However, this misperception was proven outdated, according to the authors. Besides the value potential for MNCs themselves, they regard their role vital in triggering development at the BOP of emerging markets,

encouraging stability and economic prosperity through sustained involvement. (Prahalad and Hammond, 2002)

### **1.1.1 Theoretical Background**

Coinciding with the empirical background, global economic changes in the 1970s and 1980s triggered researcher's interest in the field of internationalization strategy literature to rise, resulting in a large amount of contributions accessible at the time of this study (Rašković, et al., 2013). In this context, the authors of this study identified the Transnational Model (Bartlett & Ghoshal, 1989) as one of the most influential and highly respected theories within the field of internationalization strategies (Rugman, 2002). The framework includes three crucial strategic goals for MNCs to be globally successful: (1) global efficiency, (2) local responsiveness and (3) worldwide learning and knowledge sharing (Rašković, et al., 2013). Despite its proven track record of influence in the theoretical and practical fields of strategic management and organizational theory (Rugman, 2002), the empirical validation with only nine case studies led other authors of this study identify a research gap in empirical contributions to the Transnational Model theory by Bartlett and Ghoshal (London & Hart, 2004). In line with this, Bartlett and Ghoshal (2002) themselves credited much of their work's success to the general underdevelopment of international management literature. Even though the scientific and managerial impact of the Transnational Model since 1989 is indisputable, the further evolutionary development of Bartlett and Ghoshal's concept cannot compare to its citation record (Ferreira, 2011). This highlights the need to continue its evolution almost 30 years after its original development, especially considering before mentioned current global economic circumstances and challenges (Rašković, et al., 2013).

Of the few evolutionary contributions to the Transnational Framework, London & Hart's (2004) work stands out in terms of its scientific impact and current economic relevance. The authors addressed the original work's weakness of lacking empirical contributions and not considering within market differences between the TOP and the BOP. This led London and Hart (2004) to extend the Transnational Model for emerging markets with special regards to the BOP and claim with their case study that out of Bartlett & Ghoshal's dimensions for the specific context of emerging markets' BOP, global efficiency is not suitable, local responsiveness is not sufficient but an understanding and integrated development of the social context and structure is needed. Within their framework, this extended dimension of local responsiveness which is called *social embeddedness*. It refers to the importance of leveraging the existing market environment through developing relationships with non-traditional partners, co-inventing



solutions and building local capacity as vital influencing factors for MNCs to become and remain successful and competitive in global emerging markets (London & Hart, 2004; Wright, et al., 2005). It is noteworthy, that similar to the original work by Bartlett and Ghoshal (1989), despite the 24 cases for empirical validation the authors included in their study, London and Hart's (2004) extension of the Transnational Model lacks further empirical contributions.

### **1.1.1 Current Empirical and Theoretical Findings**

Besides literature building on the Transnational Model approach, an increasing number of publications in the field of emerging market strategy strengthen the growing importance of interest in emerging markets: The first publication in this field was an overview by Hoskisson et al. in 2000, applying three different theoretical perspectives (Institutional, Transaction Cost Economics and Resource-Based) to develop strategies for successful expansion to emerging economies. In their work, they emphasize the need to consider the institutional context in emerging economies and outline several considerable constraints. Wright et al. (2005) argue that in order for strategy research in this field to achieve a sustainable impact, emerging markets' "unique social, political, and economic contexts" (p.2) need to be considered. Accordingly, it has become evident to practitioners that there is no one-fits-all strategy. (Khanna, et al., 2005)

However, a Harvard-Business-Review study revealed that many MNCs are struggling when it comes to entering emerging markets successfully. Accordingly, rather standardized approaches or minor local adjustments to existing strategies have worked for most companies expanding to developed countries but failed in developing ones. (Khanna, et al., 2005) It has been scientifically proven, that successful expansion to those markets requires managers to radically rethink their business models (Prahalad & Hammond, 2002). Another fundamental challenge is the fact that most MNCs' global strategies are tailored to the needs of the top-of-the-pyramid (TOP) while confronting the growing importance of the bottom of the pyramid (BOP) in emerging markets on both the supply and demand side. (Wright, et al., 2005) Therefore, Wright et al. argue (2005), more strategic attention should be given to targeting business models to the needs of the BOP in emerging markets as an adaptation of TOP strategies may not be sufficient to capture the entire market value potential. This is reinforced by other author's claims that MNCs might be misguided by a superficial commonality between developed and developing economies (such as the cell phone coverage), which only refers to the TOP but neglects the BOP which often accounts for the majority of the market (Dawar & Chattopadhyay, 2002). A contribution by London (2009) further supports this contextual market approach by outlining

constraints that need to be addressed by MNCs in markets where the BOP is not only a relevant lever of demand but also supply as the main force of production in an emerging market.

### **1.1.1 Problematization**

From an empirical view, the above-mentioned aspects emphasize the powerful challenge emerging economies and especially their BOP pose on traditional approaches to internationalization strategies but also the tremendous untapped potential that is simply “too great to ignore” (Prahalad & Hammond, 2002).

From a theoretical perspective, leading international strategy research building on Bartlett and Ghoshal’s (1989) influential Transnational Model has found that success in these markets can only be achieved through adapting to the specific market contexts. However, despite the empirically motivated need for an increased understanding of emerging market expansion and theoretical findings directing towards understanding external environment factors, the authors regard global internationalization strategy research to lack clear implications on which external environment factors to leverage for successful expansion to emerging economies. Hence, the authors of this study regard the scientifically highly respected and influential Transnational Model for internationalization strategies outdated to sufficiently support MNCs to deal with current global challenges.

Moreover, besides the overall interest in this topic, not all regions and countries have been covered equally. Limited research on African and Middle Eastern economies calls for future expansion (Wright, et al., 2005; Hoskisson, et al., 2000).

### **1.2 Research Purpose**

The empirical and theoretical problematization motivated the authors of this study to contribute to international strategy research, by complementing The Transnational Model (Bartlett & Ghoshal, 1989) with an emerging markets perspective and consequently develop a framework to identify considerable external environment factors for emerging markets. In this sense, the empirically and scientifically highly relevant but poorly understood problem of which driving factors to leverage for an MNC to capture emerging economies’ potential is addressed.

We claim that Bartlett and Ghoshal (1989) kept a strong focus on internal capabilities for successful globalization while neglecting the definition of specifically required external environment factors of the target country. Similarly, London and Hart (2004) among others emphasize the importance of social embeddedness but despite defining general considerations

such as the social context, performance and infrastructure lack a further specification of vital factors.

The authors of this study regard an understanding of crucial external environment factors necessary to understand the vital considerations needed for MNCs' expansion to those markets. This is supported by Simanis and Hart's (2008) recognition that market-based approaches should be applied to address low-income economies.

This research gap is visualized as the intersection 1 between the relevant research dimensions *Transnational Model Approach* and *Emerging Markets* in *Figure 1*.

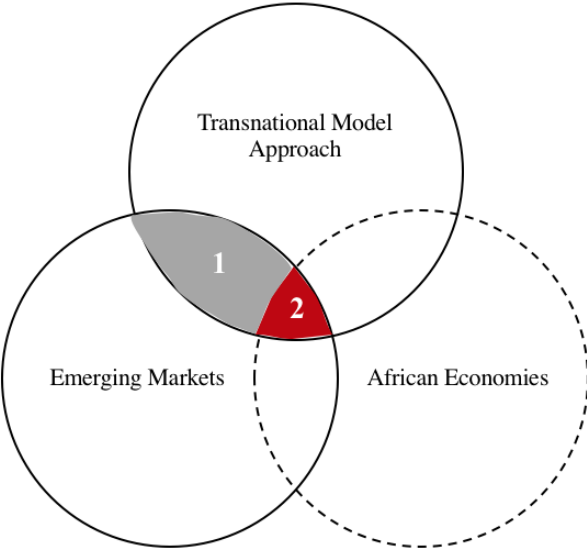


Figure 1: Research domains and resulting gaps (own compilation)

Furthermore, the study aims to contribute to existing research within the fields of internationalization strategy to emerging markets by focusing on the specific emerging economies in Africa as the third research dimension. The resulting *intersection 2* in *Figure 1* represents external environment factors within an African emerging economy, which are to be defined as the purpose of this study. In addition, a consideration of the so far insufficiently researched African emerging economies can help to increase the understanding of whether previous learnings from emerging economies can be generalized to apply to all emerging economies development trajectories. Despite their heterogeneity and differences in size and structural composition, Wright et al. (2005) suggest that there exists sufficient underlying logic to develop a common understanding of categorizing expansion to emerging countries versus developing countries.

As elaborated in more detail in section 3.2.2 *Case Study*, the Nigerian dairy industry serves as a representative case for the purpose of this study and therefore additionally contributes to the lack of empirical evidence from Bartlett and Ghoshal's (1989) work and other studies in African economies and the dairy sector.

Derived from the previously described research purpose, the authors aim to analyze the following **research question**:

*Which external environment factors should MNCs consider for internationalization to emerging markets?*

To conclude this paragraph, the authors of this study target to complement the concept of the Transnational Model (Bartlett & Ghoshal, 1989) with an external environment analysis tool for the expansion to emerging markets. Thus, the study aims to make a contribution to research in global strategic management with special regards to internationalization theories in emerging markets considering within country differences and hereby the vital BOP.

### **1.3 Aim and Objectives**

Motivated by the previous empirical and theoretical problematization and research purpose, the aim of this study is to develop an emerging market framework defining relevant external environment factors and hereby increasing the understanding of the complexity of emerging economies for MNCs, with special consideration of the BOP. Therefore, the research objectives are,

- (1) to complement the Transnational Model (Bartlett & Ghoshal, 1989) and its extension by London and Hart (2004) with an external environment analysis framework for emerging markets,
- (2) to identify considerable external environment factors with special consideration of the BOP,
- (3) to analyze the theoretical findings in the case of Nigeria and its dairy industry and assess their individual relevance.

#### **1.4 Outline of the Thesis**

The paper commences with the theoretical study reviewing literature on the Transnational Model (Bartlett and Ghoshal, 1989) as well as findings on emerging markets, the BOP and considerable market factors. Theoretical findings result in a preliminary framework of considerable external environment factors. Thereafter, the methodology applied in this study is outlined. Subsequently, the empirical study summarizes the main findings on all external environment factors, providing insights which will be analyzed and discussed with regards to the theoretical findings hereafter. The analysis and discussion part ends with an adaptation of the preliminary framework to reflect all discovered drivers and interrelations in the final framework. Lastly, reflections on aims and objectives, practical implications, research limitations and future research potentials are highlighted.

## 2. THEORETICAL STUDY

Motivated by the empirical and theoretical problematization and serving the research purpose of this study, the literature review will begin with the evolution of Bartlett & Ghoshal's (1989) Transnational Model. Thereupon, the authors seek to complement it with contemporary findings on internationalization strategy research tailored to the specific needs of emerging economies and the BOP. Relevant definitions will ensure a common understanding of the discussed topics.

### 2.1 Definitions

#### 2.1.1 Emerging markets

The authors of this study regard it necessary to define the term emerging markets, also referred to as emerging economies, to create a common understanding for the purpose. That is because despite its wide usage, a commonly agreed definition of the term emerging country does not exist. Yet, all attempts agree that emerging markets can be characterized through *high economic growth rates* (Saccone, 2017).

The term was first used by the World Bank Economist Antoine van Agtmael to describe less developed countries. In the following years, several researchers emphasized further characteristics such as *underdeveloped market-supporting institutions* (Khanna & Palepu, 2000), *government policies favoring economic liberalization* (Arnold & Quelch, 1998) or *dysfunctional macro environmental conditions* (Sheth, 2011). Hoskisson and colleagues (2000) tried to integrate multiple hypotheses defining emerging economy as a *low-income, rapid-growth* country using *economic liberalization* as its primary engine of growth (Bruton, et al., 2013).

The authors of this study follow this notion and therefore define emerging markets as *less developed* economies characterized by a *low-income per capita, rapid economic growth* and *economic liberalization*.

#### 2.1.2 Bottom of the Pyramid (BOP)

As a critical part of an emerging market and a special segment of consideration for the purpose of this study, the authors regard it necessary to create a common definition of the bottom of the pyramid, in short BOP. Similar, as for the previously defined term emerging markets, no universal definition for the BOP concept exists. This is caused by varying income levels, living

standards, rural-urban splits or access to goods and services, depending on the respective low-income country (Euromonitor International, 2018a).

Generally speaking, the BOP is describing the 'poorest of the poor' in a country or society and thus describes the lowest socio-economic segment (Euromonitor International, 2018a). This part of society in a low-income country accounts for the vast majority of the population but possesses the lowest disposable income in the market (Prahalad & Hammond, 2002).

There are different definitions of how much income per capita precisely counts as BOP-level.

The Euromonitor International's Wealth Income Distribution Model provides one of the most upscale income levels and defines the BOP as adults living on a yearly disposable income per capita of less than US\$5,000 (around \$14 per day) and a net wealth per capita of below US\$10,000, based on data from 21 key emerging markets (Euromonitor International, 2018a).

One of the lowest income levels is used by the World Bank which considers 2.5 Billion people living on a daily income of less than \$2.50 per day as part of this segment. Slightly broader, the BOP Hub regards 4 Billion people living on less than \$10 per day to be considered the BOP. (Euromonitor International, 2018a)

International business literature provides a more coherent mid-level definition. Most influential for subsequent studies, Prahalad and Hammond (2002) define the BOP as the 4 Billion people earning an annual purchasing power parity (PPP) of equivalent to less than US\$2,000 (around US\$5,5 per day). Other authors define the BOP as the four Billion people in emerging markets living on below US\$3,000 annually per capita (around US\$8 per day). Furthermore, these authors claim that BOP markets are considered to be mostly rural, with prevailing informal economies, possessing largely unmet needs and therefore lacking efficiency and competitiveness. (Hammond, et al., 2008)

Accordingly, the authors of this study follow the definition used in international business literature and characterize the BOP as the socio-economic segment of emerging market earning between US\$2000-3000 in annual income per capita and possessing the previously mentioned market characteristics.

Moreover, it is notable that to describe the term BOP other terms are deployed interchangeably in literature such as LIS (low income sectors) and LIC (low income consumers) (Pels & Kidd, 2012). In line with this application, the authors of this study also refer to the BOP as LIS or LIC.

### 2.1.3 Dairy Products

According to Euromonitor (Euromonitor International, 2018) the Nigerian Dairy industry can be divided into four product categories: *Drinking Milk* (89% powdered milk), *Other Dairy* (100% condensed/evaporated milk), *Yoghurt* and *Sour Milk*, and *Cheese*.

Comparing the market sizes (bases on recommended selling price) of each product category, *Other Dairy* accounts for NGN158 billion, *Drinking Milk* for Nigerian Naira (NGN)140 billion, *Yoghurt* and *Sour Milk* for NGN25 billion, and *Cheese* for NGN310 million (Euromonitor International, 2018).

As *Drinking Milk*, in the following referred to as powdered milk, and *Other Dairy*, in the course of this thesis referred to as evaporated milk, represent the biggest market size and this thesis aims to gain insights into how to analyze a countries general environment and an industry's value network, both product categories have been chosen to be relevant for this study. Due to their large market size, they are expected to reflect common characteristics of the emerging market.

Furthermore, *UHT Milk* was identified as third relevant product category, as sales volumes are very limited (Euromonitor International, 2017a) but shows potential once general environment factors (e.g. electricity supply) as well as value network factors (e.g. processing equipment) improve (PricewaterhouseCoopers Limited, 2017b).

### 2.1.4 Multinational Company (MNC)

Following the definition of the Transnational Model approach (Bartlett & Ghoshal, 1989, p. 1) this study is based on, the authors define a multinational company (MNC) as follows:

*“A multinational corporation consists of a group of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries. Such an entity can be conceptualized as an interorganizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with which the different units of the multinational must interact.”*

Several authors in international business literature attempted to characterize different types of MNCs such as “polycentric, ethnocentric, multidomestic, international, global and transnational” (Harzing, 2000, p. 101), aiming to understand the complexity of global



international structures (Harzing, 2000). Further, according to Prahalad and Doz (1987), a “multifocal MNC” seeks to “balance local and global demands”, with the resources to manage dynamic strategic approaches to meet global challenges. Building on this understanding, Bartlett and Ghoshal (1989), define four types of MNCs with different manifestations within the two dimensions global integration (centralization) and local responsiveness (decentralization), out of which they regard the optimal form in a “transnational MNC”. The two authors perceive this form of organization as ideally balanced.

**2.2 Literature Review**

Motivated by London & Hart (2004) who analyze the Transnational Model (Bartlett & Ghoshal, 1989) in the specific setting of the BOP in emerging countries as well as the empirical and theoretical problematization of this study, the authors aim to operationalize the importance of adopting an internationalization strategy based on an understanding of an emerging market’s external environment. Therefore, the literature review aims to highlight relevant considerations to understand the driving factors of emerging markets by reviewing different theoretical lenses through a market perspective. Among those, the *general environment* and *task environment* factors (Pels & Kidd, 2012) emerge as a central outcome.

To conclude, the literature review covers the following domains: the evolution of the Transnational Model, emerging markets and the bottom of the pyramid, before identifying considerable external environment factors in emerging markets. In the context of emerging markets, the Institutional Theory serves as a relevant management theory for the application in emerging economies. An overview of the key areas of research included in this literature review are visualized below in *Figure 2*.

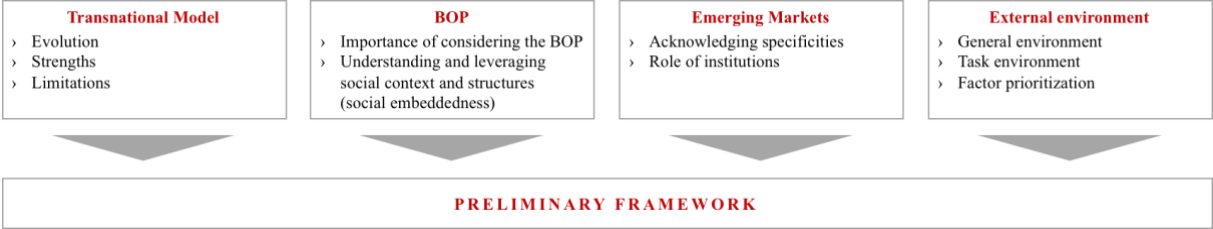


Figure 2: Literature Review Structure (own compilation)

### 2.2.1 The Transnational Model

#### *Evolution, Strengths and Limitations*

The Transnational Model (Bartlett & Ghoshal, 1989) has proven to be one of the most influential and highly respected theories within the field of internationalization strategies (Harzing, 2000; Tallman & Yip, 2001; Rugman, 2002; Rašković, et al., 2013). It evolved as the outcome of over a decade of academic discourse on international strategies including several antecedent concepts (Rašković, et al., 2013). The framework suggests three crucial strategic goals for MNCs to internationalize successfully: (1) global efficiency, (2) local responsiveness and (3) worldwide learning and knowledge sharing. This suggests for international MNC strategy to either consider exploiting global efficiencies through economies of scale or fostering local responsiveness, or a combination of both. (Bartlett & Ghoshal, 1989)

According to Harzing (2000), the model's value lies in the comprehensiveness of typologies of MNCs, which is rarely to be found and tested in other studies (Rašković, et al., 2013). Moreover, other authors regard the particular value of Bartlett and Ghoshal's work in the *"linkage of the theoretical integration/national responsiveness matrix with nine case studies of organizational structures of multinational enterprises"* (Rugman, 2002, p. 37). Furthermore, the Transnational Model has a proven track record of influence in the theoretical and practical fields of strategic management and organizational theory (Rugman, 2002). While other typologies and frameworks exist today, their work sticks out for its extreme bibliographic impact (Ferreira, 2011), a certain degree of empirical validation (Harzing, 2000) and compatibility with other academic perspectives such as economic sociology (Heidenreich, 2012).

Nevertheless, the empirical validation with only nine case studies lead other authors to identify a research gap in little empirical contributions to the Transnational Model theory by Bartlett and Ghoshal (London & Hart, 2004). Self-critically, Bartlett and Ghoshal (2002) themselves credited much of their work's influence on the general underdevelopment of international management literature. Moreover, Bartlett and Ghoshal's (1989) framework is criticized for its limitations with regards to providing a universal best-practice approach for internationalizing MNCs since it neglects within country differences (London & Hart, 2004).

Despite the Transnational Model's indisputable scientific and managerial impact since its introduction in 1989, the subsequent evolutionary development of Bartlett and Ghoshal's concept does not compare to its citation record (Ferreira, 2011). Moreover, even though the model was valued by many researchers as outlined before, another limitation with regards to

providing a best-practice organizational type for MNCs aiming to internationalize was acknowledged by both the authors themselves (Bartlett & Ghoshal, 1989) and other researchers (Leong & Tan, 1993; Zaheer, 2002). This highlights the need to continue its evolution almost 30 years after its original development, especially considering current global economic circumstances and challenges (Rašković, et al., 2013).

