Archives of Business Research – Vol. 9, No. 4
Publication Date: April 25, 2021
DOI:10.14738/abr.94.9521.
Ogbor, J. O., Iyamabhor, M., & Awosigho, O. P. (2021). David Versus Goliath: The Competitiveness of Africa's Local Enterprises in The Global Economy. Archives of Business Research, 9(4). 160-179.

David Versus Goliath: The Competitiveness of Africa's Local Enterprises in The Global Economy

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ABSTRACT

As a result of the dynamics of globalization, the variegated economies of the world have become more homogenous, integrated, interrelated and interdependent. However, rather than becoming a veritable player in a network of interrelationship and interdependency, the African economy has increasingly become a powerless spectator in the theatre of globalization. Although there is a great deal of literature and research in this area of international business, most of it has concentrated on the multinational corporations and their effects on the host country's economy. Research and literature in this field have mainly looked at protective measures and subsidies as the way out of foreign competition; it has rarely addressed competitive strategic responses of local firms to foreign multinational corporations operating in the local economies. Anchored on the resource-based view of the firm and the network interaction theory, the paper provides an alternative framework or a paradigm shift for analyzing the competitive options available to Africa's local firms in a global market. From this paradigm shift, the competitive advantages of Africa's local firms are conceptualized to be (i) a function of firm specific assets and (ii) the prevailing home market conditions. The method of inquiry adopted in this paper is textual deconstruction. The major contribution of this study to the existing globalization discourse is its shift of focus from the multinational corporation to the analysis of global competition from the perspective of the competitiveness of enterprises in less developed economies such as Africa. The suggested framework and paradigm shift can also be used by scholars to map strategic options for local enterprises in selected markets. Future research can subject the suggested framework to empirical scrutiny to see how well the arguments hold.

Keywords: Global economy, Globalization, MNCs, Competitive Advantage, Africa's Enterprises, Firm Specific Assets and Home Market Conditions.

PREAMBLE: DAVID VERSUS GOLIATH - THE COMPETITIVENESS OF AFRICA'S ENTERPRISES IN THE GLOBAL ECONOMY

In 1Sam 17, the Hebrew Bible recounts the heroism of a bold young boy named David who fights against Goliath, a Philistine giant. Even though he is untested, David defeats his experienced and somewhat cocky opponent.

Seen from the angle of strategic management and especially in the context of firms' competitive advantage, the story has some implications for how small companies can compete and defeat larger multinational enterprises in the battle field known as "the global economy" where firms must fight (compete) with each other in order to conquer markets. In the field of marketing, it is about how small companies with limited resources can use guerilla marketing tactics to capture terrains already occupied by much larger firms. In this biblical narrative, we see Goliath in terms of the more experienced Western and Southeast Asian countries of India, China (formerly known as the "Sleeping Giant"), Japan and the "Four Asian Tigers" (i.e., the economies of Hong Kong, Singapore, South Korea and Taiwan).

The story of "David and Goliath" and how the little Israelite had defeated the giant champion of the Philistines is by design, not by chance. David knew what his strengths were. David didn't play Goliath's game. He played his own game. Collectively, these Western Power Houses and their Southeast Asian counterparts are the giants in the theatre of the global economy. Collectively, too, they dictate the rule of competition (the battle rules) in the global economy (the battle terrain). They not only dictate the rules; they also enforce them through global and supra-national organizations established by them to regulate the conduct the process and structure of the global economy. These giant institutions, such as the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organizations (WTO), etc, are specifically set up as instruments for global economic surveillance. The giant economies have the competitive arsenal or resources at their disposal; they are equipped with the armor of technology, with powerful multinational and global enterprises. Sometimes, they, like the giant Goliath, can be as cocky opponents; their leaders describe African countries as "shit-holes" or "good-for-nothing" economies; or else as products of "banana republics" (Chapman, 2009). "A banana republic", to be sure, is a small state that is politically and economically unstable as a result of the domination of its economy by a single export controlled by foreign capital. These countries, which occupy the lower level of the economic ladder, are in perpetual need of foreign financial assistance to survive; they are not competitive as they have been written off as dumping grounds for Western left-over.