In line with above mentioned aspects, the authors of this study acknowledge the scientific influence of Bartlett and Ghoshal's (1989) Transnational Model and follow the claim of Rugman and Verbeke (1992), who consider the most appropriate use of the framework to benefit from its global integration/local responsiveness dimensions through an inter-organizational perspective. In contrast, the framework lacks to adopt a market perspective that goes beyond the dimension of local responsiveness from an MNC perspective. This follows the our criticism of an insufficient consideration of specific external environment factors for MNCs to consider in Bartlett and Ghoshal's original work (1989). More specifically, the empirically and scientifically motivated relevance of emerging markets for MNCs in the introduction leads the authors of this study to aim at expanding the Transnational Model with an emerging market perspective. Accordingly, the next section will cover relevant international strategy literature with a focus on emerging markets.

### **2.2.2 Emerging Markets**

Subsequent to the introduction of the Transnational Model (Bartlett & Ghoshal, 1989), several authors have been identified with relevant contributions within the field of internationalization strategies to emerging markets for the purpose of this study. The rising empirical relevance of this topic for MNCs from developed countries has resulted in a growing number of literature specialized in emerging market research (London & Hart, 2004; Meyer, 2004; Ramamurti, 2004; Ricart, et al., 2004).

#### *Acknowledging emerging market specificities*

Hammond (1998) realized that successful strategies for emerging markets cannot follow the same logic as those for MNCs expanding to developed countries as the gap between rich and poor is fundamental and continuously increasing. In line with this, Hart and Milstein (1999) explored the context of survival economies and found that companies need to focus on developing their product and services to fulfill basic needs. They considered applying state-of-the-art technology from Western economies in a new way and simply transplanting business

models from developed to emerging an ineffective approach. Other authors further stress that in order for strategy research in this field to achieve a sustainable impact, emerging markets' "unique social, political, and economic contexts" need to be considered (Wright, et al., 2005, p. 2). As an additional supporting study for this notion, Burgess and Steenkamp (2006) claim that emerging markets miss specific functions that allow markets to function efficiently, which consequently makes it difficult for MNCs to apply existing business strategies from developed economies (Gradl, et al., 2008). But not only do emerging economies' general specificities compared to developed economies need to be considered, Wright et al. (2005) further argue that within the field of emerging markets there are significant differences in their development progress. Thus, they stress the importance of understanding each market's specific characteristics. (Wright, et al., 2005)

It is noteworthy at this point, that despite the argued need to adjust to emerging market specificities, this could simultaneously impose a constraint of exploiting economies of scale to MNCs (Bruni Celli, et al., 2010). Therefore, Prahalad (2010) claims that there are two different co-existing assumptions about emerging markets, regarding them as either mainly a value opportunity or a value barrier.

All aspects considered, the authors of this study acknowledge the undisputable need to adjust to the particularly unique context of emerging markets, as argued by previously mentioned authors. Therefore, the above-mentioned findings point towards the importance for MNCs to switch from an inter organizational approach, which dominated Bartlett and Ghoshal's (1989) studies, towards adopting a market perspective. For the authors of this study, this implies to not only adjust existing strategies from developed economies (local responsiveness) but develop a deep understanding of the social, political, and economic contexts (Wright, et al., 2005). This leads the authors of this study to examine the role of institutions in emerging markets in the next section.

#### *Role of institutions in emerging markets*

Unlike international business research in developed countries, which predominantly identified two perspectives on successful strategy and performance, (1) an industry-view (Porter, 1980) and (2) a resource-based view (Barney, 1991), the institutional-view was defined the dominant theory in emerging countries (Hoskisson, et al., 2000; Ricart, et al., 2004; Leung, et al., 2005; Redding, 2005; Peng, et al., 2008). In the special case of foreign MNCs entering an emerging

market, the sustained prominence of the economic institutional theory, hereafter referred to as INT, was also scientifically proven (Wright, et al., 2005). In brief, the economic INT covers political, economic and social systems collectively influencing firms in a market environment by defining the “rules of the game” as the underlying determinant of economic performance (North, 1990). Similarly, Coase (1998) refers to INT as dealing with the systems or institutions that govern the exchange of resources and therefore impact economic performance. Typically, these systems are very volatile and partially unknown in emerging economies (Peng, et al., 2008).

Contrasting INT with other influential theories from international business literature, Resource Based View (RBV), Agency Theory (AT) and Transaction Cost Economics (TCE) are considered relevant but only in an interlinked context with the INT to which their individual influence cannot compare (Wright, et al., 2005). This finding is in accordance with Hoskisson et al.’s (2000) recognition that TCE and RBV are relevant but individually insufficient to make substantial contributions to emerging markets and only useful when combined with and under the influence of INT. Therefore, they advocate the proposition that scarce resources and obsolescence in emerging markets, related to the RBT, vary according to the volatile institutional frame. In this context, they regard “organizational arrangements such as business groups and networks” as a way for MNCs to hedge against the volatility of emerging markets’ institutional environment. (Wright, et al., 2005)

The above-mentioned argumentation gives the authors of this study reason to consider the (economic) Institutional Theory to be the dominant theory for strategy research in emerging economies. That is why the authors see no relevance in further discussion of other general international business and management theories.

However, Hoskisson et al. (2000, p.253) claim critically that “The number of theoretical and empirical studies using an institutional perspective in emerging countries is limited.”. Peng et al. (2008) further argue that despite a focus on INT, all studies lack to define the fundamental question of critical drivers and therefore, *how* the institutional context matters. In line with this, Wright et al. (2005) see a major deficit in previous studies that “barely scratched the surface” of understanding the role of institutions.

To the authors of this study, the above-mentioned findings point towards the vital role of adopting an institution-based view and subsequently the importance of understanding and considering the volatile and partially unknown political, economic and social systems collectively influencing firm performance in an emerging market environment. Since the

authors critically note that previous studies have lacked to consider the latter in more depth, they aim to include institutional factors in the preliminary framework of this study. Moreover, we emphasize that partnerships and business networks as a way to hedge against the institutional volatility in emerging markets should be considered.

### **2.2.3 Bottom of the Pyramid (BOP)**

Besides Peng et al.'s (2008) substantial finding that the institutional context is fundamental to consider for MNCs as a driving force for the successful entry of emerging markets, they emphasize that this poses a tremendous challenge on simply adjusting existing strategies from developed economies to emerging market specificities. Thus, they call for strategic attention to be drawn to business strategies building on addressing the BOP. (Peng, et al., 2008) Accordingly, the consideration of the BOP gained increasing attention in international strategy research on emerging markets and became the unit of analysis for a number of highly respected studies (Rumelt, et al., 1994; Prahalad & Hammond, 2002; Prahalad, 2010).

#### *Importance of considering the BOP*

In line with this, Prahalad and Lieberthal (1998) stated that the real value in emerging economies does not lie in targeting the wealthy few but the masses at the bottom of the pyramid. Similarly, Hart and Christensen (2002) considered the BOP to be the most promising future growth opportunity for MNCs, due to its uniquely fast population growth. Adding on to this, Hart & Prahalad (2002) emphasize the high value potential of BOP markets' large but often untapped territory for private MNC's, which they regard as not just a governments' and NGOs' area of interest. Accordingly, London and Hart (2004) claimed that although the BOP had become an increasingly interesting source of value for MNCs, strategies for those specific markets had not been researched sufficiently in global strategy literature. Prahalad (2004) emphasizes the BOP's fragile disposable income conditions but argues that the fortune lies in the aggregation of the many.

#### *Understanding and leveraging existing social context and structures*

Despite the BOP's vital role in emerging markets, Hart and Prahalad (2002) emphasize that MNC's cannot exploit this potential without radically rethinking their existing methods and suggest that an effective combination of local and global knowledge is needed. In this sense, the authors stress that for building local knowledge it is crucial to engage in relationships with local business partners, communities and NGOs. According to Hart and Milstein (1999), firms succeed in emerging and survival economies because their managers are aware of need to build

future customer bases from the ground up. Therefore, they recommend MNCs to invest in small-scale local community investments, rather than engage in large scale centralized structures that degrade rural communities. Confirming the previous notion, other authors stressed the need for MNCs to consider emerging markets' social contracts, informal rules and shared asset use (de Soto, 2000). Therefore, at the BOP it is key for MNCs to develop relationships with crucial stakeholders, allowing them to better understand the invisible social context (Chambers, 1997; Dawar & Chattopadhyay, 2002; Hart & Sharma, 2004).

Another vital theoretical work for the specific purpose of this study was published by London and Hart (2004). The authors extended the Transnational Model for emerging markets with special regards to the BOP. They claim with their case study that out of Bartlett and Ghoshal's dimensions for the specific characteristics of emerging markets global integration is not suitable, local responsiveness is not sufficient, but a new capability of an understanding and integrated development of the social context and structure is needed: *Social embeddedness*. London and Hart (2004) argue that MNCs must adapt to emerging markets dominance of social contracts and information asymmetry through a participatory approach of local capacity building. According to the authors, this requires MNCs to go beyond Bartlett and Ghoshal's (1989) internally oriented dimension of local responsiveness, defined as adjusting pre-existing strategies to the local environment. Consequently, they emphasize the Transnational Model's limitations for MNCs interested in emerging, low-income markets and at the same time regard addressing the BOP through social embeddedness as vital for success in emerging markets. (London and Hart, 2004) As a valuable outcome of their study, London and Hart (2004) defined the necessary consideration of an emerging market's BOP's social context more precisely in terms of social embeddedness.

However, besides lacking further empirical contributions and validations, the authors of this study regard the concept of social embeddedness to be missing clearly defined implications for MNCs to consider when aiming to address the BOP via social embeddedness. Therefore, this study seeks to operationalize social embeddedness, the extended form of Bartlett and Ghoshal's (1989) local responsiveness, in more detail and in this sense contribute to both studies.

The research findings mentioned above emphasize the importance of a special consideration of the BOP in emerging markets. Furthermore, it becomes evident to the authors of this study that the consideration of emerging markets' social context and structures is key for adequately addressing the BOP. In the following section, it will be further explored which factors to

consider in order to understand, leverage and develop an emerging market's context and structures.

#### **2.2.4 External Environment**

London and Hart (2004), recommend to “*understand, leverage and build on existing social infrastructure*” (p.364) in order to develop a source of competitive advantage in an emerging market. Therefore, the authors suggest creating partnerships with local non-traditional stakeholders such as NGOs or local government on a village level as it allows to understand the business environment from multiple perspectives, far beyond customers and suppliers (Andersson, et al., 2002). However, they provide no further detail about which perspectives to consider when analyzing an emerging market. Similarly, Prahalad and Hart (2002) as well as Prahalad and Hammond (2002) quickly proceed to recommendations based on best practice examples and the actual market analysis is rather case driven and builds upon few environment factors. In the same sense, Peng et al. (2008) emphasize the importance to consider volatile and partially unknown social structures in emerging markets but do not further define which specific institutional factors to consider.

Motivated by the previously mentioned research findings, the authors of this study critically note the lack of a clearly defined tool for the analysis of emerging markets.

Many management researches consider Aguilar (1967) as a pioneering researcher for analyzing the external environment of an organization (Saleh & Wang, 1993). According to Aguilar (1967) there is a causal relationship between external industry conditions and trends which have implications and consequences on industries. Therefore, firms need to understand “what is happening” before defining “what should happen”. As a result, he defined four areas of external information: Economic, Technical, Political and Social influences (ETPS).

In the following years, the basic idea of Aguilar about the relevance of external information did not change, yet letter sequence and number of areas varied between authors. Whereas Fahey & Narayanan (1986) called it PEST and changed Technical into Technological, numerous researcher used PESTLE (adding Legal and Environment) to analyze external information areas (Kolios & Read, 2013; Zalengera, et al., 2014; Sridhar, et al., 2016). Other researchers such as More et al. (2015) used a STEEPLE framework adding Ethical to the PESTLE. All these different versions of Aguilera's ETPS factors and its advancement by Fahey and Narayanan



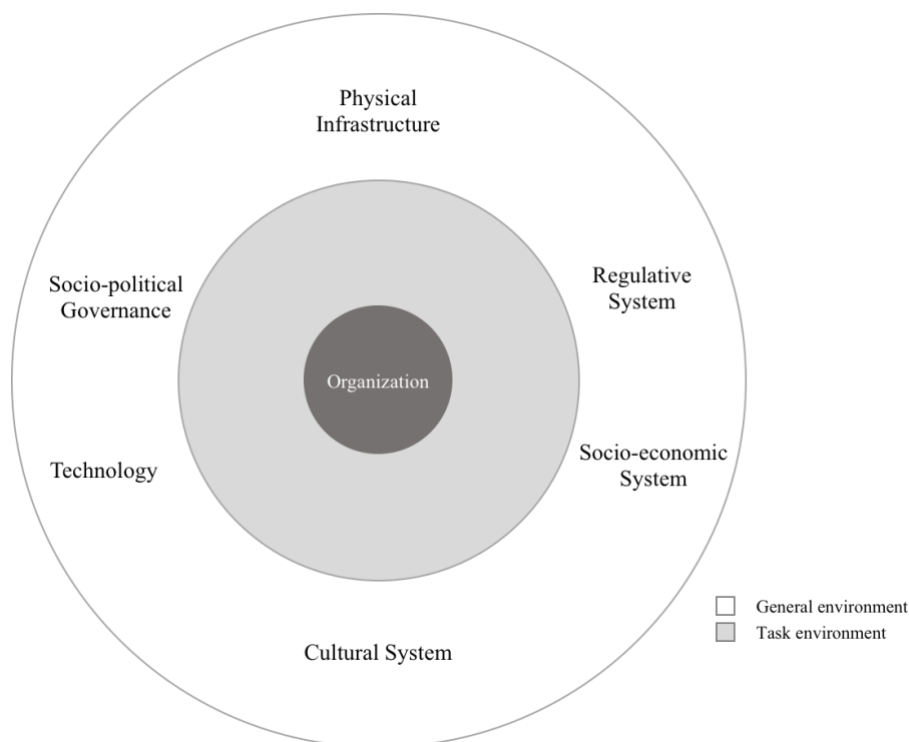
(1986) indicate a wide usage and a lack of clear theoretical evolution with regards to defining the context in which to use which outgrowth of the ETPS model.

Other authors such as Hatch and Cunliffe (2006) and Pels and Kidd (2012) pursued a different approach to external environment analysis. They build upon Duncan (1972) who defined external environment as "the relevant physical and social factors outside the boundaries of the organization". This definition perfectly addresses the research question of this thesis concerned with which environment factors to consider to successfully internationalize to emerging markets. The authors note that the internal environment (Dill, 1958) or organization environment (Negandhi, 1983) can be neglected for the research purpose of this study.

Dill (1958) and Miller (1984) provide a further breakdown of the term external environment by dividing it into "general/societal environment" and "task environment".

### General environment

According to Pels and Kidd (2012) and based on Hatch and Cunliffe (2006), an organization's general environment can be divided into six factors: (1) Socio-economic System (2) Socio Political Governance; (3) Technology, (4) Physical infrastructure, (5) Regulative System and (6) Cultural System, as captured in *Figure 3*.



*Figure 3: General environment factors (based on Hatch and Cunliffe (2006); Pels and Kidd (2012))*

There are several terms which are synonymously referring to the general environment of a firm. Whereas Dill (1958), Hatch and Cunliffe (2006) and Pels and Kidd (2012) use the term general environment, Miller (1984) refers to it as societal environment and Thorelli (1995) as macro-environment. Despite the terminology difference, all mentioned researchers define similar categories, factors or systems to describe the general environment<sup>1</sup>. The same applies to the previously mentioned PESTLE analysis, which may suggest a different wording, but still refers to the same factors. The only exception is the *environment* factor of PESTLE, which refers to increasing concerns about waste and pollution and is not reflected in the above-mentioned general environment factors by Pels & Kidd (2012).

Yet, as this study is particularly referring to the BOP in emerging countries, one could question the relevance of environmental concerns. Hart and Milstein (1999) argue that for the BOP, a firm's main objective should be to meet its members' basic needs<sup>2</sup>, where environmental concerns are still very important, but not as relevant as for the growing middle class. Yet, once basic needs of the large population in the BOP are met, scarce resources and emissions become a serious problem (Hart & Milstein, 1999). Other researchers such as Miguel Ángel et al. (2015) and Dasgupta and Mäler (2000) confirm this issue and emphasize the challenge of increasing waste, emissions and high resource usage in emerging economies.

Therefore, we argue that although environmental factors are not a primary concern at the BOP, they should still be carefully monitored as they become more relevant once basic needs are met. Therefore, the factor "Sustainability" is added to the given general environment factors by Hatch and Cunliffe (2006) and Pels and Kidd (2012).

Consequently, the authors of this study identified the following external environment factors for emerging market:

- (1) Socio-economic system
- (2) Socio-political governance
- (3) Infrastructure
- (4) Cultural system
- (5) Technology
- (6) Regulative system
- (7) Sustainability

---

<sup>1</sup> For simplification purposes, henceforward the term "general environment" will be used exclusively.

<sup>2</sup> For further details on basic needs, see Maslow (1943)

## Task Environment

An organization's task environment can be divided into four factors: *customer* (distributor & user); *suppliers*; *competitors* and *regulatory groups* (Dill, 1958; Thompson, 1967). Pels and Kidd (2012) built upon these factors and named them (1) *consumer* (end-users), (2) *supplier* (material, labor, capital, equipment and workspace), (3) *competitor* (markets and resources), and (4) *distributor*. As Dill's (1958) definition of task environment "*parts of the environment which are relevant or potentially relevant to goal setting or goal attainment*" (p.410) is very broad, the authors of this study prefer Miller's (1984) viewpoint who defines task environment as the "*total setting within which the organization is competing and transacting*" (p.75). This definition makes clear that task environment and industry environment as referred to by Haiss (2013) can be used synonymously.

The authors of this study follow the approach by Pels and Kidd (2012) to describe the task environment of an emerging market, as visualized in *Figure 4*:

- (1) Consumers
- (2) Distributors
- (3) Suppliers
- (4) Competitors

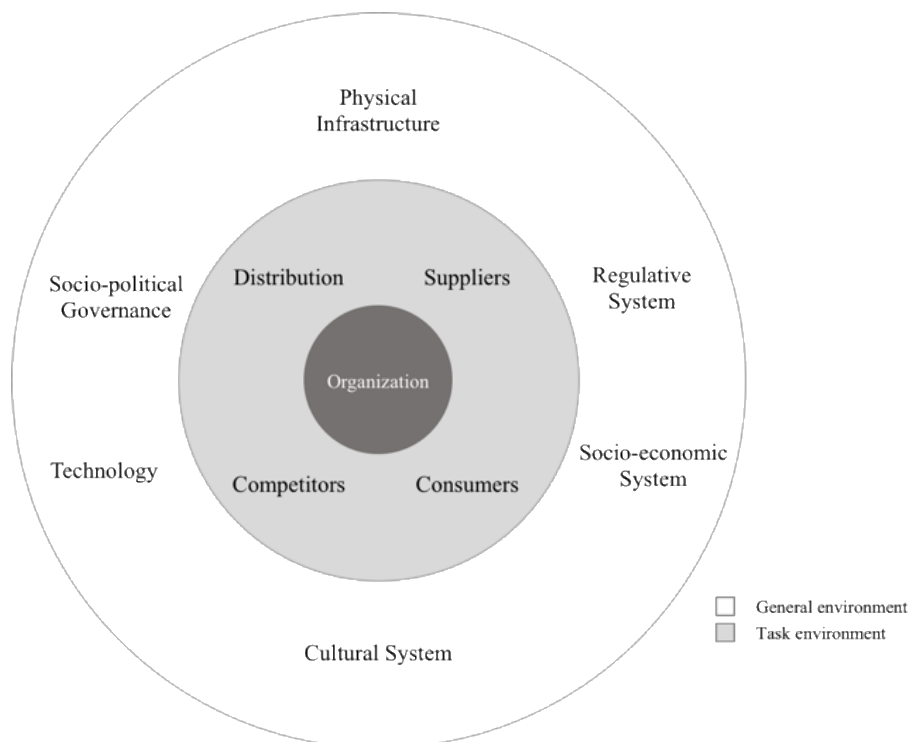


Figure 4: Task and general environment categorization (based on Hatch and Cunliffe (2006); Pels and Kidd (2012))

A very common tool to industry analysis and an alternative to the term task environment is the *value chain* by Porter (1985). Yet, the value chain mostly serves as a tool to analyze processes within the organization to identify elements of competitive advantage and little to the external environment of the firm. However, in the same book Porter (1985) expanded the idea of *value chains* and introduced the term *value systems* to describe an entire set of interlinked industry value chains. He claims that value creation takes place at each step of the industry value chain and that each value chain of a firm is embedded in a larger value system including value chains of customers and suppliers. According to Shank and Govindarajan (1993), a value system corresponds to a linear process from producer to “End-Use Customer”.

Stabell and Fjeldstad (1998) claim that in addition to the linear transformation of materials into products typically represented by value chains, there exists an alternative value configuration which is called *value network*. A value network reflects an interdependency between its different elements as it does not describe the relationships between actors as suppliers and customers but as “*simultaneously co-performing levels of mediation service*” (p.429).

Further supporting the usage of the term *value network* instead of *value chain* or *task environment*, we argue for the previously mentioned importance to consider an emerging market’s institutional context, in the sense that business groups and networks are a way to reduce volatility in emerging markets (Wright, et al., 2005). For Vyas et al. (1995) the strategy of going alone in emerging markets is no longer up-to-date and consequently led to the emergence of an “octopus” strategy. Therefore, Park et al. (2014) derive a high relevance of networks to achieve success.

Considering that Pels and Kidd (2012) also elaborate on interdependences and interrelatedness between task environment factors, we claim that the terminology *value network* expresses the interrelatedness more explicitly than *task environment* and therefore employ it henceforward to express the industry environment of a firm.

Substituting the term *task environment* with *value network* implies further relevant considerations for this study with regards to the component of *competitors*. Compared to a value chain, the value network’s strength lies in its connections and overall interrelatedness of all players within the network (Stabell & Fjeldstad, 1998). This is complemented by a considerable finding by Hammond et al. (2008) who do not regard competition an issue in emerging markets due to their generally underserved and underpenetrated markets.

Therefore, we argue that in a rather non-competitive but interrelated value network environment, competitors should not be considered an individual component of the value

network as suggested in Pels and Kidd's (2012) original framework but are to be found at all parts of the value network. Moreover, due to the volatility of institutional contexts in emerging markets, as mentioned before, there is a need for competitors to cooperate and create a network of industry partnerships to create stability as a base for development (Wright, et al., 2005). Furthermore, strategic alliances are claimed to increase overall competitiveness of emerging countries (Garelli, 2003) and create "tremendous group-based advantages" (Adelakun, 2009, p. 653).

However, the authors of this study do not claim that there is no rivalry between firms in emerging markets. Analyzing corporate rate of returns in emerging markets in the process of liberalization during the 1990s, Glen et al. (1999) come to the conclusion that profit margins decreased and the intensity of competition was similar to those of developed countries. In addition, Khajeheian et al. (2018) claim that the global activities of Multinational corporations led to an increased competition in emerging markets. Nevertheless, Khajeheian et al. (2018) also mention the potential of co-creation and co-marketing as a form of strategic alliance, which creates a mutual value for involved parties.

This gives the authors of this study reason to eliminate *competitors* as an individual component from the value network model and assign them a rather superordinate role at all parts of the value network - as a potential partner or a rival.

### **Factor prioritization**

Considering the large variety of factors, one could assume that not every factor of the general environment and the value network is equally important. Yet, from the explanations and illustration by Pels and Kidd (2012), no difference in importance can be derived.

London et al. (2009), who build on London and Hart's (2004) work, argue differently. As the outcome of their research, they identified two categories of BOP producer constraints: (1) *productivity constraints* (raw material resources, financial resources and production resources) and (2) *transactional constraints* (market access, market power and market security). These constraints are found to keep both MNCs and emerging market producers from mutual value creation. Depending on the development stage of the emerging market, MNCs are suggested to address different constraints. (London, et al., 2009) Due to these "sequencing strategies" (p. 587), the authors of this study argue that not all factors within the value network and the general environment are equally important.

Furthermore, Hatch and Cunliffe (2006) argue that general environment factors may “*have an effect throughout the [value] network*” (p.68). Pels and Kidd (2012) adds to that claim that also the value network affects the general environment as well as the general environment and value network are interrelated within themselves.

Therefore, we argue that the factors obtain different levels of importance based on the factor itself and the impact they have on other factors.

### **2.2.5 Preliminary Conceptual Framework**

To conclude the theoretical study, a review of related emerging market literature led the authors of this study to adjust Pels and Kidd’s (2012) original framework for characterizing emerging markets as follows:

- 1) *Sustainability* was added to complement the general environment factors.
- 2) The category task environment was renamed to *value network*.
- 3) The value network was reduced from four to three factors - *competitor* becomes an integral part of the three remaining factors and is regarded a superordinate element of primarily partnership.

Consequently, the *general environment* and the *value network* have been identified to provide the base for a framework serving the analysis of emerging markets: the *general environment of a firm including (1) Socio-economic system, (2) Socio-political governance, (3) Infrastructure, (4) Cultural system, (5) Technology, (6) Regulative system and (7) Sustainability* and the *value network of a firm including (1) consumer, (2) supplier and (3) distributor*.

Furthermore, theoretical findings led to the assumption that specific factors within the general environment and the value network are more relevant than others which will be confirmed or rejected based on the findings of the empirical study.

In line with this study’s research purpose, we argue that the preliminary framework complements the Transnational Model (Bartlett & Ghoshal, 1989), by serving as an external environment analysis tool in emerging markets. As argued before, emerging markets require an extended degree of *local responsiveness* (Bartlett & Ghoshal, 1989) which London and Hart (2004) frame *social embeddedness*. Consequently, we regard this analysis tool to provide a

means supporting MNCs in their pursuit to become socially embedded in an emerging market by offering specific environment factors guiding their analysis. This approach is visualized in *figure 5*:

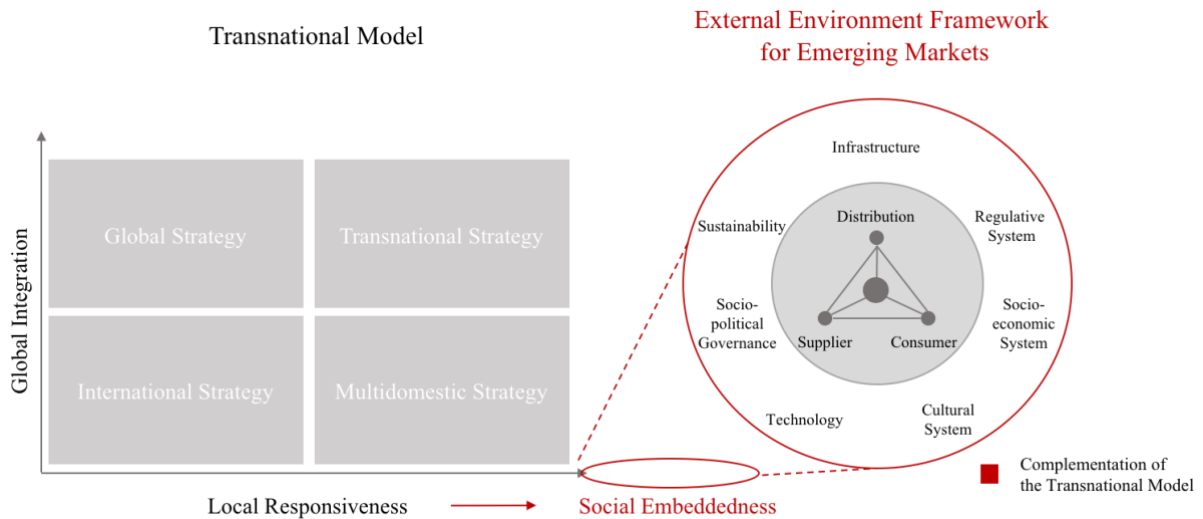


Figure 5: Theoretical approach to external environment framework for emerging markets (own compilation)

In the course of this study, the preliminary framework will serve as the base for the empirical study. Through empirical findings, the authors aim to identify which external market factors from the theoretical framework are inevitable to consider for MNCs expanding to emerging economies, at the example of the Nigerian dairy market. We therefore strive for prioritization to identify the driving factors and understand interrelations.

Therefore, a strength of this framework lies in the interrelatedness of its components and its holistic view on an emerging market's environment. As conveyed in the theoretical study, the preliminary framework builds on the market factors originally characterized by Pels and Kidd (2012). We therefore regard it worth mentioning at this point that the strength of this framework does not lie in the pure identification of external environment factors. Frankly, these could be applied for the analysis of any market, but the true contribution of this framework lies in the complementation of the Transnational Model (1989) and other before mentioned scientific contributions with a market-based approach. Moreover, the analysis of respective driving factors in the Nigerian market leads to an increased understanding of the considerable factors in the emerging Nigerian economy and its dairy industry and is regarded a further central contribution of this study. Additionally, this will support the authors initial intention to increase the understanding for African emerging markets and therefore contribute to another considerable gap in international strategy literature.

Consequently, we regard the preliminary framework to serve this study’s purpose of increasing the understanding of external environment factors for internationally expanding MNCs with special consideration of the BOP in emerging markets. In this sense, it supports the authors of this study in addressing the research question of which external environment factors MNCs should consider for internationalization to emerging markets. Visualized, the preliminary framework looks as follows:

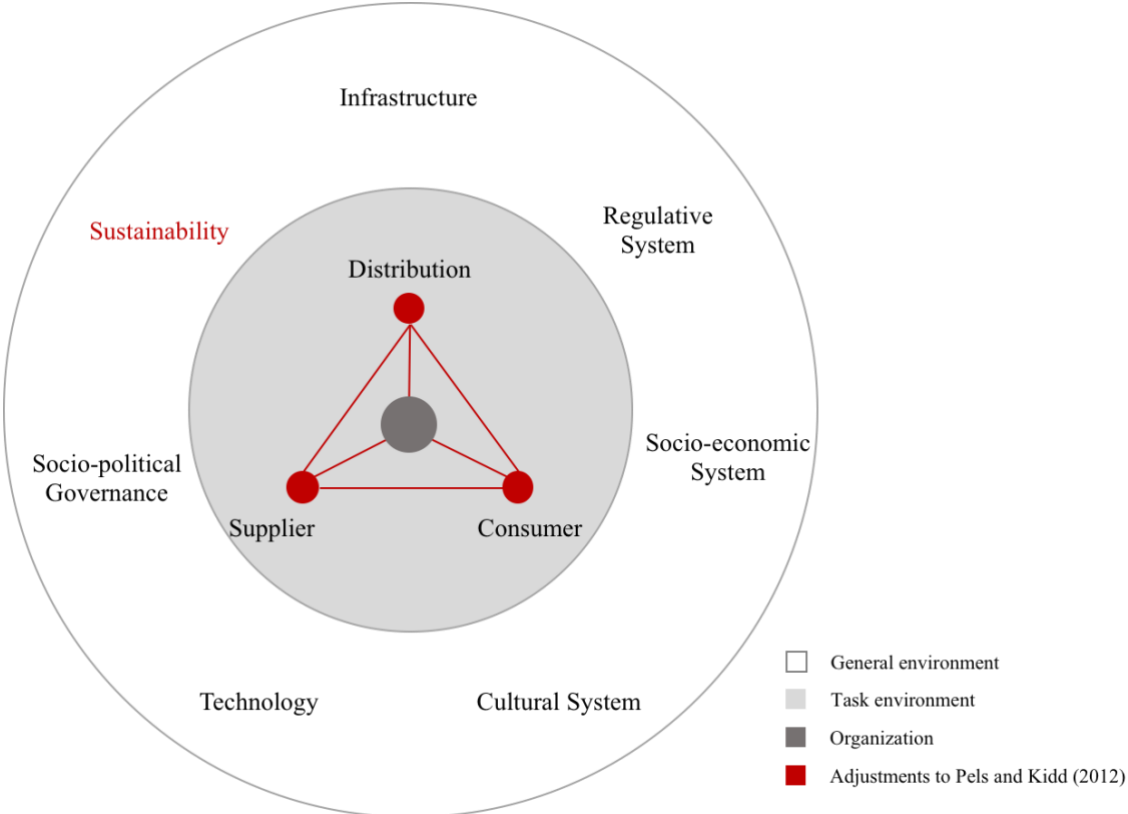


Figure 6: Preliminary framework for the analysis of emerging markets (adjusted from Hatch and Cunliffe (2006); Pels and Kidd (2012))

Interlinked nodes indicate the interdependencies within the value network. The outlining circle indicates the influence of the general environment on the entire value network. The circle surrounding the general environment further shows that all of the corresponding dimensions are interrelated as well.



### **3. METHODOLOGY**

In the following, the methodology of this study is described, discussed and evaluated. First, the research approach and the research design are presented. Subsequently, the applied data collection methods as well as the method for presentation and analysis are discussed. Lastly, the validity and reliability of the study are evaluated.

#### **3.1 Research Approach**

The purpose of this qualitative case study is to determine external environment factors for MNCs expanding to emerging markets. This is pursued by analyzing Nigeria as the main unit of analysis. Thereby, this thesis provides an empirical contribution to Bartlett & Ghoshal's Transnational Model and its extension by London & Hart (2004) as outlined in the introduction. Furthermore, it expands the framework of Pels and Kidd (2012) about emerging market characteristics based on key findings in the theoretical and empirical study.

Bartlett & Ghoshal's Transnational Model (1989) is one of the most influential frameworks for internationalization strategies (Harzing, 2000; Rugman, 2002; Rašković, et al., 2013) and hence was the starting point for the theoretical approach in this study. Subsequently, the literature review covered linked the Transnational Model to the specificities of emerging markets and the bottom of the pyramid. After that, factors describing the external environment of the firm were identified.

In the next phase, following the recommendations of Creswell (2013) and Ying (2009), pilot testings with Nigerian experts were conducted to verify initial working hypotheses, refine data collection plans and familiarize with Nigerian cultural characteristics. Difficult data access and low data availability about the Nigerian dairy market made this step particularly relevant in order to confirm the feasibility of the study's research objectives at an early stage.

In the last phase, a "single instrumental case study" (Yin, 2009) about the Nigerian dairy market was conducted. The authors of this study decided to focus on one single case as it allows a strong sector and country focus and hence an in-depth understanding of the case. Increasing the number of cases higher than one would have led to a dilution to the required level of detail (Wolcott, 2008).

The challenges of the broad scope of Nigeria as the main unit of analysis were anticipated by setting clear boundaries to data collection and analysis (Creswell, 2013). This is expressed in a

clear industry focus and an empirical data collection, which was limited to interview analysis and document analysis.

This study's research approach was of deductive nature as it developed a preliminary framework based on theoretical findings and then revised it by the findings of the empirical study. Therefore, the qualitative research approach of this study is best described by a qualitative content analysis as it aims to confirm or reject previously developed theory or even create new theory (Jackson, et al., 2015).

### **3.2 Research Design**

Jackson et. al (2015) describes the essence of research design to be about choices about what and how it will be observed. Furthermore, Morse & Richards (2002) point out that to compose a methodologically congruent thesis, purposes, questions and methods of the research need to be interconnected and interrelated.

Based on the study's research purpose to complement the Transnational Model (Bartlett & Ghoshal, 1989) with a perspective on emerging markets and consequently develop an external environment analysis tool for emerging markets as well as the research question, which external environment factors MNCs should consider for internationalization to emerging markets, the design of the thesis can be divided in a theoretical and a case study. After elaborating on both types of study, the reasons for selecting the case of the Nigerian dairy industry are outlined.

#### **3.2.1 Theoretical study**

This thesis' theoretical study reflects the qualitative research definition by Creswell (2013) who emphasizes the relevance of the research process which begins with the use of theoretical frameworks, subsequently collects context-sensitive data and ends with a contribution to literature or a call for change.

As earlier mentioned in the literature review, the Transnational Model (Bartlett & Ghoshal, 1989), despite its undisputed relevance in international strategy research, has its limitations with regards to dealing with specific characteristics of the external environment of the firm as it rather focuses on internal organizational requirements for successful globalization.

The theoretical study of this thesis aims to address the Transnational Model's limitations by investigating general environment and value network factors of the emerging markets of Nigeria. Therefore, studies dealing with the Transnational Model and emerging markets separately as well as collectively have been researched. Concepts such as *bottom of the*

*pyramid, general environment* as well as *value chain and value network* have been identified as highly relevant to explain country and industry specificities and thus have been included in the theoretical study.

As a result, the theoretical study contributed to an understanding of current research about MNC internationalization strategies, emerging markets and its collective deficiencies. By privileging a deductive literature review over a systematic review, an in-depth understanding of the state of knowledge at the time of the conduct of study has been made possible (Yin, 2009).

### **3.2.2 Case study**

A case study focuses on individuality and uniqueness of a case and allows a thorough comprehension of its complexity (Byrman & Bell, 2015). Yin (2009) underlines the benefit of case studies in research projects requiring an in-depth analysis with a high relevance of contextual factors. Creswell (2013) explicitly highlights its potential of gathering data from multiple sources of information.

Due to the uniqueness of circumstances in many emerging countries with regards to general environment factors and value network factors (Wright, et al., 2005), a case study according to the previous definitions was considered most adequate. An alternative approach such as narrative study, phenomenology, grounded theory or ethnography would not have allowed the same level of detail (Creswell, 2013).

Regarding the type of case study, this thesis uses one single case as it aims to fully understand all relevant characteristics of one emerging country. A multiple case study would have provided a more comparative outcome instead of in-depth knowledge. (Byrman & Bell, 2015) Yet, this would have been of little value for the purpose of this study as emerging markets have specific national challenges, which are significantly different from those of other emerging economies (London & Hart, 2004) and hence decrease their degree of comparability within a multiple case study. Furthermore, a thorough analysis of relevant general environment and value network factors for emerging markets require a high degree of aspect richness, which can only be achieved by a low number of cases (Larsson, 1993).

Nevertheless, the authors of this study recognize the value of a study going beyond one single case without reducing the degree of aspect richness. Therefore, we see this in-depth case study as a starting point to be followed up by additional in-depth case studies about other emerging countries or industries in future research.

The case study’s purpose can be best described by an exploratory case study aiming to identify what to be learned from the Nigerian dairy sector and hence draw inferences about what factors to be potentially relevant when expanding to emerging markets. Nevertheless, it also reflects descriptive elements by presenting general environment and dairy value network of Nigeria. The use of both exploratory and descriptive elements reflects the different levels of units of analysis in an embedded case study design (Yin, 2009), which has been applied for this study. An embedded case study design consists of multiple units of analysis (Jackson, et al., 2015). Referring to the research purpose of this study, the country of Nigeria is the main unit of analysis as it reflects the characteristics of an emerging country whereas the smallest units were the components of its general environment and its dairy value network (e.g. consumer, processor etc.) (Yin, 2009). As a result, the study’s embedded case study design reflects both country and sector specific elements, as visualized in *Figure 7*.

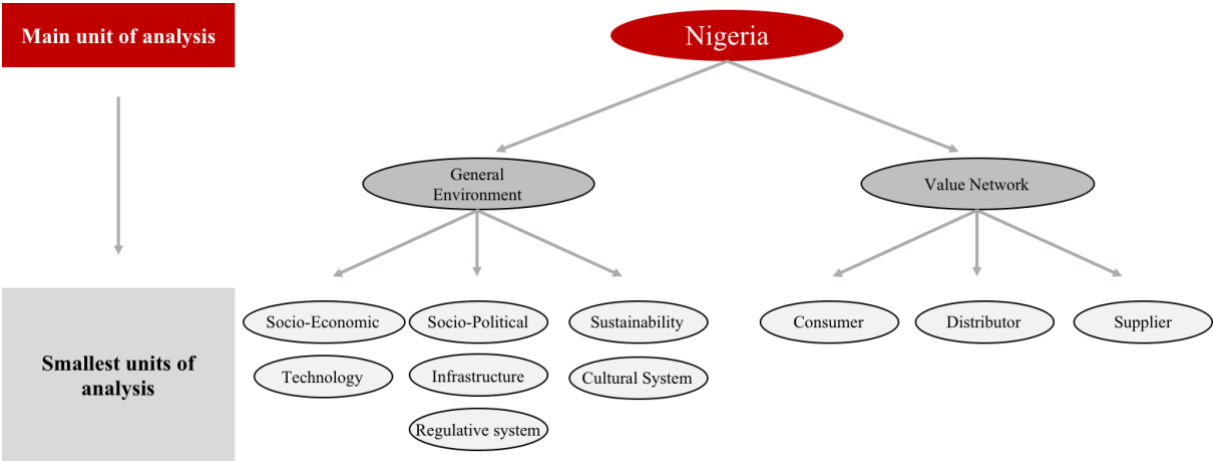


Figure 7: Case study design (own compilation)

Common criticism of case studies is often referring to a lack of generalizability (Creswell, 2013; Silverman, 2014; Yin, 2009). Yet, this thesis does not aim for a “statistical generalization”, where inferences are made about a population. It rather aims for an “analytic generalization”, in which a previously developed theory is compared to the collected data of the case study (Yin, 2009). In addition, Silverman (2014) emphasizes the relevance of case studies not only in creating theories, but also in revising or rejecting scientific propositions, which is fulfilled by this study with regards to the framework for characterizing emerging market by Pels and Kidd (2012).

### 3.2.3 Case selection

Reasoned with the selection of a single instrumental case study, we aimed to choose one specific emerging country and one respective industry value chain as the units of analysis.

The introduction elaborates on the relevance of emerging markets. The empirical relevance of the Nigerian economy and its national dairy sector led the authors of this study to focus their choice of the units of analysis on (1) Nigeria as the specific emerging country and (2) the dairy industry as a particularly relevant industry value chain, reasoned as follows.

#### *Nigeria as a representative emerging market*

This study follows the emerging market definition by Hoskisson et. al (2000) who integrate multiple hypotheses defining emerging economy as a low-income, rapid-growth country using economic liberalization as its primary engine of growth. According to this definition, Nigeria belongs to the group of emerging economies, as ranked 134th out of 194 countries in the world with an average annual income of 5.401\$ per person (IMF, 2017), an estimated real GDP growth of 4.2% until 2021 (PricewaterhouseCoopers Limited, 2017) and an increasing economic liberalization (Okoye, et al., 2016).