Several critical scholars from the anti-globalization camp have noted that the purpose of the globalization "project" is the attempt by Western economies to create an economic space where everything should converge in the direction of the dictates of Western needs. The project is to be carried out mostly by large scale Western-based organizations. For instance, Ogbor (2002a), in his work, *From Spectacle to Surveillance and the Making of the Global Subject*, makes the case that the globalization process culminating in the global economy *requires* large-scale organizations to deliver mass products to mass markets, consumers, and publics. He argues that one of the reasons for globalization's expansion lies in the functional necessity for large-scale organizations to ensure their own survivability. The global economy and the globalization process thus imply what Marcuse (1964) calls the "conquest and unification of opposites". In this attempt to unify the opposites by the "Goliaths" of the global economy, the weaker

"opposites" (i.e., African economies), argues Ogbor (2002b, pp. 524-526) "become mere spectator in the theatre of the global economy."

The much smaller local firms in African are often described as the little "David" in the Hebrew bible; they have a weak economic and financial base to compete in the global economy with the giant multinational enterprises; they are small and will remain small due to insufficient resources (human, financial, labor, infrastructure, technology, etc.). Till date, African economies are known as producers of commodity products or raw materials, while the economic giants in the US, Europe and Southeast Asia are manufacturers of finished products. With the notable exception of very few companies (e.g., the Dangote Group and South African owned power houses such as MTN, Shoprite, PEP stores and Multichoice DSTv.), African local enterprises have been incapable in facing the competitive forces of the Western multinational giants. For several decades, policy makers in Africa have been confronted with crucial challenge, among several others, that is, "for how long will this continue? What strategic options do African countries or its local firms have at their disposal to fight the economic giants and perhaps conquer their 'lost territories'"? Until David, the little Shepherd boy, arrived in the scene, and by using the small weapon at his disposal and with great confidence (his faith in his God), he aimed at where Goliath was most vulnerable. While interpreters of this narrative use the story of David and Goliath for its underdog overtones (the little guys win), there are rich subtleties of this biblical story that writers of all stripes can use. For example, David leaves behind his armor when he fights the militantly attired Goliath. Where Goliath is heavily armed, David had a home-made crude weapon in the form of a sling and a stone. David is modest, but Goliath brags and taunts.

THE COMPETITIVENESS OF AFRICA'S FIRMS IN THE GLOBAL ECONOMY

Research and contemporary studies on the competitiveness of Africa's domestic firms in the global economy has been accentuated in recent years. This growing interest can be attributed to the perceived disadvantageous position occupied by Africa in the globalization process or "project". In fact, some researchers have termed Africa's participation in the global economy as mere spectators in the theater of the process of globalization (Ogbor, 2002a). In line with this reasoning, there has been an increasing interest and focus on the particular impact globalizing processes has on the economies of developing nations, especially Africa. In one way or the other, globalization has always affected Africa. Although, the ubiquitous global economy is seen as beneficial to the economies of many parts of the world, African countries have palpably failed to take advantage of the opportunities offered by the globalized economy of the twenty first century: they receive little foreign investment, fail to produce many processed goods for export, and are less "wired" than almost any other region of the world (Jensen, 1996; Ogbor, 2020; Ogbor & Orishede, 2015a; Ogbor, 2015b; Ogbor, 2002a; Ogbor, 2002b).

But not all scholars or observers of the African economy in the context of global competitiveness are satisfied with that type of explanation. Scholars sharing an optimistic view argue that despite their overall poor performance, a few African nations are now poised to take advantage of the new global economy while, at the other extreme, there are a significant number of countries that are simply trying to preserve their basic institutions with little hope of successful engagement with the world (Adeleye & Esposito, 2018; Amankwah-Amoah, 2018; Ogbor & Orishede, 2015). From the point of view of these researchers, studies should focus on what Africa's enterprises have to offer in the global economy. This line of research draws its

inspiration from the resource-based view of the firm—a theoretical framework that looks at the resources at the disposal of firms. But, as Ogbor (2002a) puts it, what African economies can offer in the present disposition is *subjection* to the dictates of the global economy.

Whatever the case may be, recent studies in the tradition of strategic management and firms' competitiveness, are beginning to explore strategic options at the disposal of Africa's local enterprises in the global economy. In addition, there is a growing awareness that an understanding of the forces shaping the competitiveness of Africa's local enterprises in the global economy could yield a whole lot of data capable of understanding why African economies are subjected to the darker side of globalization. And there is more to it than that. By analyzing the processes and structures of the global economy, scholars and policy makers will be moved from the tradition of seeing Africa's local firms as mere spectators in the globalization project towards a position which digs into the deeper intricacies of how local firms can mobilize the resources at their disposal to achieve competitive advantage.

In the discourse on globalization and the global economy, scholars and practitioners are by now familiar with the general African economic situation that a comprehensive exposition is unnecessary here. The continental performance has been poor: Africa overall has generally not even returned to the economic peak of the late 1970's when all natural resource prices were relatively high. While the continent was experiencing the "lost decades" of the 1980's and 1990's, other regions were, of course, making spectacular gains.

From a comparative perspective, the differences in economic performance, according to Court and Yanagihara (2012), can be found in manufactured export performance between Southeast Asia and countries in Africa. According to the researchers, "the proportion of manufactures in exports was relatively similar in Southeast Asia and Africa in 1970, in some cases African countries were markedly better off. However, since then there has been a rapid and sustained increase in the proportion of manufactured exports in all three countries in Southeast Asia. In Africa, there has not been much increase except for Mauritius, where it was even more pronounced than in SE Asia" (Court & Yanagihara, 2012). That the poor overall economic performance of Africa in the global economy inevitably affects how Africa integrates into the global economy is an understatement. While, for the most part, the African continent remains a producer of relatively unprocessed raw materials, Asian countries have totally transformed their industrial production becoming producers of consumer good.

There are many reasons for Africa's poverty vis-à-vis other regions: the poor colonial inheritance, especially in the area of dependence on the exportation of raw materials (Austin & Chibuike, 2007; Moradi, 2008; Smith, 1994); crisis of governance and administrative incompetence (Adams & Mengistu, 2008; Reynolds, 1995); poor policy implementation such as the implementation of structural adjustment programs (Adam & O'Connell, 2006; 1997; Ogbor, 1994); .political instability and civil conflicts (Easterly & Levine, 1997; Ilorah, 2009; Pearce, Islam& Sauvant, 1996); poor debt management and misallocation of financial resources (Chipumbu, 1993); ethnic bias, bribery, corruption and favoritism (Fadahunsi & Rosa, 2002; Ifediora, 2005); external circumstances (Ayenagbo, Wenguing, Rongcheng & Nguhi, 2012) and poor policy implementation and institutional constraints (Ogbor, 1994).

According to some analysts, the most serious barriers to Africa participating in the global economy are (i) the dependency syndrome in raw material exportation and the concomitant dependency in the importation of Western/Asian processed goods and (ii) the crisis of governance. To be sure, "import and aid dependency syndrome" is an attitude and belief that a group (e.g., a country or an economy) cannot solve its own problems without the importation of goods and services or outside help such as financial assistance and grants.

The World Bank and the International Monetary Fund (IMF) have a policy thrust whereby poor and developing countries are recommended to adopt the policy instrument of export promotion in which they are required to export more of their primary products that would help them raise foreign exchange which is necessary for the repayment of their debts. However, some observers have argued that this policy has worsened the competitive position of developing and poor nations and deepened their dependency on the Western economies. Smith (1994, p. 127) suggests that developed countries grow rich by selling capital-intensive products for a high price and buying labor-intensive products for a low price. This imbalance of trade expands the gap between rich and poor. The wealthy sell products to be consumed, not tools to produce. This maintains the monopolization of the tools of production, and assures a continued market for the product. This, according to Robbins (1999, p. 95), represents a type of exploitation called **unequal exchange**.