Moreover, respected institutions such as the IMF and the World Bank rank Nigeria among emerging and developing countries (IMF, 2017; World Bank, 2018)

Besides the country's classification as an emerging market, Nigeria is considered one of the most promising emerging markets of current times, motivated by the economic forces of population growth and an increasing consuming class. Precisely, Nigeria is Africa's highest populated country of close to 190M people in 2017 and has one of the fastest growing populations in the world estimated to reach over 400M in 2050. (Dr. Celistine, 2015) Furthermore, Nigeria is expected to be the first African country among the top 15 global economies (PricewaterhouseCoopers Limited, 2017).

The before mentioned aspects give reason for the authors to choose the promising emerging market of Nigeria as their unit of analysis in this study.

#### *The Nigerian dairy industry as a representative sector*

The following aspects demonstrate that the Nigerian dairy sector reflects crucial elements of a market analysis such as Socio-political factors (government attention), Socio-economic factors

(imports, income inequalities, traditional and commercial production), Technology (processing requirements) and infrastructure (transportation):

(1) Milk in general is a generic product, consumed by the entire population of Nigeria, independent from their individual income level. Further taking into consideration that the country's population will increase significantly in the upcoming years, total domestic milk demand is expected to increase rapidly. (PricewaterhouseCoopers Limited, 2017b) It should be mentioned, that the dairy sector already contributes almost one third (24%) to Nigeria's GDP and is therefore of considerable importance for the country. (PricewaterhouseCoopers Limited, 2017).

Considering the promising development of dairy demand together with the immense domestic supply deficit, a government policy has been established with the aim to increase local dairy production and decrease dairy imports considerably until 2019 (Oyeyemi, 2018).

(2) The Nigerian dairy value chain is very fragmented across all its components of production, distribution and consumers (PricewaterhouseCoopers Limited, 2017b) and thus, the dairy industry mirrors broader national social and economic characteristics of Nigeria. (Euromonitor International, 2016)

(3) The product characteristics of milk require advanced processing technology for improved preservability. In addition, due to the high relevance of timely processing, the dairy industry needs an advanced infrastructure allowing quick transportation within the dairy value chain. (PricewaterhouseCoopers Limited, 2017b)

### **3.3 Data Collection Method**

There are four data collection approaches in qualitative research, namely observations, interviews, documents and audiovisual materials. In qualitative studies, it is common to use multiple methods instead of focusing on one single data source (Creswell, 2013). This study collects data through interviews and documents.

#### **3.3.1 Interviews**

Data collected in interviews is one of the most important sources of case studies. Not only do they provide important insights into human affairs and events, but also shortcuts to prior history of these situation (Yin, 2009).

*Interviewee selection criteria*

This study consisted of a pilot testing phase as well as an actual data collection phase.

The pilot testing aimed for an early approval or adjustment of initial findings in secondary literature about the Nigerian dairy market together with a first familiarization with the Nigerian culture. This allowed to anticipate potential challenges in social interaction to overcome access barriers when approaching potential interviewees for the actual data collection. The authors considered this a fruitful method since the geographical distance to Nigeria complicated the establishment of contact with local individuals, so that every single interview was highly valuable. The pilot testing consisted of three remote interviews via telephone.

With regards to the actual data collection, interviewees were approached and selected based on their role in the general environment and the dairy value network. With regards to the value network, all relevant stakeholder groups: (1) producers, (2) processors, (3) retailers and (4) consumers were reflected in the sample. In addition, experts were divided in insiders (employed in the respective field of expertise) or outsiders (employed in another area, yet still having expert knowledge about the respective field of expertise).<sup>3</sup> This allowed to cross-check collected data from one interviewee within another. Therefore, interviews were sampled purposefully (Creswell, 2013).

In addition, snowball sampling was applied to benefit from the local network of confirmed interviewees and thus reach a bigger sample size (Jackson, et al., 2015).

#### *Interview preparation*

In a first step, the study's line of inquiry was defined. According to Yin (2009) case study interviews mostly consist of level 1 and level 2 questions. Level 1 questions are verbalized during the actual interview, whereas level 2 questions are only the mental line of inquiry reflecting the overall research purpose. For this thesis, which studies a single embedded case, this differentiation is of considerable relevance because some interviewee will discuss about smaller units of analysis (e.g. dairy technology), whereas the inference to the main unit of analysis (Nigeria) will be made by the authors.

Due to the strong relationships between each element of the dairy value chain and the macro-environmental factors, a semi-structured interview type was used as it allows the interviewer to quickly react to unexpected information and thus reflect the common fluid character of case study interviews (Rubin & Rubin, 1995).

---

<sup>3</sup> For further details on the selected interviewees, see Appendix C

According to (Yin, 2009) there are three types of interviews: In-depth interview, focused interview and a formal survey. This study uses in depth-interviews through communication with the respective interviewees over an extended period of time by conducting kick-off interviews and the actual interview as well as exchanging secondary data. A common problem with in depth interviews is the strong reliability on key informants. This risk was reflected in a careful selection of interview partners from different backgrounds (Creswell, 2013; Yin, 2009), so that for instance risk of self-interested biases (Kahnemann, et al., 2011) could be mostly mitigated by the responses of other interviewees. Furthermore, open questions were asked to reduce the influence of the interviewer's reference frame. However, in a pilot testing interview, an industry expert (Jonathan Ström) mentioned a tendency for recognition of Nigerian interviewees and recommended to ask very specific questions if precise information was required. For this purpose, the researchers applied techniques such as probing and laddering which helped to improve interview data quality (Jackson, et al., 2015).

With regards to the interview types, all except of one interview were conducted personally in one-to-one interviews in Nigeria.<sup>4</sup> The relevance of being on-site was emphasized by all three pilot interviewees as they experienced personal interaction as a significant success factor of one-to-one interviews. In addition, Creswell (2013) and Jackson et al. (2015) underline the necessity of conducting interviews in a convenient setting for the interviewee as it supports informal communication, which is hardly possible in telephone interviews.

An alternative approach could have been video interviews as they allow contextualization of face-to-face interviews (Jackson, et al., 2015). Yet, bad local internet connection in the selected case country Nigeria led to a delay in voice transmission as well as decrease in sound quality so that this option was hardly applicable.

### *Interview guide*

In qualitative interviews, prepared questions are usually used for guiding purposes and thus leave room for adjustments during the interview (Silverman, 2014). For this purpose, Jackson et al. (2015) suggest the development of a topic guide, which defines relevant topics or issues for the respective interview.

This study's topic guide is divided into three different phases (Creswell, 2013; Jackson, et al., 2015):

---

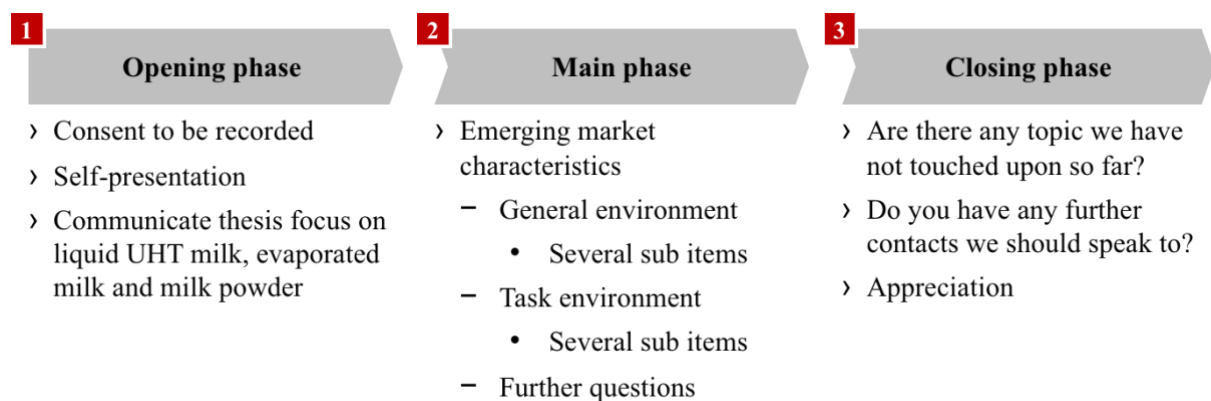
<sup>4</sup> One interview had to be rescheduled at short notice and therefore could not happen personally as planned. Therefore, the interview was done via phone.



- (1) an opening phase of introduction and creating trust,
- (2) a main phase of the actual data collection about key topics for the particular interviewee
- (3) a closing phase of recap, potential further contacts and expression of thanks

The expertise of each interviewee was identified in kick-off interviews or e-mail exchange prior to the interview so that only those topics were discussed in the main phase where the interviewees had expertise in.

In addition, each interviewee received an overview of the topic guide (Appendix A) for preparation purposes. Yet, this overview was simplified compared to the interviewer's topic guide (Appendix B) which included several sub items of each topic. In the actual interviews, these sub items were used by the authors to guide the discussion if the interviewee deviated from the actual topic or the interviewee's response lacked relevant detail. A generic set-up of the interview phases is visualized in *Figure 8*.



*Figure 8: Generic interview structure (own compilation)*

### *Recording and Transcribing*

With the permission of every interviewee, all interviews have been recorded and digitally stored. Recording is the most common form of data collection because it allows the interviewer to fully focus on conducting the discussion. (Yin, 2009; Creswell, 2013; Jackson, et al., 2015). For further details, key messages, quotes and audio files are available upon request from the authors of this study.

### **3.3.2 Documentation**

Besides the primary data collected in interviews, this study also reflects key findings in secondary data. Secondary data was used in the literature review and the empirical study.

The literature review reflects the current academic level of knowledge about internationalization strategies for emerging countries. As a result, a preliminary theoretical framework was developed which provided the basis for the interview guide and the presentation method of the interview data.

With regards to the empirical study, secondary data such as industry reports by institutions and consultancies, annual reports and media articles were used to acquire a solid knowledge of the country as well as the respective industry. The thorough preparation helped to obtain trust from the interviewees and allowed a discussion on similar or same eye level due to the researcher's previously acquired knowledge in the interviewees area of expertise (Zaltman & Moorman, 1988). Furthermore, prior knowledge from secondary data enabled the researcher to identify biases (e.g. self-interested bias) more easily and ladder down during the interview (Jackson, et al., 2015).

Furthermore, secondary data was a driver to contextualize and enrich the collected interview data in the empirical study. Therefore, secondary data ensured that inferences to the main unit of analysis were supported from multiple angles whereas primary data was mostly collected from smaller units of analysis.

### **3.4 Data analysis**

With regards to how collected data was analyzed, the authors of this study applied a qualitative content analysis which means "drawing systematic inferences from qualitative data that have been structured by a set of ideas or concepts" (Jackson, et al., 2015, p. 188).

The qualitative content analysis of this study was conducted by applying a pattern-matching logic according to Yin (2009). Pattern-matching allows to compare a predicted pattern with an empirically based pattern. The predicted pattern was the result of the literature review, synthesizing different existing theories a preliminary framework, which served as a structure for the study's *Analysis and Discussion (Chapter 5)*. By comparing coinciding or conflicting patterns of this study's preliminary framework with empirically based patterns identified in primary and secondary data collection, elements of the predicted pattern were confirmed, adjusted or rejected. As a result, a final framework was developed.

Therefore, this case study fulfilled both objectives of content analysis according to Jackson et al. (2015), which are confirming or rejecting pre-existing theory as theory building.

### **3.5 Validity and Reliability**

Yin (2009) mentions four common tests to assess the quality of case studies: Construct validity, internal validity, external validity, Reliability. Silverman (2014) and Creswell (2013) focus only on the two terms validity and reliability, whereas Jackson et al. (2015) adds a third term named generalizability to assess the quality of research design. Nevertheless, all authors mention similar techniques and strategies to increase research quality, so that all approaches represent an adequate quality assessment. The research design quality of this study was assessed based on the four tests mentioned by Yin (2009) as they allow a more differentiated view on validity and reliability.

Construct validity is about identifying the correct operational measures for the concept being studied and with respect to case studies specifically avoiding subjective judgement to collect data (Yin, 2009). Therefore, he recommends using triangulation. Whereas Jackson et al. (2015) solely mentions triangulation in the context of mixed quantitative and qualitative method studies, Creswell (2013) recommends triangulation by using different data sources also in a purely qualitative context. Therefore, the usage of primary and secondary data in this study can be described as triangulation and hence further increased construct validity of this study. In addition, construct validity of this study was further increased by ensuring that the concept being studied (Nigeria's general environment and dairy value network) was aligned with the initial aim of the study (develop external environment framework for emerging markets) as it is suggested by Yin (2009).

Internal validity is about whether the inferences made from the collected data within the study are correct and all rival explanations and possibilities have been considered (Yin, 2009). Jackson et al. (2015) describe internal validity as assurance about quality of a study's results and conclusions. A common way to increase internal validity is by implementing pattern matching, which corresponds to the method of this study as a predicted pattern (preliminary framework) was matched with an empirically based pattern in order to develop a final framework. In addition, rival explanations were tested during interviews which is another lever for increased internal validity. (Yin, 2009)

External validity describes the generalizability of a study's findings to other contexts beyond the immediate case study (Yin, 2009; Jackson, et al., 2015). With respect to this study, it is

crucial to emphasize the author's aim for analytic generalization as commonly used for case studies. Hence, this study does not make any inferences to a larger population which is the case in statistical generalizations in survey research. Nevertheless, building a broader theory based on an analytical generalization requires replicating findings in other contexts. (Yin, 2009) Due to the necessary in-depth character of this case study, this was not possible given the scope and constraints of this thesis. However, the lack of replication does not question the internal validity of the study and hence this thesis should be used as starting point for further research.

Kirk and Miller (1986) define reliability as the degree to which results are influenced by accidental circumstances. Therefore, they use the term replicability and whether other researchers could repeat the research project leading to the same outcome. Yin (2009) describes the goal of reliability to minimize errors and biases.

Therefore, all of this study's interviews were based on the same topic guide leading to a similar interview structure for each interviewee. Overlapping competences of the interviewees as well as the application of triangulation by using secondary data, allowed to critically assess collected data and reduced the impact of biases in data collection as well as analysis. Due to the recordings of all interviews and the detailed presentation in the empirical study, this thesis' collected data is accessible to other researchers. Furthermore, it was assured that both researchers always participate in the execution of interviews, so that findings could be controversially discussed after the interview and compared to the recorded data. As a result, this study fulfills the criteria of external reliability, which is to assess whether a study can be replicated as well as internal reliability, which measures whether different observer would agree about their observations. (Byrman & Bell, 2015)

## 4. EMPIRICAL STUDY

The empirical findings serve to promote an understanding of the general environment and value network factors and in line with the purpose of this study enable the authors to identify the driving factors of the Nigerian dairy sector. The findings will be structured according to the emerging market categories covered by the preliminary framework: (1) *general environment* and (2) *value network*.

### 4.1 General Environment

A Harvard Business and McKinsey & Company research project revealed that successful MNCs customize their strategies for operating in emerging countries according to the market specifics and the respective institutional context. Thus, they invest in understanding institutional contexts as the key to successful market entry, strategy execution and long-term economic success. (Khanna, et al., 2005)

The great importance of understanding the general environment of the firm in Nigeria was confirmed by multiple interviewees. A dairy industry consultant exemplarily claims that *"You have to really understand the environment and its dynamics to address it right."* (Interviewee 6). Further, an entrepreneur (interviewee 7) provides an illustrative example for how a lack of understanding can lead to bad business decision: *"Since the logistics issue, we thought it would be good to sell insurances online [...]. The problem [in Nigeria] is that there is no trust in insurance, so people are not really buying insurance online [...]. The mass market will not even use insurance [...]. If you are in a car accident you would get into a fight and scream at the guy, but never exchange any papers."*

Subsequently we will cover each of the identified factors for the general environment in more depth are, according to the preliminary theoretical framework.

#### 4.1.1 Socio-economic System

##### *GDP Development*

The Nigerian economy grew at an average rate of 5.7% between 2006 and 2016 (Collins, 2018) until falling into its first recession in more than two decades in 2016 at -1.5 real GDP growth (Barungi, et al., 2017) and is regarded the largest economy in Africa (PricewaterhouseCoopers Limited, 2017).

Increasing governmental investments in infrastructure development and oil production together with diversification initiatives towards agriculture led to a post-recession GDP growth of +0.7% in 2017 (PricewaterhouseCoopers Limited, 2017a).

### *Force of population growth*

A key driver of long-term growth, according to (McKinsey & Company, 2012) and (PricewaterhouseCoopers LLP, 2017), is the economic force of the enormous population (190M people in 2017) and its rapid growth, estimated to reach over 400M in 2050, (Dr. Celistine, 2015).

The resulting market potential plays a significant role in the activities of companies as outlined by an executive of the Nigerian retail franchise of Spar (Interviewee 2): *"This country has the largest GDP of the continent [...]. Why not be in Nigeria, before it explodes?"*, as well as an executive of Africa's leading food supplier Promasidor: *"We have a 2,5% population growth every year, which corresponds to 5 million additional people that you need to feed"* (Interviewee 1).

### *BOP Potential*

Yet, *"due to its extremely large population, Nigeria [...] has to be subdivided into clusters"* (Sunday, 2018). Divided by income level, 48% (44 million) of all Nigerians adults (>18y) are living with less than \$5,000 and a wealth of less than \$10,000, making Nigeria to the largest relative BOP market worldwide and the 4th largest in absolute numbers. This share is not expected to decrease until 2030. (Euromonitor International, 2016a) The low income of Nigerian adults leads to a total of 7 million households living with less than \$2,500 of annual disposable income, where the average daily disposable income per household member is \$1,37. (Euromonitor International, 2016). Nevertheless, despite the low income, the BOP provides significant business opportunities as it represents a large and stable number of potential customers. Therefore, Nigeria is claimed to be one of the most important BOP markets due to its large size in both relative and absolute terms, with promising value potential of a growing and economically rising BOP population (Euromonitor International, 2016a).

Accordingly, a Dairy Sales Manager claims, *"The mass market (BOP) is everything. You have to address the critical mass to benefit from the huge underlying value potential."* (Interviewee 5)

Besides Nigeria's large BOP sector, it is worth mentioning Nigeria's growing middle class is estimated to account for one third of the total population by 2020, becoming one of the target segments for retail chains (Fiorini, et al., 2013). The interviewees support that it allows companies to avoid the price sensitivity of the mass market (Interviewee 7) and benefit from an increased desire for fast and convenient food preparation (Interviewee 1).

Lastly, there is also a significant high-income sector in Nigeria. In fact, Nigeria has one of the largest income gaps worldwide and a Gini-Index of larger than 50% (Euromonitor International, 2017d) However, as this study focuses on the potential of lower income sectors, the high-income sector will be of no further relevance for this study.

### *Urbanization*

Similar to the income level, the urbanization trend provides further segmentation potential. As job opportunities are better in the cities, there has been an ongoing urbanization rate of 4%, which is one of the highest in the world. Quantitatively, the eight Nigerian cities which contain 16% of the population are predicted to drive 36% of consumption growth. Whereas Nigerians living in urban areas are usually "*time poor, but cash rich*", people living in rural areas are rather "*time rich, but cash poor*", according to a Dairy Marketing Manager (Interviewee 4).

### *Demographics*

The median age in Nigeria was 17.8 years in 2017 making the country to one of the youngest economies worldwide (Euromonitor International, 2017). Combined with the fact that parents increasingly invest into the education of their children, a Dairy Marketing Manager claims that "*Nigerians under 18 represent a crucial target group*" (Interviewee 4). Yet, despite increasing investments of parents into the education of their children, there is still a lack of skilled labour and a low degree of productivity (Euromonitor International, 2017c).

### *Inflation*

Another big challenge of Nigeria is the high inflation rate which reached 17.0 % in 2016 owing to increased food prices due to lack of own production and a lack of foreign exchange due to lower oil prices (Euromonitor International, 2017c). Especially for the low disposable income at the BoP, the devaluation of the Naira is a rising problem. (Amogu, 2018) In addition, the high inflation led to an increase in lending cost with an interest rate of up to 35% for farmers in rural areas (Erikstrup, 2018).

The big challenges within the Nigerian economy are expressed in a decrease of Foreign Direct investment of roughly 55% between 2011-2015 yet showing a slight increase in 2016. Nevertheless, Amogu (2018) argues that investors are still very cautious to invest due to the high volatility of the Nigerian economy. Secondary data also emphasizes the issue of high corruption and security issues (Euromonitor International, 2017c).

Above all, driven by the enormous population growth (especially at the BOP), urbanization and an increasing middle class as well as a slowly recovering foreign investments, Nigeria is a very attractive market (PricewaterhouseCoopers Limited, 2017). It is expected to be the 6th fastest growing economy until 2050 (PricewaterhouseCoopers LLP, 2017). Yet, the multiple challenges mentioned above clearly indicate that the Nigerian economy is more complex than a simple number of 200 million consumer.

As an entrepreneur illustrates, *"A key success factor for this market is to understand it. You can't just look at 200 million people and take that times the Naira you expect to make with everyone. It is too simple to sit back in Europe and look at what is happening in the country and say there is great potential"* (Interviewee 7).