Thus, one of the effects of the policy of structural adjustment is that developing countries must increase their exports. Usually, commodities and raw materials are exported to Western developed nations. But as Smith (1995) asserts, developing countries lose out when they export commodities (which are cheaper than finished products) and are denied or effectively blocked from industrial capital and real technology transfer. This economic policy reproduces and reinforces a pattern of unequal development that favors the industrial economies to the detriment of developing ones. Yet, this is not new, because as Ogbor (2009, p. 106) asserts,

> *Historically, this has been a partial reason for dependent economies and poor nations to remain perpetually dependent on the dictates of the economies of the developed nations. This was also the role forced upon former countries under colonial rule. In today's more globalized economy, we see the less developed economies finding themselves in the same uneven pattern of trade: export commodities to west and import finished products from the West.*

The economic assumptions of the World Bank and the International Monetary Fund had been premised on the logic that exporting raw commodities and resources would favorably help developing countries earn foreign exchange with which to pay off debts and keep currencies stable. However, partly due to the price war, which can induce a situation where developing countries produce more of raw materials, commodity prices have always dropped in the world market relative to prices paid for manufactured products. In addition, Tan (2002) argues that falling commodity prices have meant that large increases in export volume by commodity producers have not translated into greater export revenues, leading to severely declining terms of trade for many commodity producing countries. For example, when the purchasing power of a country's exports declines, the country is unable to purchase imported goods and services necessary for its sustenance.

Secondly, the country that exports commodities is unable to generate enough income for the implementation of sustainable development programs. A vast majority of Sub-Sahara African countries depend on the exportation of raw commodities as a main source of revenue. Tan (2002) suggests that primary commodities account for about half of the export revenues of developing countries and many developing countries continue to rely heavily on one or two primary commodities for the bulk of their export earnings. Furthermore, a fall in commodity prices has also led to a build-up of unsustainable debt. The consequence of all these is that Africa, for the most part, has remained a consumer of manufactured products from the West. As Ogbor (2009) puts it, an economic environment that encourages commodity export rather than manufactured goods is hardly an environment for the growth of the local economy in the context of industrialization.

In a nutshell, the above stream of research seems to suggest that what the IMF, the World Bank and the developed countries recommended as solutions to the problems of developing countries is contrary to what they had adopted in the process of their economic development. As Smith (1994, p. 141) notes, every rich nation today has developed because in the past their governments took major responsibility to promote economic growth. There was also a lot of protectionism and intervention in technology transfer. There was an attempt to provide some sort of equality, education, health, and other services to help enhance the nation. Smith (1994) argues that the industrialized nations have understood that some forms of protection allows capital to remain within the economy, and hence via a multiplier effect, help enhance the economy. Yet, in the global economy and in the policies enshrined in the globalization process, the developing nations are effectively being forced to cut back these very same provisions that have helped the developed countries to prosper in the past.

As earlier pointed out, crisis of governance is seen as one of the obstacles militating against Africa's economic development in the context of the global economy. In general, African countries lack the policy and legal frameworks to achieve sustainable economic development and growth, although there are significant variations across the continent. It has been argued by many observers that unless the governance issues are solved, Africa will not be able to overcome all of the other problems that keep it from developing (Magbadelo, 2018; Makinda, 2012.).

In essence, the discourse on governance proposed eight principles or characteristics: (i) rule of law, (ii) transparency, (iii) responsiveness, (iv) consensus oriented, (v) equity and inclusiveness, (vi) effectiveness and efficiency, (vii) accountability and (viii) participation. The uneven economic development pattern in most parts of Africa is explained against the backdrop of the absence of these principles.

The summation of all the above factors, import dependence, governance or not, Africa's local enterprises have been gravely incapable of taking advantage of its local resources in order to gain competitive advantage in the global economy. As pointed out earlier, the fundamental challenge facing Africa's economic development in the context of global competitiveness is: *what are the strategic options available to Africa's local enterprises in the global economy and what forms should those options take*? To attempt answers to this question, we have to look unto the theory of *Resource-based view* of the firm and the *Network/Interactive Theory* as theoretical framework.

THEORETICAL FRAMEWORK AND OVERVIEW

The chosen framework for analyzing the competitiveness of Africa's local enterprises in this paper is an integration of contributions from the resource-based view of the firm (RBV) (Foss, 1997; Peteraf, 1993) and the network interaction theory of industrial marketing (Ford, 1990). The RBV's major point of departure is the assumption that the competitive advantage of firms is based on the firm's resource portfolio rather than the firm's product market. It is based on four basic assumptions. First, it assumes that there are systematic differences across firms in the extent to which they control resources that are necessary for implementing strategies. Second, these differences are relatively stable. Third, differences in firms' resource endowments cause performance differences. Lastly, firms seek to increase (maximize) their economic performance. This framework suggests that firms may secure a strong performance by building or otherwise acquiring certain endowments of resource: It draws attention to the creation, maintenance and renewal of competitive advantage in terms of the resource side of the firm.

For a firm's resources to yield competitive advantage they should meet four basic criteria heterogeneity, ex ante limits to competition, ex post limits to competition and imperfect mobility (Peteraf, 1993). Heterogeneity means the resource must be rare for it to have competitive advantage leading to efficiency differences and therefore rents. Ex ante limits to competition suggest that resources have to be acquired at a price below their discounted net present value in order to yield rents. Otherwise future rents will be fully absorbed in the price for the resource. Ex post limits to competition suggest that it would be difficult or impossible for competitors to imitate or substitute rent-yielding resources. Imperfect mobility suggests that the resource should be relatively specific to the firm. Otherwise the superior bargaining position that is obtained from not being tied to a firm can be utilized by the resource to appropriate the rent that the resource helps create.

The resource based view theory of the firm predicts that resources at the disposal of the firm are key determinant of firm performance. According to this view, such resources include the firm's core competencies in its marketing strategies, its production strategy, the uniqueness of its location, distinctive human resource policies and practices, brand name/image, etc. In the context of the global market or economy, local knowledge of societal norms, consumption patterns, political culture, etc become resources within the array of resources at the disposal of the firm. Properly utilized and managed, access to information, "right connections", as firm's distinctive competence can provide the firm the basis upon which to achieve competitive advantage in its industry.

The resource based view of the firm assumes sustainable competitive advantage as the desired outcome of management effort (Fahy & Smithee, 1999). The nature of a firm's sustainable advantage, according to this theory, is obtained through accumulation and utilization of valuable resources that are difficult to duplicate by competitors (i.e., imitability). Collis and Montgomery (1995) suggest that sustainable competitive advantage can be created on condition that resources have the attributes of inimitability, durability, appropriability, substitutability, and competitive superiority. In essence, the theory suggests that unique, high value and rare organizational resources lead to superior performance through enhanced competitive advantage.

The Resource-based view of the firm is an appropriate theoretical consideration in terms of its applicability to competition in the global marketplace. The reason is that in the global marketplace certain resources may be specific to a particular firm, while others may be generic. For example, in the context of global competitiveness, a generic resource, e.g., technology or production process alone may not be able to enhance the competitiveness of a firm over time because rival firms may be able to easily copy them through a process of reengineering. However, knowledge of the local business culture (specific resource) in combination of technological knowhow may provide a valuable resource; hence the normative appeal from proponents of competitiveness of firms in the global economy to go *glocal*. By paying attention to the particular attributes in regions or countries while using global competitive strategies, the term, "*glocal",* was formulated to encompass the global attributes of a firm (such as technology) and the localized idiosyncrasies in the markets where firms operate (Menon, 2014). The process by which firms compete with uniform global strategies while paying attention to local sensibilities is known as "Glocalization" which encourages companies to "think global, act local". As pointed out by Tashakova (2015), while glocalization was coined to describe how multinational corporations can tap into local markets, it can also be used to describe how local businesses can grab market share in their regional economies, and potentially, end up going global themselves.