#### **4.1.2 Socio-political Governance**

##### *General political environment*

According to secondary findings, a stable political environment is claimed to be key to maintaining Nigeria's positive economic development (PricewaterhouseCoopers Limited, 2017a). A primary finding from a Ministry Counsellor adds that *"a politically stable environment is important to successfully enter the Nigerian market."* (Interviewee 8) and elections can lead to *"economic instability in governmental priorities."* (Interviewee 5). Nigeria's political system is dominated by two major parties: All Progressives Congress (APC) and Peoples Democratic Party (PDP) (Euromonitor International, 2017). But, new alliances are created in order to reduce the dominance of the two major political parties. New coalitions opportunities may arise (PricewaterhouseCoopers Limited, 2017a).

Yet, both major political parties share a political agenda of increasing diversification of Nigeria's economy, especially towards agriculture (Barungi, et al., 2017).

Especially, the extreme production deficit in the Nigerian dairy industry led the Nigerian government to establish a government policy in March 2018, with the clear aim and associated



investments to increase local dairy production and decrease dairy imports considerably until 2019 (Oyeyemi, 2018).

A dairy industry expert points out with regards to a cooperation with the Nigerian government that “[...], none of us [Danish dairy development experts] have experienced such efficiency, professionalism, focus and dedication from a government or public institution, anywhere in the world. If an issue has a high political priority, they are actually able to do it.” (Interviewee 8). Yet, he sets a ceiling to that statement by claiming that “everybody, including themselves [the Nigerian government], knows that self-sufficiency will never happen [...].” But there are also more critical comments towards the actual impact of the government initiatives such as “The government has been telling the same story for many years but fails to execute measures to promote conditions for dairy production” (Interviewee 4).

To conclude, there seems to be no doubt about the government’s will to support agriculture, yet success in execution happens at a smaller scale and is not necessarily noticeable on a country level. Moreover, secondary data reveals that no major success has been recorded until today and the supply-demand gap continues to grow (PricewaterhouseCoopers Limited, 2017b).

### *Lobbyism*

Analyzing Nigeria’s socio-political environment, the high influence of lobbyism needs to be emphasized. An executive (Interviewee 1) emphasizes the influence of large Think-Tanks such as the “Nigerian Economic Summit Group”, which is a group of executives trying to ensure synergies between the private and public sector (NESG, 2018). Yet, another expert claims that only “those sectors are supported which have heavy lobbying” (Interviewee 2). This is confirmed the emphasized the need of “a big lever and potentially many overarching industries in order to make an issue a priority for the government” (Interviewee 8). Yet, once a political priority is set and it becomes a common target of influential individuals or companies and the government, it has a high potential of success (Interviewee 6) as seen in numerous cooperations between the public and private sector such as FrieslandCampina WAMCO’s Dairy Development Programme (DDP) (FrieslandCampina, 2018) or Arla’s Milky Way to Development (Care Denmark, 2015) and a stakeholder committee consisting of major dairy companies cooperating with the Federal Government to boost the local Nigerian dairy industry (Oyeyemi, 2018).

### *Corruption*

Secondary literature shows a serious corruption issue in Nigeria, hampering both consumer and business sentiment (Euromonitor International, 2017c). Coincidentally, Nigeria is ranked 148th of 180 in the corruption perception index (Transparency International, 2017).

The importance of the issue of corruption and facilitation fees is also stressed by an entrepreneur's opinion, saying that if a firm refuses to pay bribes and decides to do "*things by the book*", it will require more time (Interviewee 7).

### *Political disturbances*

Another major aspect of Nigeria's socio-political environment are political disturbances reaching from strikes to severe security issues. For instance, strikes at ports are significantly affecting storage cost as a lack of import reliability forces companies to increase their stock in order to anticipate delays in delivery (Interviewee 1). Furthermore, violent conflicts between herdsmen and farmers due to Boko Haram terrorist attacks have led to instability in North and East Nigeria (Financial Times, 2018).

Until the upcoming elections in 2019, these security issues are expected to increase (Euromonitor International, 2017) and potentially hamper policy continuity as well as foreign investments (PricewaterhouseCoopers Limited, 2017a).

### **4.1.3 Infrastructure**

The recent recession has negatively affected investments in Nigeria's infrastructure (Euromonitor International, 2017b), which led to transport cost which are "*10 times higher than in developed countries such as Germany*" (Interviewee 1). According to a retail executive bad road infrastructure does not only increase the production cost, but also prevents entire industries such as the dairy sector from developing and another interviewee adds that if "*the infrastructure is not in place, the [dairy] value chain cannot function*" (Interviewee 4).

According to the Nigeria Planning Commission, Nigeria requires infrastructure investments of \$2 trillion which corresponds to an increase of relative GDP spending in infrastructure between 4-6% (Euromonitor International, 2017).

Another infrastructural issue is the unreliable power supply. "[...] *reliability is a major issue. You cannot run a business without a backup generator*", as emphasized by an entrepreneur (Interviewee 7). An experienced executive explains that "*The power sector is privatized, but*

*still strongly regulated by the government, [...] Shareholders [...] are now suing the government for their regulation. This is a complete deadlock.”* (Interviewee 1). He further adds that *“Solar power could be an alternative but is not possible due to [extremely heated winds] which create a sort of dust over the solar panels and require a high level of maintenance which is not available yet”*.

Secondary data indicates the financial magnitude of the unreliable power supply. Cost of doing business would reduce by more than 30%, if there was stable power supply (Euromonitor International, 2017).

With regards to the specific case of the dairy industry analyzed in this study, the unreliable power supply leads to a lack of cooling systems and therefore, *“The major reason why the dairy industry is underdeveloped is power supply [...]”* (Interviewee 2). For this reason, an industry expert recommends, *“Dairy business concepts in Nigeria should be clustered locally to address the issue of poor infrastructure and transportation opportunities. The respective technology has to match the small-scale facilities and cannot be taken from developed markets.”* (Interviewee 4).

#### **4.1.4 Cultural System**

The federal republic of Nigeria consists of 36 states with an estimated population of 190M in 2017 (Dr. Celistine, 2015). This enormous population is ethnically extremely diverse and fragmented into more than 250 groups (Arla Foods, 2015). Empirical findings support the cultural dispersion of the market, confirming that *“Due to its extremely large population, Nigeria is made up of different nation in itself and has to be subdivided into clusters to address each region appropriately [...]”*, as pointed out by a Dairy Marketing Manager (Interviewee 4). This motivated the authors to focus on only empirical data that is relevant for the context of the Nigerian dairy value network.

Based on primary data findings from local Nigerian and Western European perceptions, one cultural value priority that underlies the general Nigerian market environment is the people’s relentless *“fight for survival”* (Interviewee 7), which is why *“The Nigerian mindset is [characterized by] the survival of the fittest. If you are not there, hustling, finding a way, you are going to get eaten.”* (Interviewee 1). Moreover, influenced by poor infrastructural and overall underdeveloped conditions in the Nigerian market, *“Everything is about solving problems. There is always a fire somewhere and Nigerians are used to solving the problem. Everything is kind of working. Not perfectly, but kind of.”* (Interviewee 7). This, he addsm

results in a “*very people-driven market*”, in terms of mutual support, a community focus and network-orientation, where “*partners are important*”. Therefore, “*Building trust with all stakeholder groups is crucial to access the market and develop it from within*” as an industry expert stresses (Interviewee 6).

Despite the universal orientation of the *general environment* category, in terms of cultural system aspects, the authors of this study find it relevant to mention dairy market specific cultural aspects as well. In this respect, “[...] *the traditional understanding of local farmers is that cows are not for milk production. Cows (meat) represent capital for BOP herdsman with no access to a financial system.*” (Interviewee 4). Consequently, “*to most farmers, traditionally milk is only a by-product from the cow besides the meat*” (Interviewee 1). For MNCs operating in the Nigerian dairy market this is considered “*a big challenge*” (Interviewee 6), but he adds that with “[...] *proper management an increase in local production would be rather easy since it is a technical issue.*”

Besides the issue of traditional farmers understanding of cow management, family dynamics are relevant to consider in terms of cultural aspects as well. As argued by market experts, “*Traditionally, milk is the responsibility of the women to feed the children. But the cows belong to the herdsman. These family dynamics are something MNCs have to understand and consider when addressing to cooperate with local farmers.*” (Interviewee 6).

#### **4.1.5 Technology**

With regards to technological opportunities and limitations, one noteworthy development is the extreme household mobile phone penetration, which accounted for 87% in 2015 with a rising trend (Euromonitor International, 2015). From a developed country perspective, one could have assumed for this to indicate a development towards e-commerce, however, this impressive number was found to be quite misleading, considering the fact that these phones are primarily used for text messaging and as a messaging promotional marketing tool (Nielsen, 2011). This is supported by a market insider’s stance stating that “[*he*] *thought when [*he*] came [to Nigeria] that e-commerce can be the next boom but that was 5 years ago. [...] Maybe in the next 10 years.*” (Interviewee 7). On the positive side, increasing mobile use has led to an increasing pace in information spread due to better connectivity and the culturally rooted communal lifestyle (Interviewee 4).

With respect to technological advancements in the dairy industry, empirical findings reveal that “*A big problem [currently] is to scale-up the production from local farmers.*”, as stated by a

dairy industry consultant (Interviewee 6). The use of proper equipment could serve as a means to increase productivity as it is regarded a cause for lower health and safety standards in the production process (Arla Foods, 2015). Industry experts emphasize that *“The respective technology has to match the small-scale facilities and cannot be taken from developed markets.”* (Interviewee 4) but should be *“[...] adjusted for small-scale production.”* (Interviewee 6).

#### **4.1.6 Regulative System**

According to the World Bank Group (2018) “Ease of doing business ranking”, Nigeria is on the 145th of 190 rang with regards to how favorable the national regulatory environment is to the starting and operation of a local firm (The World Bank, 2017). Collected expert data underlines this judgement as a Ministry Counsellor (Interviewee 8) emphasizes the long registration process for new products and a lack of law enforcement.

With regards to taxes, they are estimated at only 8% of GDP although the Sub-Saharan average is 6 times higher. This is 4th lowest tax-to-GDP ratio worldwide (PricewaterhouseCoopers LLP, 2017), providing a high potential of additional tax revenues. Therefore, the Nigerian government’s “recovery and growth plan” (2017) includes a planned increase of tax collection regarding non-oil revenues. Yet, the 15% target ratio is still below the average of Sub-Saharan Africa of 18%. This however, would require a strong law enforcement which is a serious challenge in Nigeria, especially in rural and informal areas (Interviewee 8). In urban areas, law enforcement is more active, yet still heavily compromised by corruption (Interviewee 1).

#### **4.1.7 Sustainability**

In the discussion of critical market environment factors, the issue of environmental sustainability considerations exists in the Nigerian dairy market as well but as the following findings will prove, it does not appear to be a relevant consideration until further development of the market in the long-term.

This is exemplified by an executive statement of the largest dairy producer in Africa, saying *“[Dairy producers] are filling the mouths of the people but this comes at the expense of the environment.”* (Interviewee 1). Similarly, he argues that *“Sustainability issues are - not yet - a major concern of government authorities.”*, mainly due to the fact that sustainable agriculture would require a skill level that currently cannot be met by local farmers. Even so, he adds that

sustainability concerns are likely addressed by MNCs in the market, required to comply with global standards.

However, for long-term success and establishment in the market, it is regarded vital to consider environmental issues as *“To succeed in this market, you should want to make it a business not just another CSR thing’.*” (Interviewee 6). Furthermore, sustainability not in terms of environmental sustainability but a sustainable market presence and value network development are considered vital for a company to establish itself in the market in the long-run (Arla Foods, 2015).

## **4.2 Value Network**

Empirical findings for the *value network* factors are structured according to the preliminary theoretical framework components based on Pels and Kidd (2012): *customer, distributor, competitor and supplier.*

With specific regards to the dairy value chain, Russel (1985) and Igwe (2002) overall divide the dairy industry into (1) the production of raw milk together with its processing and (2) the distribution of milk. A PwC study found more precisely that the Nigerian dairy value network consists of five relevant stakeholder groups: (1) local producers (pastoralists) and commercial producers, (2) local and commercial processors, (3) importing MNCs, (4) retailers and (5) consumers. This finding is supported by an industry expert emphasizing that *“the Nigerian value chain is not as simplistic as stated in textbooks, there is much more to it that needs to be understood”* (Interviewee 6).

### *A holistic network view*

Building on the above-mentioned understanding of the Nigerian dairy value network, primary data congruently revealed as a key finding that *“it is crucial to understand every part of the value [network] to get the full benefit”* (Interviewee 4). Further highlighting the interrelation of both the demand and supply side of the value network, *“you have to understand the consumers’ needs and then find a way to address them cost-efficiently”* (Interviewee 5). In the same sense a dairy industry consultant stresses that *“For sustainable success, MNCs have to develop and enhance the whole value network. All parts are strongly interlinked and cannot be considered separately.”* and further adds that only *“if the value [network] functions properly, businesses can benefit from the increasing value potential in the market”* (Interviewee 6). If

this is the case, he regards the dairy value network a lever to *“link business and rural development and therefore link company’s interests with the government’s interest”*.

But there is no universal approach to developing and benefitting from a value network since experts regard it inevitable to *“fully adapt to what the market conditions bring and use it in a way that creates value”* (Interviewee 1). As an additional finding in this context, experts pointed out that *“Things in this market take time. You cannot just take off in one part of the chain, then you will break the chain. You have to develop all parts at the same pace. Every part has to follow. But giving it the time will pay off.”* (Interviewee 6).

However, *“It is hard to control the whole value [network]. You need people you can trust.”*, as emphasized by an entrepreneur (Interviewee 7). This statement introduces the issue of trust as a second key finding of considerable importance in Nigerian market’s value network. In this sense, *“stakeholders across the value [network], from end-to-end, should sit around a table to discuss and solve issues together.”*, as suggested by the dairy industry consultant (Interviewee 6). Similarly, it was emphasized that cooperating with (local) partners can help to build trust and also comes with the benefit of potentially sharing the costs of large investments necessary to develop the market and benefit from its value potential (Interviewee 7).

#### *The role of competition*

Empirical findings unanimously stress that in the Nigerian dairy industry *“There is no competition [...]. As long as the market is as big as it is, there is enough room for everyone.”* (Interviewee 6).

Other experts even frame competition as an opportunity in the sense that *“Competitors can be a potential partner to foster development and reduce costs.”* and that *“Knowledge-sharing among competitors is valuable for a better market understanding of all players.”* (Interviewee 8).

However, despite the large market size and the potential that it provides for many competitors to co-exist, there is a permanent risk of competitors taking over a huge portion of market share when they address the critical mass better, at a more attractive price, as *“A company that addresses the critical mass right, has proven to be able to instantly rob market share from competitors.”* (Interviewee 4). Consequently companies *“track [their] competitors religiously”* to be able to adjust flexibly to the dynamic consumer market (Interviewee 1). Accordingly, an

experienced executive emphasizes that he “[does] not think that [he has] ever seen a more dynamic consumer market than [in Nigeria], so competitive for existing products. So far for [him], for not to lose sight, [he has] to be [there].” (Interviewee 1)

After identifying general key findings from a holistic perspective of the value network, the authors of this study will subsequently examine the findings for every stakeholder group from the preliminary framework’s categorization of *customer*, *distributor* and *supplier* in more detail.

#### **4.2.1 Consumers**

Secondary data states that there was an estimated annual consumption of 1.7M tons in 2016. Dairy consumption’s CAGR (compound annual growth rate) is expected to increase continuously after the economic recession, resulting in a CAGR of +4.7% for 2017-2020 compared to -3.0% from 2014-2017. (PricewaterhouseCoopers Limited, 2017b) Driven by the strongly increasing GDP, rising demography, urbanization and a growing middle class, industry experts expect the dairy industry, as the second biggest sector in the Nigerian economy, to experience a vast growth in demand. (Arla Foods, 2015) A dairy industry consultant supports this, outlining that *"From the demand perspective, Nigeria has a well-functioning market, where consumption is in place and rising."* (Interviewee 6).

However, this steep increase in consumption, it is noteworthy that Nigeria’s per capita dairy consumption is rather low at only 10 liters per person in relation to the African average of 28 liters per person. Hence, it is argued that the relevance of the Nigerian dairy market’s growth is mainly an opportunity of scope caused by an extremely large and growing population. (PricewaterhouseCoopers Limited, 2017b) These secondary findings are supported by primary data indicating that *"In terms of attractiveness for developing the dairy sector, Nigeria is not more attractive than Greenland or any other country. But it is the massive population (growth) which makes the market attractive for an MNC."* (Interviewee 6).

As discussed previously under *general environment*, the BOP is a critical driver of Nigeria’s tremendous growth in population. In terms of demand, it is important mentioning that this part of the population spends over 70% of their share of wallet on food and non-alcoholic beverages (Euromonitor International, 2018a). This underpins the enormous relevance of addressing the BOP for the dairy industry, as illustrated by an industry expert’s stance, *"Making a product affordable for the critical mass is key in Nigeria and consequently for a business to thrive."* (Interviewee 6). However, companies have to be aware that a large part of these customers buy



through informal markets and are not suited for commercial business models and formal trade (Euromonitor International, 2018a).

With regards to consumption preferences, region-based differences can be separated into (1) the traditional customer segment in Northern Nigeria, where milk has been culturally embedded as a nutritious product and (2) the developing middle class with better access to dairy products (Arla Foods, 2015). It is worth mentioning that the major part of dairy products in general (95%) is based on milk powder, which prevails in the Nigerian market mainly due to its high preservability but also traditional consumers' taste preferences (PricewaterhouseCoopers Limited, 2017b). Furthermore, the consumption of raw milk is not traditionally rooted in the Nigerian culture, due to the limited access to this product, a missing cooling system, infrastructure and storage (Arla Foods, 2015). This is regarded a considerable finding together with industry experts' supporting insights, among one stating that *"The critical mass only knows two kinds of milk - powdered and evaporated milk. Since birth, people are used to knowing milk in this form and taste, which they are used to. These specifics in consumer's preferences are important to consider when offering a new product."* (Dairy Sales Manager, Interviewee 5).

When it comes to general buying criteria, primary data reveals that for the critical mass (the BOP) in the Nigerian dairy segment, affordability is paramount since people live on a daily budget. This is exemplarily expressed by a consumer's assertion that out of *"two commodities [...], you have one that is tagged 1000 [NGN] and one more is tagged 999 [NGN], people go for the product that costs 999, without thinking."* (Interviewee 3) Therefore, *"price sensitivity makes or breaks businesses"* and *"to address the critical mass adequately, companies have been reducing product volumes to reduce prices and make products more accessible"* (Interviewee 4).

The African dairy producer Promasidor turned this into an advantage and introduced a smaller sized product, accessible at an extremely low price in late 2017 - so called "sachets" (Interviewee 1). Sachet products are regarded a revolution for the BOP of Nigerian dairy consumers and make dairy products available to the critical mass. (Interviewee 4)

Consequently, from a business perspective, executives assume that *"If you can keep prices low, there is a huge potential in this market for both, local and imported products."* (Interviewee 1). But at the same time, it is *"crucial to keep the costs of production low, so that products can be sold at an affordable price to the critical mass. Only this will enable the company to successfully benefit from the market's big volume and foster development of prosperity in the country."* (Interviewee 8).

Besides price, personal relationships fostering trust are a fundamental influence on consumers buying choices in the Nigerian market. Thus, *"word of mouth and a trusted person's recommendation is key for buying decisions and drives demand, especially in the informal sector"* (Interviewee 4).

#### **4.2.2 Distributors**

Two main categories of distribution channels exist in the Nigerian market, (1) traditional trade (informal) and (2) modern trade (formal) (Arla Foods, 2015).

Traditionally, distribution in Nigeria is rooted in the first category of informal trade which until today accounts for 95% of the market, based on revenues (Euromonitor International, 2017c). Traditional trade is characterized by direct sales of raw milk by small- and medium-scale farmers. In the food sector, about 70% of products are sold through informal trade (Euromonitor International, 2018). A Spar executive, supports this finding by stating *"The informal markets cover 95-97% of the retail markets. Open markets, traditional markets, that is the retail in Nigeria."* (Interviewee 2). For this reason, he adds, the commercial retail trade is not very penetrated, and stores currently cover only 2% of what would be needed to serve the growing part of the population above the poverty line.

The second category of formal trade is mostly represented by MNCs like FrieslandCampina, Promasidor and Nestlé capturing the majority of the market with operations across the country (Arla Foods, 2015).

The retail perspective is found to be directly linked to the customer's perspective, as in terms of meeting the demand of the mass' preferred products. In this sense, primary data reveals that *"UHT [milk] gives [retailers] value, powder and evaporated milk give [them their] volume."* (Interviewee 2). As outlined before, volume in terms of the enormous population (growth) is, what makes the Nigerian market exceptionally attractive. Accordingly, a Spar executive *"[...] wants to localize as much as [he] can because this is how [he] can get the volume, the masses. [...] [He] would much rather make 5% of a million, than make 100% of 500. Easy math!"* (Interviewee 2).

Despite the critical mass' deeply rooted trust in their community, word-of-mouth and informal trade (Interviewee 4), there is a growing trust in commercial retail products as *"big supermarket products often cheaper, [possess a] higher reliability"*, as a customer reflects (Interviewee 3).

From a *general environment* perspective, as mentioned above, an industry consultant judges that *"The distribution system in the milk value chain is underdeveloped due to infrastructural*

*and cooling issues.*" (Interviewee 6). This lacking market system for milk imposes a huge challenge on the dairy value chain as subsequently discussed in the context of the stakeholder group of suppliers (Arla Foods, 2015).

### **4.2.3 Suppliers**

Besides the increasing importance of the dairy sector for Nigeria, in relative comparison to Africa's average of 0.9M tons, secondary data reveals that the dairy production of 0.6M tons in Nigeria is fairly low and according to data from 2016 even the lowest in the world (PricewaterhouseCoopers Limited, 2017b). 95% of raw milk output is produced by local producers (traditional pastoralists). Due to a lack of infrastructure, storage and preservation opportunities, 80% of the total raw milk output has to be consumed directly and 15% are processed and then consumed without going through retailers. Consequently, only 5% of the local raw milk outputs are handled by commercial processors and sold through retailers as pasteurized or UHT evaporated milk, yogurt or ice cream (PricewaterhouseCoopers Limited, 2017b).

This highlights the crucial importance of especially local producers and processors in the current Nigerian dairy value chain. Furthermore, it gives reasoning for the large dairy imports (mainly milk powder which is further processed into other milk-based products) which have to fill the immense gap of 65% of consumption that cannot be met by local production. Reinforcing this, it was discovered that 80% of the issues in the dairy industry are rooted in the production segment, which makes this part of the value network the key for the development of the Nigerian dairy industry. (PricewaterhouseCoopers Limited, 2017b).

Even though 65% of increasing demand for dairy products are met by imports, there is extreme growth potential in the local dairy sector as only 2.3M out of 20M cattle in total is currently used for dairy production (Dr. Celistine, 2015). This demonstrates the current poor level of advancement of the Nigerian agricultural sector and correspondingly the dairy value chain, where a deficient infrastructure together with low investments and unfavorable government policies are hampering the growth potential of this sector (PricewaterhouseCoopers Limited, 2017b).

In the same notion, primary data further outlines that *"to produce something in [Nigeria], it is unbelievably hard because of the power supply"* (Interviewee 1) and that *"the biggest challenge in the dairy supply chain is to ensure constant supply, given the climate, infrastructural and cultural conditions for local herdsmen"* (Interviewee 4). Others argue that *"There is no place*

*in Nigeria where you could now produce milk locally in the amounts that are required to meet demand."* and it will take at least another five to ten years until milk powder imports can be outweighed by local production (Interviewee 8). Therefore, *"suppliers are bound to import raw milk powder due to the poor local conditions even though this is contra productive for the country's economic development"* (Interviewee 4).

Opposing opinions disregard this issue in the notion that *"This is not a zero-sum game. There is enough room for everybody [imports and local production]."* (Interviewee 6). Even more critical opinions regard the existence of milk powder imports as necessary due to the extreme underdevelopment of the Nigerian dairy sector in the sense that *"The return of the small farmer will hardly affect the large urbanized markets [...]. I believe there can be a coexistence, but it will never replace the need of powdered milk import."*, as stated by a Promasidor executive (Interviewee 1).

Besides contradictory opinions on milk powder imports, industry experts agree by common consent that *"Local production and processing are currently not in place in the Nigerian market."* and that *"This issue has to be solved for the market to be beneficial for MNCs in the long-term."* (Interviewee 6). One of the argued reasons is that *"It is crucial to develop the supply side of the Nigerian dairy value chain to be able to benefit from and further build the demand side (consumption)."* (Interviewee 6).

In line with this, processing experts argue that *"So far, increasing prosperity and therefore consumption has benefited the economy, but it could have a much greater effect if raw materials were sourced locally - for both, the economy and also MNCs through reduced costs."* (Interviewee 4).

Despite the need to localize, *"Local conditions for milk production are difficult and require large investments to develop the dairy sector to benefit both the country and MNCs."* (Interviewee 4). Besides the investments for MNCs, another vital issue to be addressed is that milk powder imports are cheap and therefore result in accessible prices for the critical mass, since *"The distribution of wealth is awful in Nigeria. There are a few rich people but a huge group of poor people that will never be able to afford the local milk. That is why imported milk is so important to sustain with the current income situation."* (Interviewee 6). Agreeing notions argue that since *"farmers do not have the infrastructure, the funds, the education to set up the farm for [the demanded] quantities, instead of reaching the full yield potential, they only reach 35% of it. This makes the prices three times higher than it could be."* (Interviewee 2). Therefore, *"political instruments [such as customs] will not function unless the conditions in the countries*

*for producing milk change. Otherwise, it will be the critical mass who pays the bills or cannot afford access to nutritional milk anymore”.* (Interviewee 8)

As a key finding, production has been identified by primary and also secondary findings as the crucial element within the highly underdeveloped dairy value chain and a driver to close the supply deficit. Furthermore, the findings commonly state that in order to foster the country’s economic development, the agricultural sector and subsequently the dairy sector requires immense investments to increase production and create value across crucial parts of the value network. Similarly, experts argue that the development of the dairy industry is directly linked to the population’s development. Hence, industry experts regard it crucial for the development of the dairy sector and the country to localize the supply chain and argue that *“BOP farmers [traditional herdsmen] are crucial to consider, as they represent a key component of the Nigerian dairy value chain. Sourcing locally will benefit the BOP and due to a multiplier effect have positive impacts on the entire economy.”* (Interviewee 5).

The above-mentioned aspects considered, providing raw materials domestically to foster local milk production is regarded one of the key challenges in the Nigerian dairy value network from a supply perspective (Interviewee 4). In this context, it is considered inevitable to adjust to what existing market conditions offer and work with it cost-efficiently (Interviewee 5) as to *“to build on what is there and leverage the existing conditions”* (Interviewee 8).

#### **4.2.4 Nigerian Dairy Industry Outlook**

Until today, the Nigerian dairy market has not experienced a major uplift as especially demonstrated by the still existing and continuously growing vast lack of supply. In the same sense, it is noteworthy that experts predict the market to require high investments but give caution that returns are not fast paced. Therefore, according to their judgement the dairy industry might take another 20-30 years to develop (PricewaterhouseCoopers Limited, 2017b). But at the same time, development is crucial and as previous efforts prove, there is no shortcut to development (Ogbimi & Oyawale, 2000). An Agriculture Ministry Counsellor support this prediction, estimating at least another 10-15 years until the local supply has a chance to become self-sufficient (Interviewee 8).

## 5. DISCUSSION

Before we discuss the conclusive findings, the previously developed preliminary framework will briefly be recapitulated, since it serves as the guiding construct of this section. Subsequently, the discussion will be structured according to how the empirical results confirm, revise or contradict elements of the preliminary framework. In a last step, based on the hereby developed findings, a final framework will be created.

### 5.1 The Preliminary Framework

As outlined in the theoretical study, the authors of this thesis decided to analyse the Nigerian dairy sector based on *external environment* factors. Following the framework of Hatch and Cunliffe (2016) as well as Pels and Kidd (2012) these external environment factors were divided in two categories, namely *general environment* and *task environment*, as visualized before in *Figure 6*. Furthermore, theoretical findings led to the assumption that specific factors within the general environment and the value network are more relevant than others. This will be further discussed in the following section.

### 5.2 External environment

The theoretical study suggested that MNCs need to go beyond local responsiveness in order to understand, leverage and build the external environment to successfully capitalize the value potential at the BOP (London & Hart, 2004). Therefore, understanding the complexity of emerging markets is a crucial first step for MNCs aiming to expand to emerging markets.

Empirical findings confirm the necessity of a profound understanding of the emerging market's unique environment as they are very different to what companies are used to in developed economies. For instance, interviewee 2 claims that *"If an approach worked in your home market, it does not say it will work here in Nigeria."* and interviewee 6 adds that *"In terms of attractiveness for developing the dairy sector, Nigeria is not more attractive than Greenland or any other country. But it is the massive population (growth) which makes the market attractive for an MNC."*

In addition, collected interview data emphasizes the relevance of local presence in order to fully understand emerging markets, as outlined by a Tetra Pak Sales Manager:

*You have to understand the environment and adjust flexibly to dynamically changing conditions. For these reasons, being present is key."*

Elaborating on his lessons learned out of multiple business creations, an Entrepreneur explains: *"It is too simple to sit back in Europe and look at what is happening in the country and say there is great potential."*

Although this finding does not lead to an adjustment of the preliminary framework, it is worth mentioning as local presence is a requirement for truly understanding all external environment factors and being able to react upon.

### **5.2.1 General environment**

Based on London et al. (2009), the authors of this thesis questioned the design of Pels and Kidd's (2012) framework to analyze emerging markets since it illustrates every general environment and value network factor as equally important. To prove or contradict this assumption, the individual importance of each external environment factor and how extensively it affects the dairy value network will be analyzed.

The theoretical study demonstrated that expanding to emerging markets and especially the bottom of the pyramid lead to large value opportunities but also value barriers (Prahalad, 2010). Both aspects, value opportunities and barriers regarding the dairy value network will serve as a structure for the following discussion of general environment factors of the preliminary framework. This approach serves selection criteria to fulfil the author's aim to identify the most crucial drivers in the emerging market framework. It is based on the assumption that, if the impact of value opportunities and/or barriers of one general environment factor on the value network is higher than another, the assumption of unequal importance within the general environment factors can be confirmed and the factor will be considered a driver.

### **Socio-economic system**

With regards to opportunities, authors such as Hart and Milstein (1999); London and Hart (2004) and Prahalad and Hammond (2002) have a similar focus on the great value potential of the large untapped and growing market at the BOP. This aspect is unanimously shared by all interview partners in the empirical study. The socio-economic potential does not lie in the individual consumer margins which are very low due to their price sensitivity, but in the

accumulation of a large growing number of consumers with a low margin potential. This is well summarized by the Spar Executive (Interviewee 2) who focuses his business activities on reaching new customers and hence “*enlarging the size of the pie*” instead of fighting for every individual customer of the “*existing pie*”.

Furthermore, the findings of the empirical study allowed a more detailed view on the socio-economic potential. Not only is the constantly increasing “size of the pie” driven by population growth based on longer life expectancy and high birth rates, but also is, according to the Promasidor executive and the Tetra Pak Dairy Marketing Manager, a young and more urban population a lever for new consumer patterns and hence new business opportunities.

With regards to barriers, reaching the BOP from a distribution perspective is very difficult, as 95% of the consumers do their shopping in traditional informal markets instead of formal supermarkets (Euromonitor International, 2016). The Spar executive (Interviewee 2) states “*Open markets, traditional markets, that is the retail in Nigeria*”, yet accessing them is very difficult as it is a “*margin game*” (Interviewee 7, Entrepreneur) and you need to “*find a way to address them cost-efficiently*” (Interviewee 5, Tetra Pak Sales Manager).

Furthermore, Interviewee 2 (Spar executive) explains that is very hard to find skilled labor, so that many firms have to invest time to train their staff or compete heavily with other firms to hire talents. Yet, this does not only affect larger companies, but also smaller businesses such as farmers who lack know-how to drive their production more efficiently. And even if level of education was sufficient, they often do not have access to financial markets and capital to scale up their businesses (Interviewee 8, Agriculture Ministry Counsellor).

To conclude, the authors of this study derive that the Nigeria’s Socio-economic factors have a significant overarching influence on the development of the dairy value network. They represent number, wealth and age on the demand side as well as skill level and access to capital on the production side.

### **Socio-political Governance**

With regards to opportunities within the Socio-political Governance, the empirical findings indicated a strong political agenda towards agriculture and especially dairy for both major parties. Therefore, we assume that the upcoming general election in 2019 will have no negative



impact on the governmental support of the dairy industry and successful projects such as the dairy development programme in Kaduna will be further supported. (Interviewee 8, Agriculture Ministry Counsellor)

Another aspect, challenge and opportunity equally depending on the size of the specific value network factor, is the way firms can influence political decision by lobbyism. Whereas the Spar Executive and the Promasidor Executive are already part of large business networks trying to establish synergies between private and public interest, unorganized industries can hardly influence political decisions as *“it [lobbyism] is a question of the highest bidder”* (Interviewee 2, Spar executive). Furthermore, this quote introduces another value barrier for the dairy industry, namely corruption. All interviewees commonly expressed the frequent occurrence of corruption and bribing which is illustrated by Nigeria’s low ranking (148th of 180) in the corruption perception index (Transparency International, 2017). Therefore, Interviewee 7 claims that going by the books is very time consuming compared to the fast yet little sustainable corruption (Interviewee 2, Spar Executive). Interviewee 1 (Promasidor Executive) further explains that transporting trucks are frequently stopped in order to pay bribes.

Furthermore, violent conflicts with the militant organization Boko Haram in North Nigeria and the rebellion of herdsmen in East Nigeria lead to instability and insecurity. The Dairy Industry Consultant (Interviewee 6) states that visiting dairy production sites in the north are always accompanied by military vehicles. In the upcoming year, security issues are expected to worsen due to instabilities linked to the general election.

To conclude, the socio-political governance has an overarching influence on the dairy industry since both opportunities (political agenda and lobbyism) and barriers (lobbyism, corruption and stability) are affecting the individual industries or the entire value network.

### **Infrastructure**

In the empirical study, no opportunities for the dairy industry could be identified with regards to infrastructure.

In contrast, empirical data indicates a low quality of the Nigerian infrastructure which represents a significant value barrier to the development of the dairy industry.

First, the low road quality across the country leads to a strong increase in transportation cost as outlined by interviewee 1 and hence prevents the entire value network from functioning

(Interviewee 2, Spar Executive). In total, the Nigerian government accumulated an investment backlog of \$2 trillion in infrastructure. Therefore, the Agriculture Ministry Counsellor argues that firms need to circumvent the bad road quality by focusing on local small-scale.

The second relevant value barrier linked to infrastructure is the unreliability in power supply, leading to an increase of production cost by more than 30% (Euromonitor International, 2017). The unreliable power supply and the resulting lack of cooling affect both producers and consumer as it leads to spoilage of raw milk at the farm (Interviewee 8, Agriculture Ministry Counsellor) and a substitution of UHT milk by powdered and evaporated milk (Interviewee 2, Spar executive). UHT milk would quickly spoil after opening the pack whereas evaporated milk and milk powder provide a longer shelf life (PricewaterhouseCoopers Limited, 2017b).

To conclude, Nigeria's infrastructure value barriers have a strong negative influence on the development of the dairy value chain.

## **Cultural System**

As a clear opportunity, all empirical findings point towards the notable drive of the Nigerian people, motivated by their *“fight for survival”* as an entrepreneur describes (Interviewee 7). This is enhanced by their relentless willingness to solve problems and find solutions, since *“[...] Everything is kind of working. Not perfectly, but kind of.”*, as he further argues. This leads to a people-driven market, where relationships, partners and trust are regarded an important lever to success (Interviewee 7).

Despite the upsides, there are also considerable barriers in the Nigerian cultural system, especially when it comes to cow management and production, hindering the market from developing. Since *“[...] the traditional understanding of local farmers is that cows are not for milk production, cows (meat) represent capital for BOP herdsman with no access to a financial system.”*, as a dairy industry consultant claims. For MNCs operating in the Nigerian dairy market he regards this *“a big challenge”*. (Interviewee 6)

As a second barrier, empirical findings motivated by dairy industry experts emphasize the considerable importance of culturally rooted family dynamics. They argue that *“Traditionally, milk is the responsibility of the women to feed the children. But the cows belong to the herdsman. These family dynamics are something MNCs have to understand and consider when addressing to cooperate with local farmers.”* (Interviewee 6).

To conclude, it was proven that the cultural system has an influence on the dairy industry, especially in terms of barriers that are negatively affecting the supply side of the value network. Despite the production barriers, opportunities are assumed to affect the dairy value network, but not more than any other industry. The significance of the barriers' influence however lets the authors assume that the cultural system should primarily be considered by MNCs entering the Nigerian dairy market.

### **Regulative System**

Nigeria has the 4th lowest tax-to-GDP ratio worldwide (PricewaterhouseCoopers LLP, 2017). This is a clear opportunity for companies operating in Nigeria. Although there are further plans to increase this ratio in the government's "recovery and growth plan" (2017). Nevertheless, the envisaged 15% ratio is still below the average of Sub-Saharan Africa of 18% and hence still provides an opportunity for firms within the dairy value network. (PricewaterhouseCoopers LLP, 2017) Yet, the poor law enforcement especially in rural areas as outlined by interviewee 8 will make it hard to implement this increase since tax increases will mostly target non-oil revenues which is mostly driven by agriculture. (PricewaterhouseCoopers Limited, 2017)

Nevertheless, the fact that Nigeria is on the 145th of 190 rang of the World Bank's "Ease of doing business ranking" illustrates a value barrier to the development of the dairy sector. The ranking covers inter alia aspects such as "Getting credit", "Getting electricity" and "Trading across borders". Yet, current reforms in Nigeria will affect the ranking positively. (The World Bank, 2017)

To conclude, the tax environment could provide an opportunity depending on the dairy specific tax legislation that will be made in the upcoming years. Yet, the low ease of doing business ranking illustrates a clear value barrier. Nevertheless, this is partially driven by Socio-economic (Getting credit) and infrastructure (Getting electricity) factors and current reforms are expected to increase the rank. Therefore, we assign a less overarching influence to the regulative systems than for instance to the Infrastructure factor.

## **Technology**

With regards to opportunities, the empirical findings showed that the mobile phone household penetration of 87% (Euromonitor International, 2015) can be misleading concerning its business potential. Most of the Nigerians use their phones for offline messaging (Nielsen, 2011). This does not claim that there is no potential in the increasing mobile phone penetration, but it might still take 10 additional years until e-commerce kicks off, as stated by the Entrepreneur (Interviewee 7).

A major challenge and opportunity for the development of the dairy industry is represented by the underdevelopment of dairy processing equipment which prevents progress in productivity and hygiene (Arla Foods, 2015). However, this is strongly dependent on further improvements in power supply (Infrastructure), education and access to capital (Socio-economic system).

Above all, we conclude that the influence technology factors have on the dairy value network is little as the e-commerce development is still uncertain and the processing strongly depends on other general environment factors.

## **Sustainability**

An agricultural ministry counsellor that “*Sustainability issues are - not yet - a major concern of government authorities.*”, mainly due to the fact that sustainable agriculture would require a skill level that currently cannot be met by local farmers (Interviewee 8). This demonstrates the strong link between the socio-political governance and sustainability factors, but also highlights the time component of this factor of having future relevance - but not current. Once relevant, sustainability can be seen as a regulative barrier or an opportunity in terms of environmental sustainability or a sustainable market presence. The latter and the value network development are considered vital for a company to establish itself in the market in the long-run (Arla Foods, 2015).

To conclude, the issue of environmental sustainability considerations exists in the Nigerian dairy market as well but as the previous findings proved, it does not appear to be a relevant consideration until further development of the market in the long-term. It is assumed to have an impact on the value network but as the empirical findings prove this is not of relevance right now.

## Conclusion

Looking at the empirical findings of every single general environment factor, it can be confirmed that *not* all environment factors are equally important in Nigeria. The factors (1) *Socio-economic system*, (2) *Socio-political governance*, (3) *Infrastructure* and 4) *Cultural system* are considered to be more relevant for the development of the dairy industry than (5) *Regulative System*, (6) *Technology* and (7) *Sustainability*. The different importance of both groups of general environment factors will be considered in the final framework.

### 5.2.2 Value Network

As previously mentioned in the theoretical study, we support the notion of the interrelation of value network factors as argued by Pels and Kidd (2012) in their original framework as well as Stabell and Fjelstad (1998) in their value network concept. Therefore, the collective importance of considering the Nigerian dairy industry's value network and its potential interrelations will be discussed in the following with the additional aim to develop a deeper understanding of this study's problem and the value network factors in the Nigerian dairy value network.

First and foremost, secondary data revealed that the Nigerian dairy value network consists of more than the three components (customer, distributor and supplier) that were identified in the preliminary framework. More precisely, the Nigerian dairy value network consists of five relevant stakeholder groups: (1) local producers (pastoralists) and commercial producers, (2) local and commercial processors, (3) importing MNCs, (4) retailers and (5) consumers. These stakeholder groups fit into the general categorization by Pels and Kidd (2012) but define the individual factors in more depth. In this sense, the stakeholder group of suppliers in the Nigerian dairy sector is expanded to consist of (1) local producers (pastoralists) and commercial producers, (2) local and commercial processors and (3) importing MNCs. This finding is supported by an interviewed industry expert emphasizing that "*the Nigerian value chain is not as simplistic as stated in textbooks, there is much more to it that needs to be understood*" (Interviewee 6).

The extension of value network components will be considered in the later adjustment of the preliminary framework.

## **Understanding the value network in its entirety**

Empirical findings confirm the network-orientation of industry value factors as theoretically grounded by Stabell and Fjelstad (1998), arguing that:

*“For sustainable success, MNCs have to develop and enhance the whole value network. All parts are strongly interlinked and cannot be considered separately.”*

(Interviewee 6, Dairy Industry Consultant).