Resource-based view theory suggests that firms possess heterogeneous resources that allow managers to execute value creating strategies. Even though it provides managers with a decision making framework, the theory has been criticized for failing to consider the impact of dynamic business and market environment (Odhiambo, Kibera & Musyoka, 2015) in which many firms operate. Besides, the theory fails to explain how resources are developed and deployed to achieve competitive advantage (Priem & Butler, 2001). This criticism emanated from the dynamic capabilities theory. Teece, Pisano & Shuen (1997, p. 513) define dynamic capability as "the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments".

In this paper, we use the social networks and interaction theory as a complementary perspective to the resource based view of the firm to study how firms can gain competitive advantage in the marketplace, whether global or local. Social network theory is based on the assumption that social relations are the key to explaining both individual action and collective outcomes. Networks may be defined as bounded sets of actors, be they organizations, institutions, or individuals that are connected by specific relationships (Ferreira, Serra & Santos, 2010).

Over the years, studies have shown that organizational performance can be linked to the nexus of social networks and interaction that organizations built up with its external stakeholders (Aldrich, 1999). Organizations make use of their networks of interaction, especially when facing intense competition (Gulati, 1998). How firms deploy their strategies to react (adjust) or to undertake a pro-active action is one of the foci of strategic management research. For instance, firms may acquire other organizations to access knowledge not yet held (Ferreira, 2005), enter into an alliance to access new markets (Contractor & Lorange, 1988) or generally seek new opportunities beyond their immediate competitive landscape through network forms of organization (Gulati, 1995, 1998). All these strategic actions can be facilitated through the network of relationships organizations have built in their immediate or remote environment.

The extant literature has examined the importance of social networks for firms' success (Dyer & Singh, 1998; Gulati, 1995, 1998; Tenkasi & Chesmore, 2003), and more generally on a variety of firms' economic behaviors (Granovetter, 1985). These relationships form structures that are capable of influencing firms' strategic behavior, including their competitive strategies, by promoting or constraining their access to information, physical, financial and social resources, such as power and legitimacy (Baum, Calabrese, & Silverman, 2000; Gulati, 1998; Mohrman, Tenkasi & Mohrman, 2003; Rowley, 1997).

From the perspective of this present study, the network/interaction theory views a firm as a node in an ever-widening pattern of interactions with various stakeholders. The basic assumption in this approach is to view the firm as a system of resources interacting with the environment for its own survival. The competitiveness of a firm is determined by its ability to procure resources from the network and not merely by the resources it owns. In a network, customers, customer's customer, suppliers, supplier's suppliers, distributors, financiers' etc. are linked to each other by direct or indirect relationships.

Thus, the social network/interaction theory complements the resource-based view of the firm by extending the firm's resource profile to include the established networks and relationships to various stakeholders. To fit in the RBV, these network relationships that are of significance to competitive advantage are those that are valuable, rare, and not easy to be built or imitated by competitors.

STRATEGIC OPTIONS AVAILABLE TO AFRICA'S FIRMS IN GLOBAL COMPPETITION

Having examined the theoretical perspective upon which this study is based, we now turn to a discussion of the strategic options available to Africa's firms in the global economy and global competition. The main argument here is based on the premises that strategic options available to Africa's local enterprise in the global market will be based on its firm specific assets, its prevailing global industry structure, as well as its prevailing home market condition. These options can be summed up into three main areas:

- To compete directly against global multinational companies (direct competition),
- To compete indirectly by identifying a niche market (indirect competition) and
- To co-operate with global firms by forming strategic alliances (co-operation with global multinational companies).