Further, this statement proves the interrelation of all factors in concordance with Pels and Kidd (2012).

Additionally, it clearly emphasizes the requirement to consider the Nigerian dairy value network in its entirety, also supported by a Tetra Pak Dairy Marketing Manager’s claim that *“it is crucial to understand every part of the value [network] to get the full benefit”* (Interviewee, 4). Despite the before mentioned congruent findings between theory and empirical evidence, we regard this new insight a relevant contribution of this study since, motivated by the theoretical findings, we originally strived for prioritization and to identify the driving factors in both the general environment and value network. Furthermore, secondary sources in the theoretical findings highlighted the production/ supply element of the value network as the crucial driver. (PricewaterhouseCoopers Limited, 2017b)

However, we now conclude that there is not one driving factor in the Nigerian dairy value network and recognize the necessity to understand the value network in its entirety. This defeats the initial goal to discuss each of the value network factors in more detail to identify the crucial one.

Consequently, we argue that the findings elaborated in 4. *Empirical Results* serve to increase the understanding of each factor in the Nigerian dairy value network but are not discussed further in depth at this point. On the other hand, holistically analyzing the relatedness of the factors more in depth supports the newly gained insight that all three factors, consumers, distributors and suppliers, are interrelated. To demonstrate this, we briefly highlight one example for each interrelation:

### **Consumer - Distributor**

The retail perspective is found to be directly depending on the customer's perspective, in terms of meeting the demand of the mass' preferred products (powder and evaporated milk) and addressing them adequately with 95% of products being sold through informal trade: "*UHT [milk] gives [retailers] value, powder and evaporated milk give [them their] volume.*" and secondly "*The informal markets cover 95-97% of the retail markets. Open markets, traditional markets, that is the retail in Nigeria.*", as emphasized by a Spar Executive. (Interviewee 2)

### **Distributor - Supplier**

A dairy industry consultant stresses that "The distribution system in the milk value chain is underdeveloped due to infrastructural and cooling issues." (Interviewee 6). Therefore, this lacking market system for milk imposes a huge challenge on the dairy supply (Arla Foods, 2015).

### **Consumer - Supplier**

A Tetra Pak Sales Manager considers it inevitable "*to understand the consumers' needs and then find a way to address them cost-efficiently*", as a means to stay profitable and develop the critical mass (Interviewee 5). Reversely, "*It is crucial to develop the supply side of the Nigerian dairy value chain to be able to benefit from and further build the demand side (consumption).*", as argued by a dairy industry consultant (Interviewee 6).

More broadly linking the value network with the surrounding general environment, a dairy industry consultant confirms the expected interrelation between value network and general environment factors with his statement. He regards the Nigerian dairy value network a lever to "*link business and rural development and therefore link company's interests with the government's interest*" and moreover "*if the value [network] functions properly, businesses can benefit from the increasing value potential in the market*" (Interviewee 6). This insight adds to the existing theoretical knowledge behind the preliminary framework, that not just are external environment and value network interrelated but also can the value network function as a lever to influence the development of the general market environment.

An agriculture ministry counsellor adds to this discussion that in this context it is crucial to “*fully adapt to what the market conditions bring and use it in a way that creates value*” (Interviewee 8). This extends the finding of relatedness between general environment and value network for two aspects: (1) it is crucial to understand and leverage (not circumvent) existing conditions in the general environment and (2) only this way MNCs can create value within the value network.

To conclude, we acknowledge that theoretical and empirical findings by common consent prove the value network’s interrelation in itself and with the general environment and the need to understand and leverage existing general environment conditions to create value within the Nigerian dairy value network. As a newly discovered insight, the crucial consideration of the network in its entirety, instead of identifying a driving component was discovered.

### **Benefits of industry partnerships**

Complying with the context of networks, Wright et al. (2005) emphasize the special importance of industry partnerships to stabilize the volatile institutional frame in emerging markets. This theoretical finding is confirmed by a dairy industry consultant emphasizing “*stakeholders across the value [network], from end-to-end, should sit around a table to discuss and solve issues together.*” (Interviewee 6). Similarly, an entrepreneur stressed that cooperating with (local) partners can help to build trust and also comes with the benefit of potentially sharing the costs of large investments necessary to develop the market and benefit from its value potential (Interviewee 7).

It becomes evident that empirical findings confirm the theoretically motivated importance of partnerships. This special understanding of players within the value network leads us to the discussion of the competitive landscape.

### **Unique understanding of competition**

Hammond et al. (2008) regard emerging markets rather non-competitive. The notion of a dairy industry consultant supports this finding stressing that “*There is no competition [...]. As long as the market is as big as it is, there is enough room for everyone.*” (Interviewee 6). Regarding



competition an opportunity, Adedokun (2009) found that there can even be group-based advantages as well as an overall increase in competitiveness (Garelli, 2003). This is confirmed by an agriculture ministry counsellor claiming that “*Competitors can be a potential partner to foster development and reduce costs.*” and that “*Knowledge-sharing among competitors is valuable for a better market understanding of all players.*” (Interviewee 8).

However, Glen et al. (1990) emphasize, this does not mean that there is no rivalry in the Nigerian industry, which is in line with empirical findings from a Promasidor executive asserting that they “*track [their] competitors religiously*” (Interviewee 1) and a Tetra Pak dairy Marketing Manager demonstrating the intense market dynamics in the sense that “*A company that addresses the critical mass right, has proven to be able to instantly rob market share from competitors.*” (Interviewee 4).

These confirmatory findings from theory and practice promote our adjustment in the preliminary framework to regard competitors as superordinate element in the value network, relevant at all parts, as a potential partner or rival.

## **Conclusion**

Concludingly, the empirical data on the value network overall supports our theoretical findings. However, due to the nature of a case study approach, it provided additional practical insights that lead to adjustments in our preliminary framework. Consequently, the revised theoretical framework includes an extended value network to include all elements of the Nigerian dairy value chain and as a new insight considers all of its components relevant in their entirety.

### 5.3 Final Framework

Visualized, the final framework for analysing the external environment in emerging markets looks as follows:

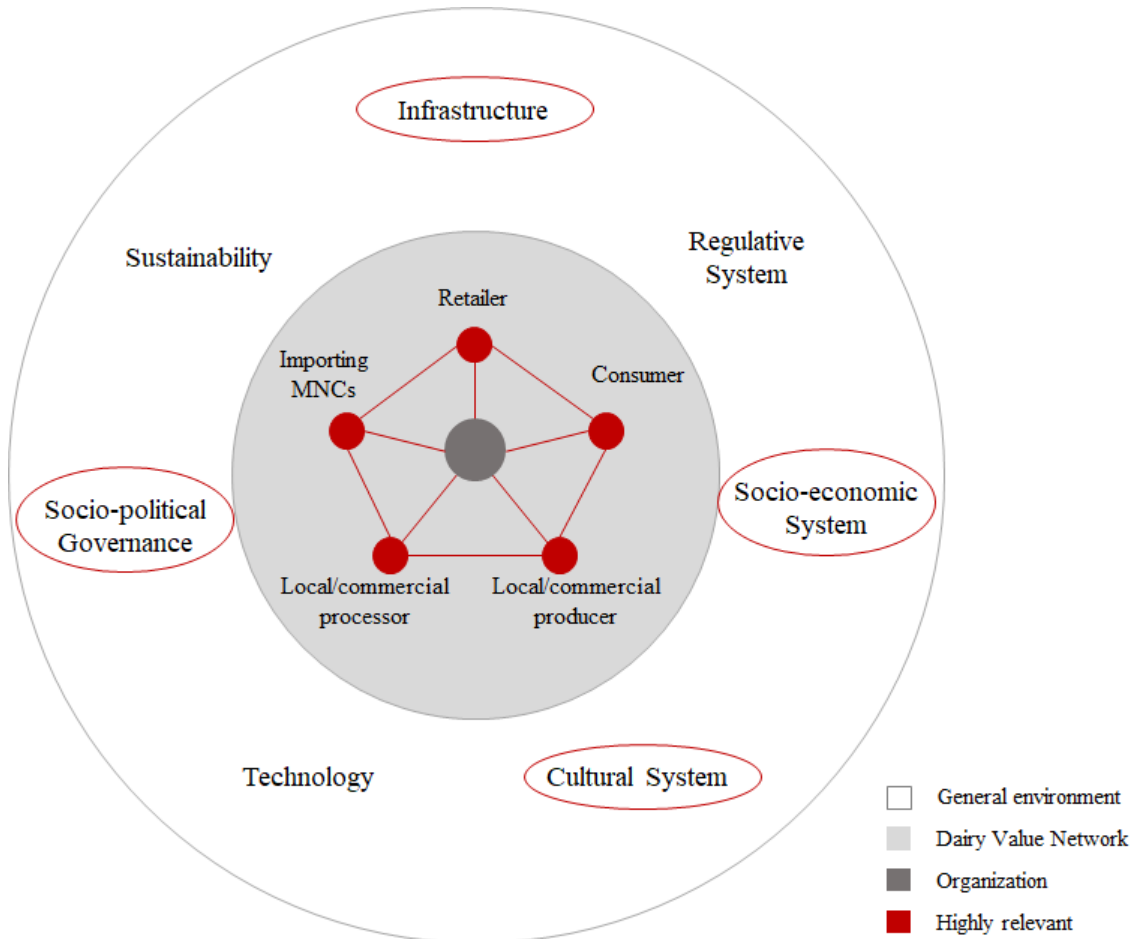


Figure 9: External environment framework for the Nigerian dairy sector (own compilation, adjusted from Hatch and Cunliffe (2006); Pels and Kidd (2012))

Key insights for both elements of the framework, the general environment and value network, are briefly discussed in the following.

#### General Environment

The major outcome of the empirical study about Nigeria's general environment was that the empirical data confirmed our theoretical findings as all interviewees considered the seven general environment factors to be relevant.

In addition, the assumption that all general environment factors are not equally important was confirmed. In fact, four of the seven general environment facts are more influential with regards

to the development of the dairy industry. Therefore, firms aiming to expand to Nigeria need to put special emphasis on these factors.

### **Value Network**

As a central outcome of the Nigerian dairy industry's value network analysis, we conclude that overall the empirical data supports our theoretical findings. In this sense, it was proven that the Nigerian dairy industry can be described as a value network of interrelated elements, rather than a value chain. Furthermore, competition was confirmed to be a superordinate element, relevant at all parts of the network and the importance of industry partnerships was emphasized.

Moreover, the analysis provided additional practical insights increasing the understanding of each component in the Nigerian dairy value network and their interrelations.

Finally, due to the high interdependencies between the value network factors, it was discovered that all value network factors are equally important. In contrast to the finding for the general environment, MNCs should *not* prioritize specific elements of the value network as it is important in its entirety.

## **6. CONCLUSION**

For their rapid growth rates, an emerging middle class, extremely large populations and resulting value potential, emerging markets are regarded “the biggest growth opportunity in the history of capitalism” (McKinsey & Company, 2012). Accordingly, internationalizing MNCs driven by the saturation of developed markets (IMF, 2017) and global strategy research have progressively focused on understanding the specifics of emerging markets (London & Hart, 2004; Meyer, 2004; Ramamurti, 2004; Ricart, et al., 2004). However, one of the most influential approaches to internationalization strategies (Rugman, 2002), the Transnational Model (Bartlett & Ghoshal, 1989), and its evolutionary development by London and Hart (2004) tailored towards the specific requirements of MNCs expanding to emerging markets, with special consideration of the BOP, were recognized to lack empirical contributions. Further, neglecting an external market orientation, they failed to give clear implications for MNCs of how to adequately analyze an emerging market for internationalization, as criticized in this study. Theoretical findings (London & Hart, 2004; Wright, et al., 2005) pointing towards the need to understand, leverage and in an integrative way develop the emerging market’s specific context, motivated the authors together with the previously mentioned limitations, to strive for the development of an analysis framework for emerging markets to complement the Transnational Model approach within this study.

### **6.1 Research Aims**

Consequently, the aim of this study was to develop an emerging market framework defining relevant external environment factors and hereby increasing the understanding of the complexity of emerging economies for MNCs, with special consideration of the BOP. In this sense, the empirically and scientifically highly relevant but poorly understood problem of which driving factors to leverage for an MNC to capture emerging economies’ potential was addressed. As the following assessment of our research objectives will demonstrate, this aim was adequately attained through the empirical findings of this study.

### **6.2 Research Objectives**

In line with the overall aim, this study had the objective to answer the research question of *which external environment factors MNCs should consider for internationalization to emerging markets* and to depict the findings in an emerging market analysis framework.

As the following conclusions will outline, this objective was met through the achievement of three subordinate objectives.

The first objective, to complement the Transnational Model (Bartlett & Ghoshal, 1989) and its extension by London and Hart (2004) with an external environment analysis framework for emerging markets, was fulfilled through the development of our final framework. It was the outcome of reviewing theoretical findings which were amplified with empirical findings, leading to the definition of external environment factors for the analysis of emerging markets.

To meet the second objective, we aimed to identify considerable external environment factors with special consideration of the BOP. Based on Pels and Kidd (2012), we performed three considerable adjustments based on additional theoretical findings, which were proven to be confirmed by empirical data. Namely, these were: (1) *Sustainability* was added to complement the general environment factors, the category task environment was renamed to *value network*, (3) the value network was reduced from four to three factors - *competitor* becomes an integral part of the three remaining factors and is regarded a superordinate element of primarily partnership.

To achieve the third objective, we analysed the theoretical findings in the case of the Nigerian dairy market and with rich data assessed their individual relevance. As an additional outcome, the analysis provided further practical insights increasing the understanding of each factor in Nigeria's general environment and its dairy value network. It was discovered that Nigeria's general environment allows a prioritization of several crucial factors whereas with regards to the value network, all factors are equally important.

### **6.3 Practical Implications**

Despite the evident value potential of emerging countries for MNCs, the empirical problematization of this study highlighted that until today the major part of this potential remains untapped. Part of the reason are rather standardized approaches or minor local adjustments to existing business strategies in developed countries, that fail to succeed in emerging ones.

Therefore, the emerging market analysis framework of this study is considered a guiding analysis tool for MNCs and respective managers to develop an increased understanding of an emerging market and identify key aspects which should be considered before a potential expansion. However, it is advised that MNC managers regard the framework of this study as a guide, not a rulebook for internationalization to emerging markets. The reason lies in the limited

applicability of the herein studied specific case of the Nigerian dairy market. MNCs expanding to the same market but a different industry can employ the general environment implications but should reconsider the industry analysis. MNCs expanding to other emerging markets can take the specific findings of the Nigerian dairy market framework as an impulse to think about certain issues but are highly recommended to use the preliminary framework as a guide and reconstruct the specific framework for the respective market and industry.

Despite the need to adjust the framework to different emerging markets and industries, there is still a general notion we want to emphasize for practitioners. As a key practical implication, we therefore want to stress the importance to use this framework for understanding the specifics of an emerging market and the respective industry and use the insights to leverage and develop existing conditions to benefit from the full value potential.

#### **6.4 Research Limitations**

As mentioned in the previous chapter, the revised and expanded external environment framework for emerging markets, based on significant insights about the Nigerian dairy market, addresses the purpose of this study effectively. However, four major limitations have been identified in the process of this study.

First, due to the deployment of a single in-depth case study, the case selection had to be as narrow as possible in order to sufficiently analyze the complex general environment and value network of one country and industry respectively. Thus, the generalizability of the final framework to other emerging markets or industries is limited.

Second, this study applied purposeful sampling in order to reach out to specific relevant players in the Nigerian general environment and dairy industry value network. As the access to local contacts in Nigeria was difficult, snowball sampling was used to benefit from the network of already confirmed interviewees. Therefore, subjectivity influenced the interviewee selection and the resulting empirical findings. In addition, the small sample size compared to the complexity of the framework may have led to a reduced data validity.

Third, this study developed a framework for analyzing the external environment of the firm. Therefore, internal environment of the firm and potential interdependencies to the external environment were not analyzed in this study.

Fourth, the findings about the Nigerian dairy industry and its environment are used to adjust the preliminary theoretical framework. The authors make no overarching claim about the attractivity of the Nigerian Dairy industry for MNCs.

## **6.5 Future Research**

Based on the theoretical and empirical findings as well as the above-mentioned limitations, there are multiple points of departure for future research.

First, as outlined in the research limitations, generalizability of the final external environment framework to other emerging markets is limited. Therefore, the authors of this study primarily recommend that the final framework should be applied to (1) other industries in Nigeria in order to confirm the general environment factors of this study and identify country-specific value network patterns or (2) other emerging markets in order to identify general environment or value network patterns for all emerging markets. It would be worth to shed light on whether companies can learn from experiences expanding to other emerging countries with similar external environment.

Second, the empirical study of this thesis found out that every element of Nigeria's value network is equally important as the underdevelopment of each element prevents other elements from growing. Therefore, the entire value network has to grow at the same pace to develop its full value potential. The authors of this study recommend providing further empirical validation and analyse whether this finding can be generalized to other underdeveloped dairy value networks in different emerging markets.

Third, this study collected a great amount of data about the Nigerian dairy industry as well as its general environment. Further research could make use of this data and this study's findings illustrated in the final framework to evaluate Nigeria's market attractiveness for dairy companies and to develop a tailor-made market entry strategy.

## **Bibliography**

- Adelakun, A., 2009. Enhancing Nigerian Competitiveness in the Global Economy Through Strategic Alliances. *Economics & Management*, pp. 649-654.
- Aguilar, F., 1967. *Scanning the business environment*. New York: Macmillan.
- Andersson, U., Forsgren, M. & Holm, U., 2002. The strategic impact of external networks: subsidiary performance and competence development in the multinational corporation. *Strategic Management Journal*, 23(11), pp. 979-996.
- Arla Foods, 2015. *Human Rights Assessment in Nigeria*, s.l.: s.n.
- Arnold, D. & Quelch, J., 1998. New strategies in emerging markets. *Sloan Management Review*, 40, pp. 7-21.
- Barney, J., 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), pp. 99-120.
- Bartlett, C. A. & Ghoshal, S., 2002. *Managing Across Borders: The Transnational Solution*. 2 ed. Boston: Harvard Business School Press.
- Bartlett, C. & Ghoshal, S., 1989. *Managing Across Borders: The Transnational Solution*. Boston: Harvard Business School Press.
- Barungi, B., Odhiambo, O. & Asogwa, R., 2017. *African Economic Outlook - Nigeria 2017*, Nigeria: AfDB, OECD, UNDP.
- Bruni Celli, J., González, R. & Lozano, G., 2010. Market Initiatives of Large Companies Serving Low-Income Sectors.. In: E. Reficco & G. Berger, eds. *Socially Inclusive Business. Engaging in the poor through market initiatives in Iberoamerica*. Cambridge: Harvard University Press, pp. 27-62.
- Bruton, G. et al., 2013. ENTREPRENEURSHIP AND STRATEGY IN EMERGING ECONOMIES. *Strategic Entrepreneurship Journal*, 7, pp. 169-180.
- Burgess, S. M. & Steenkamp, J.-B., 2006. Marketing Renaissance: How Research in Emerging Markets Advances Marketing Science and Practice. *International Journal of Research in Marketing*, December, pp. 337-356.
- Byrman, A. & Bell, E., 2015. *Business Research Methods*. Oxford: Oxford University Press.



- Care Denmark, 2015. *Project Description - the Milky Way to Development*. [Online] Available at: <http://www.care.dk/artikel/project-description-the-milky-way-to-development/> [Accessed 15 May 2018].
- Chambers, R., 1997. *Whose Reality Counts?*. London: ITDG Publishing.
- Coase, R., 1998. The New Institutional Economics. *The American Economic Review*, 88(2), pp. 72-74.
- Collins, J., 2018. *Nigeria Economic Outlook in 2018*, s.l.: Business Council for Africa.
- Creswell, J., 2013. *Qualitative Inquiry and Research Design: Choosing Among Five Approaches*. 3 ed. Washington D.C.: Sage.
- Dasgupta, P. & Mäler, K., 2000. *The Environment and Emerging Development Issues*. 2 ed. Oxford: Oxford University Press.
- Dawar, N. & Chattopadhyay, A., 2002. Rethinking marketing programs for emerging markets. *Long Range Planning*, 35, pp. 457-474.
- de Soto, H., 2000. *The mystery of capital: why capitalism triumphs in the West and fails everywhere else*. New York: Basic Books.
- Dill, W., 1958. Environment as an Influence on Managerial Autonomy. *Administrative Science Quarterly*, March, pp. 409-443.
- Dr. Celistine, A., 2015. *Dairy Sector in Nigeria - An Overview*, Nigeria: Business Innovation Facility.
- Duncan, R., 1972. Characteristics of Organizational Environments and Perceived Environmental Uncertainty. *Administrative Science Quarterly*, 17(3), pp. 313-327.
- Euromonitor International, 2015. *Technology Nigeria: Emerging Middle Class drives E-commerce Growth*, s.l.: s.n.
- Euromonitor International, 2016a. *Unlocking potential at the BOP of emerging markets*, s.l.: s.n.
- Euromonitor International, 2016. *Top 3 BOP markets in Africa*, s.l.: s.n.
- Euromonitor International, 2017a. *Drinking milk products*, s.l.: s.n.
- Euromonitor International, 2017b. *Economy, Finance and Trade*, s.l.: s.n.
- Euromonitor International, 2017c. *Finance and Trade: Nigeria*, s.l.: s.n.

- Euromonitor International, 2017. *Country profile Nigeria*, s.l.: s.n.
- Euromonitor International, 2017d. *Income and expenditure*, s.l.: s.n.
- Euromonitor International, 2018a. *Spotlight on important BOP markets*, s.l.: s.n.
- Euromonitor International, 2018. *Dairy in Nigeria - country report*, s.l.: s.n.
- Fahey, L. & Narayanan, V., 1986. *Macroenvironmental Analysis for Strategic Management (The West Series in Strategic Management)*. St. Paul, Minnesota: West Publishing Company.
- Ferreira, M., 2011. A bibliometric study of Ghoshal's managing across borders. *Multinational Business Review*, April, pp. 357-375.
- Financial Times, 2018. *Killer herdsmen blamed for wave of deadly Nigeria clashes*. [Online] Available at: <https://www.ft.com/content/02da0292-3268-11e8-b5bf-23cb17fd1498> [Accessed 18 April 2018].
- Fiorini, R. et al., 2013. *Africa's growing giant: Nigeria's new retail economy*. [Online] Available at: <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/africas-growing-giant-nigerias-new-retail-economy> [Accessed 26 April 2018].
- FrieslandCampina, 2018. *Dairy Development in Nigeria*. [Online] Available at: <https://www.frieslandcampina.com.ng/sustainability/dairy-development/> [Accessed 15 May 2018].
- Garelli, S., 2003. Competitive of nations: the fundamentals. In: I. I. f. M. Development, ed. *IMD World Copmetitive Yearbook 2003*. Switzerland: s.n.
- Gradl, C., Sahba, S., Bootsman, A. & Augustine, G., 2008. Understating the Markets of the Poor. A Market System Approach to Inclusive Business Models. In: P. Kandachar & M. Halme, eds. *Sustainability Challenges and Solutions at the Bottom of the Pyramid*. Sheffield: Greenleaf Publishing Limited, pp. 30-50.
- Hammond, A., 1998. *Which World - Scenarios for the 21st Century*. Washington D.C.: Island Press.
- Hammond, A. et al., 2007. *The next four billion: market size and business strategy at the base of the pyramid.*, Washington D.C.: World Resources Institute and International Finance Corporation.
- Hammond, A. et al., 2008. *Next 4 Billion : Characterizing BoP Markets*, Washington D.C.: World Bank.

- Hart, S. & Christensen, C., 2002. The great leap: driving innovation from the base of the pyramid. *Sloan Management Review*, 44(1), pp. 51-56.
- Hart, S. & Milstein, M., 1999. Global sustainability and the creative destruction of industries. *Sloan Management Review*, 41(1), pp. 23-33.
- Hart, S. & Sharma, S., 2004. Engaging fringe stakeholders for competitive imagination. *Academy of Management Executive*, 18(1), pp. 7-18.
- Harzing, A.-W., 2000. An Empirical Analysis and Extension of the Bartlett and Ghoshal Typology of Multinational Companies. *Journal of International Business Studies*, pp. 101-120.
- Hatch, M. & Cunliffe, A., 2006. *Organization Theory: Modern, Symbolic, and Postmodern Perspectives*. 2 ed. New York: Oxford University Press.
- Heidenreich, M., 2012. The Social Embeddedness of Multinational Companies: A Literature Review. *Socio-Economic Review*, July, pp. 549-579.
- Hoskisson, R. E., Eden, L., Lau, C. M. & Wright, M., 2000. Strategy in Emerging Economies. *Academy of Management Journal*, Vol. 43, pp. 249-267.
- Igwe, E., 2002. The adoption of appropriate technology for dairy processing by Fulani nomads in Nigeria. *Journal of Nomadic Studies*, pp. 61-66.
- IMF, 2017. *World Economic Outlook: Seeing Sustainable Growth - Short-term Recovery, Long-term Challenges*, s.l.: s.n.
- International Monetary Fund, 2018. *World Economic Outlook Database January 2018*. [Online]  
Available at: <http://www.imf.org/external/ns/cs.aspx?id=28>  
[Accessed 18 April 2018].
- Jackson, P., Easterby-Smith, M. & Thorpe, R., 2015. *Management and Business Research*. 5 ed. London: Sage.
- Kahnemann, D., Lovallo, D. & Sibony, O., 2011. Before You Make That Big Decision. *Harvard Business Review*, 6, pp. 50-60.
- Khajeheian, D., Friedrichsen, M. & Mödinger, W., 2018. *Competitiveness In Emerging Markets: Market Dynamics In The Age Of Disruptive Technologie*. s.l.:Springer.
- Khanna, T. & Palepu, K., 2000. Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups. *Journal of Finance*, 55, pp. 867-891.

- Khanna, T., Palepu, K. G. & Sinha, J., 2005. Strategies That Fit Emerging Markets. *Harvard Business Review*, June, pp. 63-76.
- Kirk, J. & Miller, M., 1986. *Reliability and Validity in Qualitative Research*. s.l.:Sage.
- Kolios, A. & Read, G., 2013. A Political, Economic, Social, Technology, Legal and Environmental (PESTLE) Approach for Risk Identification of the Tidal Industry in the United Kingdom. *Energies* 2013, 6, pp. 5023-5045.
- Larsson, R., 1993. Case Survey Methodology: Quantitative Analysis of Patterns across Case Studies. *The Academy of Management Journal*, 36(6), pp. 1515-1546.
- Leong, S. & Tan, C., 1993. Managing across borders: an empirical test of the Bartlett and Ghoshal [1989] organizational typology. *Journal of International Business Studies*, Vol. 24, pp. 449-464.
- Leung, K. et al., 2005. Culture and international business: Recent advances and their implications for future research. *Journal of International Business Studies*, 36(4), pp. 357-378.
- London, T., Anupundi, R. & Sheth, S., 2009. Creating mutual value: Lessons learned from ventures serving base of the pyramid producers. *Journal of Business Research*, April.
- London, T. & Hart, S. L., 2004. Reinventing strategies for emerging markets: beyond the transnational model. *Journal of Internatinoal Business Studies*, 35, pp. 350-370.
- McKinsey & Company, 2012. *Winning the \$30 trillion decathlon: Going for gold in emerging markets*, s.l.: s.n.
- Meyer, K., 2004. Perspectives on multinational enterprises in emerging economies. *Journal of International Business Studies*, 35, pp. 259-276.
- Miguel Ángel, M., Eddi Alejandro, V. & Francisco, B., 2015. Solid waste management challenges for cities in developing countries. *Tecnología En Marcha*, 28(2), pp. 169-178.
- Miller, J., 1984. Culture and the development of everyday social explanation. *Journal of Personality and Social Psychology*, 46(5), pp. 961-978.
- More, E., Probert, D. & Phaal, R., 2014. *Improving long-term strategic planning: An analysis of STEEPLE factors identified in environmental scanning brainstorming*, Portland: Portland International Conference on Management of Engineering & Technology.
- Morse, J. & Richards, L., 2002. *Readme First for a User's Guide to Qualitative Methods*. Thousand Oaks, London, New Delhi: Sage.

- Ndambi, O., Hemme, T. & Latacz-Lohmann, U., 2007. *Dairying in Africa - Status and Recent Developments*, s.l.: Livestock Research for Rural Development.
- Negandhi, A., 1983. Cross-cultural management research: Trends and future directions. *Journal of International Business Studies*, 14(2), pp. 17-28.
- NESG, 2018. *The Nigerian Economic Summit Group*. [Online]  
Available at: <https://nesgroup.org/nesg-membership/>  
[Accessed 22 May 2018].
- Nielsen, 2011. *Nielsen Emerging Market Insights - Nigeria*. [Online]  
Available at:  
<http://www.nielsen.com/content/dam/corporate/Africa/Nigeria%20country%20profile%20final.pdf>  
[Accessed 22 May 2018].
- North, D., 1990. *Institutions, institutional change, and economic performance*. Cambridge: Harvard University Press.
- Ocholla, D. & Britz, J., 2013. Complexities in Understanding and Developing Information Ethics in Africa. *Mousaion*, 31(2), pp. 1-12.
- Ogbimi, F. & Oyawale, A., 2000. Analysis of the experience of developing the dairy industry in southwestern Nigeria. *Food Reviews International*, pp. 485-502.
- Okoye, L., Nwakoby, C., Modebe, N. & Okorie, U., 2016. Impact of economic liberalization on the growth of the Nigerian economy. *African Banking and Finance Review*.
- Oyeyemi, T., 2018. *Federal Ministry of Information and Culture*. [Online]  
Available at: <https://fmic.gov.ng/fg-moves-boost-dairy-industry/>  
[Accessed 5 May 2018].
- Park, Y. W., Hong, P., Sugie, R. & Callaway, S., 2014. *Dynamic Network Innovation in Emerging Markets: From Supply Chain to Demand Chain*, Portland: Management of Engineering & Technology.
- Pels, J. & Kidd, T., 2012. Characterizing Emerging Markets. *Organizations and Markets in Emerging Economies*, Vol. 3, pp. 8-22.
- Peng, M., Wang, D. & Jiang, Y., 2008. An institution-based view of international business strategy: a focus on emerging economies. *Journal of International Business Studies*, 39, pp. 920-936.

- Porter, M., 1980. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.
- Porter, M., 1985. *Competitive advantage: creating and sustaining superior performance*. 1 ed. New York: Free Press.
- Prahalad, C., 2010. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. 5 ed. s.l.:Pearson Education Inc.
- Prahalad, C. & Doz, Y., 1987. *The Multinational Mission: Balancing Local Demands and Global Vision*. London: The Free Press.
- Prahalad, C. & Hammond, A., 2002. Serving the World's Poor - Profitably. *Harvard Business Review*, September, pp. 48-57.
- Prahalad, C. & Hart, S., 2002. The Fortune at the Bottom of the Pyramid. *strategy+business*, 26, pp. 1-14.
- Prahalad, C. & Lieberthal, K., 1998. The end of corporate imperialism. *Harvard Business Review*, 76(4), pp. 68-79.
- PricewaterhouseCoopers Limited, 2017a. *Nigeria: Economic Outlook Top 10 themes for 2018*, s.l.: s.n.
- PricewaterhouseCoopers Limited, 2017b. *Transforming Nigeria's Agricultural Value Chain*, Nigeria: s.n.
- PricewaterhouseCoopers Limited, 2017. *Nigeria's Operating Landscape*, Nigeria: s.n.
- PricewaterhouseCoopers LLP, 2017. *The World in 2050: How will the global economic order change?*, London: s.n.
- Ramamurti, R., 2004. Developing countries and MNEs: extending and enriching the research agenda. *Journal of International Business Studies*, 35, pp. 277-283.
- Rašković, M., Brenčić, M. M. & Jaklič, M., 2013. Antecedents and evolution of the Bartlett and Ghoshal transnational Typology. *Multinational Business Review*, Vol. 21, pp. 148-173.
- Redding, G., 2005. The thick description and comparison of societal systems of capitalism.. *Journal of International Business Studies*, 36(2), pp. 123-155.
- Ricart, J. et al., 2004. New frontiers in international strategy. *Journal of International Business Studies*, 35, pp. 175-200.

- Rubin, H. & Rubin, I., 1995. *Qualitative Interviewing: The Art of Hearing Data*. Thousand Oaks: Sage.
- Rugman, A., 2002. The influence of managing across borders on the field of international management. In: *Advances in International Management*. 769 ed. Oxford: JAI Press, pp. 37-56.
- Rugman, A. & Verbeke, A., 1992. A note on the transnational solution and the transaction cost theory of multinational strategic management. *Journal of International Business*, Vol. 23, pp. 761-771.
- Rumelt, R., Schendel, D. & Teece, D., 1994. Fundamental Issues in Strategy. In: R. Rumelt, D. Schendel & D. Teece, eds. *Fundamental Issues in Strategy: A Research Agenda*. Boston: Harvard Business School Press, pp. 9-47.
- Russel, K., 1985. *Principles of dairy farming*. Norwich: Farming Press Ltd..
- Saccone, D., 2017. Economic growth in emerging economies: what, who and why. *Applied Economic Letters*, 24, pp. 800-803.
- Saleh, S. & Wang, C., 1993. The management of innovation: strategy, structure and organizational climate. *IEEE Transactions on Engineering Management*, February, pp. 14-20.
- Shank, J. & Govindarajan, V., 1993. *Strategic Cost Management: The New Tool for Competitive Advantage*. New York: Free Press.
- Sheth, J., 2011. Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*, July, pp. 166-182.
- Silverman, D., 2014. *Interpreting Qualitative Data*. 4 ed. Sydney: Sage.
- Simanis, E., Hart, S. & Duke, D., 2008. The base of the pyramid protocol: beyond "basic needs" business strategies. *Innovations 2008*, 3(1), pp. 57-84.
- Sridhar, R. et al., 2016. 'A Political, Economic, Social, Technological, Legal and Environmental (PESTLE) approach for assessment of coastal zone management practice in India. *International Review of Public Administration*, 21(3), pp. 216-232.
- Stabell, C. & Fjelstad, Ø., 1998. Configuring value for competitive advantage: on chains, shops, and networks. *Strategic Management Journal*, Document.
- Tallman, S. & Yip, G., 2001. Strategy and the Multinational Enterprise. *The Oxford Handbook of International Business*, pp. 317-348.

- The World Bank, 2017. *Doing Business Nigeria*. [Online]  
Available at: <http://www.doingbusiness.org/data/exploreeconomies/nigeria#paying-taxes>  
[Accessed 22 May 2018].
- Thompson, J., 1967. *Organisations in Action: Social Science Bases of Administrative Theory*.  
New York: Mc Graw-Hill.
- Thorelli, H., 1995. The Ecology of Organizations. *Advances in Strategic Management*, pp.  
415-441.
- Transparency International, 2017. *Corruption Perceptions Index 2017*. [Online]  
Available at: [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017)  
[Accessed 20 May 2018].
- Vyas, N., Shelburn, W. & Rogers, D., 1995. An analysis of strategic alliances: forms,  
functions, and framework. *Journal of Business and Industrial Marketing*, 10(3), p. 47.
- Wolcott, H., 2008. *Writing Up Qualitative Research*. s.l.:Sage.
- World Bank, 2018. *Global Economic Prospects*, s.l.: s.n.
- Wright, M., Filatochev, I., Hoskisson, R. E. & Peng, M. W., 2005. Strategy Research in  
Emerging Economies: Challenging the Conventional Wisdom. *Journal of Management  
Studies*, January.
- Wright, M., Filatotchev, I., Hoskisson, R. & Peng, M., 2005. Strategy Research in Emerging  
Economies: Challenging the Conventional Wisdom. *Journal of Management Studies*, 42(1),  
pp. 1-33.
- Yin, R., 2009. *Case Study Research: Design and Methods*. 4 ed. Thousand Oaks: Sage.
- Zaheer, S., 2002. A big tent on an island – building bridges and communities in international  
management research. In: M. Hitt & J. Cheng, eds. *Advances in International Management*.  
Oxford: JAI Press, pp. 69-81.
- Zalengera, C. et al., 2014. Overview of the Malawi energy situation and a PESTLE analysis  
for sustainable development of renewable energy. *Renewable and Sustainable Energy  
Reviews*, 38, pp. 335-347.
- Zaltman, G. & Moorman, C., 1988. The importance of personal trust in the use of research.  
*Journal of Advertising Research*, 28(5), pp. 16-24.



# Appendix

## Appendix A

### TOPIC GUIDE/ INTERVIEW SCHEDULE

---

#### INTRODUCTION

- Self-presentation
  - Focus of the study: Milk powder, evaporated milk and UHT milk
- 

#### MAIN DATA COLLECTION

#### CHARACTERISTICS OF EMERGING MARKETS

##### 1. General environment

###### a. Socio-economic system

- e.g. demographics, poverty, unemployment, urban vs. rural, population, education

###### b. Socio-political governance

- e.g. role of institutions, dynamics & change

###### c. Infrastructure

- e.g. resource availability (water, electricity, etc.), logistics, storage

###### d. Cultural system

- e.g. Cultural embeddedness (traditions, beliefs, values), Continuity

###### e. Technology

- e.g. Communication, information and transaction technologies, machinery

###### f. Regulative system

- e.g. judicial system, law enforcement, regulation, corruption

###### g. Sustainability

- Emissions, Waste management, resource consumption

##### 2. Value network

###### a. Consumers

- E.g. Knowledge and Skills, Income, Household

###### b. Distributors/Retail

- E.g. Distribution network (rural vs. urban), E-Commerce

###### c. Suppliers

- E.g. Resources, Reliability

###### d. Competitors

- E.g. Monopolistic or fragmented market? Product availability (rural vs. urban)

---

## CLOSING PART

- Are there any topics we have not touched upon so far?
- Do you have any further contacts we should speak to?
- Appreciation

## Appendix B

### TOPIC GUIDE/ INTERVIEW SCHEDULE

#### INTRODUCTION

- Consent to be recorded
- Self-presentation
- Focus on liquid UHT milk, evaporated milk and milk powder

#### MAIN DATA COLLECTION

Background: An immense growth potential has triggered many international companies' interest in investing in emerging markets. What should be initial considerations before expanding to Nigeria?

#### CHARACTERISTICS OF EMERGING MARKETS

*Short framework presentation* – We suggest structuring the interview in the following two categories. Do you want to add additional themes besides general and value network?

##### 1. General environment

- How did each factor develop in the past? (10y)
- How do you expect each factor to develop in the near future? (10y)

##### a. Socio-economic system

- e.g. demographics, poverty, unemployment, urban vs. rural, population, education, monetary policy

##### b. Socio-political governance

- e.g. role of institutions, dynamics & change

##### c. Infrastructure

- e.g. resource availability (water, electricity, etc.), logistics, storage

##### d. Cultural system

- e.g. Cultural embeddedness (traditions, beliefs, values), Continuity

##### e. Technology

- e.g. Communication, information and transaction technologies, machinery

##### f. Regulative system

- e.g. judicial system, law enforcement, regulation, corruption

##### g. Sustainability

- Emissions, Waste management, resource consumption

##### 2. Value network

#### Reminder – BOX

##### Probing

Repeat question in other words, "What do you mean by ...?" "Have you thought about ...?"

##### Laddering down

Ask for examples, own experiences

What are the main elements of the dairy value network according to your knowledge? Role of BOP in each element of the value network?

a. Consumers

- E.g. Knowledge and Skills, Income, Household
- Key characteristics and trends over the years
- Special emphasis on potential of BOP

b. Distributors/Retail

- E.g. Distribution network (rural vs. urban), E-Commerce
- Key characteristics and trends over the years

c. Suppliers

- E.g. Resources, Reliability
- Key characteristics and trends over the years

d. Competitors

- E.g. Monopolistic or fragmented market? Product availability (rural vs. urban)
- Key characteristics and trends over the years

**3. Further question**

What is/are the main driver for an increase in dairy consumption development in Nigeria or are all equally relevant? (UHT, powdered, evaporated)

At which environment factors should foreign MNCs engage, if they want to become a lasting player in the Nigerian dairy market?

---

**CLOSING PART**

- Are there any topics we have not touched upon so far?
- Do you have any further contacts we should speak to?
- Appreciation

## Appendix C

### Nigeria Interview Schedule

Travel Time: 07/05/2018 - 10/05/2018

ID	Company/Organisation	Role	Interview Location	Date	Field of expertise		Comment
					General Environment	Dairy Value Network	
Interviewee 1	Promasidor	Promasidor Executive	Lagos, Nigeria	09.05.18	✓ (Outsider)	✓ (Insider)	Promasidor produces and distributes food products across Africa. It is the leading drinking milk company in Nigeria (~29% market share).
Interviewee 2	Spar	Spar Executive	Lagos, Nigeria	09.05.18	✓ (Outsider)	✓ (Insider)	Spar is the largest chain of hypermarkets in Nigeria
Interviewee 3	n/a	Consumer	Lagos, Nigeria	09.05.18	Consumer viewpoint	Consumer viewpoint	n/a
Interviewee 4	Tetra Pak	Dairy Marketing Manager	Lagos, Nigeria	09.05.18	✗	✓ (Insider)	Tetra Pak is a globally operating packaging and food processing firm with a long history in dairy processing expertise
Interviewee 5	Tetra Pak	Sales Manager	Lagos, Nigeria	09.05.18	✓ (Outsider)	✗	see above
Interviewee 6	SEGES (external consultant for Arla)	Dairy industry consultant	Lagos, Nigeria	10.05.18	✗	✓ (Insider)	SEGES is a dairy and beef research center; They are engaged by Arla, one of the largest dairy companies worldwide, which is also active in Nigeria with one butter and one milk brand
Interviewee 7	Tribute Lifestyle	Entrepreneur/ CEO	Lagos, Nigeria	10.05.18	✓ (Outsider)	✗	Great experience in business creation challenges, Set up multiple businesses in Lagos
Interviewee 8	Ministry of Foreign Affairs Denmark	Agriculture Ministry Counsellor	Via phone	17.05.18	✓ (Insider)	✓ (Outsider)	Advisor for Nigerian Ministry of Agriculture