Direct Competition: The first strategic option suggests that Africa's local enterprise (ALEs) facing global competition can choose to compete face to face with multinational companies entering their domestic market. Rather than give way to the new foreign entrant, the local enterprise can choose to stay independent and fortify its existing competitive assets to outplay the foreign multinational company (Thompson, Strickland and Gamble, 2010). The ability of African enterprises to compete and win against foreign multinational enterprises will depend on their capabilities in either producing at prices lower than global competitors (low-cost) or their capabilities in producing unique quality products (differentiation) that appeal to the taste of the major market segment.

The option of direct competition is more feasible in global markets where the multinational enterprises cannot utilize their global advantages or in areas where the local (African) enterprise has superiority in particular firm specific assets (networks with important local

distribution firms, institutions and government agencies), which are accompanied with domestic market conditions.

Indirect Competition: For many local enterprises, competing against global companies may not be feasible especially when considering the multinational companies' superiority in technology and size advantages. An alternative option for many African enterprises, especially the small and medium ones is to avoid direct competition with global companies. Indirect competition can take place in several ways (Dawar & Frost, 1999). First, local enterprises can avoid competing with global companies by concentrating activities in fragmented industries. In fragmented industries, large global companies cannot utilize their scale advantages and therefore find it less economical to operate in such markets, thus leaving a gap that local enterprises can fill. Thus, the success of a local enterprise depends on the chosen niche, its capabilities and its firm specific assets.

Secondly, local enterprises can avoid direct competition against global multinational enterprises by concentrating in those niches that are of little or no interest to the multinational enterprises, such as customizing to individual users who are willing and able to pay a premium rather than accept the standard version. Most global companies have built their operations around the demands of affluent customers looking for a wide range of choices. Their expatriate managers are used to air-conditioned offices and expensive residences that altogether raise the costs of the multinational company's operations in an African country and make it not feasible for them to target the lower end of the market. Since African companies are capable of operating at relatively low costs they can target this lower-end market which in most cases covers the majority and avoid direct clash with global companies.

Thirdly, Africa's local enterprises can take the advantage of having the presence of multinational enterprises by supplying products that complement the MNCs' offerings or adapt them to local tastes. For example, many oil and gas MNCs in Nigeria are able to shorten their value chain through outsourcing services to domestic oil companies. In the Nigerian oil and gas industry, domestic companies are taking advantage of assets left behind by foreign operators and using their experience to grow into local giants.

Fourthly, local enterprises can choose to avoid direct competition with global companies by exporting to markets not tapped by global players. African enterprises can go beyond their domestic markets and export to markets where their firm specific assets can reap added revenue, scale economies and valuable learning experiences. Seeking markets that are similar to their home base in terms of consumer preference, geographic proximity, distribution channels, or government regulations can achieve this end. Africa's small and medium size enterprises, for example, can export to the US, European and Asian markets by targeting their products to the African population in the Diaspora.

Cooperative strategies: Rather than compete with the large global companies, local enterprises can choose to co-operate with global multinational companies. This could be in the form of long-term contracts, joint venture, collaboration agreement and licensing, franchising, subcontracting, or even management contract or counter trade agreement. The local enterprise can choose to co-operate with global companies by establishing long-term contracts with them for the supply of material inputs or components to the global firms. These long-term contracts

have a number of benefits to the local firm. First, they shelter the firm from risks. Secondly, they significantly reduce its marketing costs.

Apart from contractual agreements, the local enterprise can merge with a global company to form a new venture/company that is jointly owned by both parties. In this case the global company will accept this option only if it finds that there is something to gain from the joint venture (examples of such joint ventures include, Hilton and Sheraton hotels operating in Nigeria). It is, therefore, important that the local enterprise first understand the global company's motives for accepting to form the joint venture. If the motive of local enterprise is to acquire knowledge from the global firm, it should prepare a mechanism for acquiring that knowledge, that is, it should carry out a systematic investigation of inter-partner learning (Hamel, 1991).

Local African firms can enter into a joint venture with the global company for the purpose of developing risk-sharing mechanisms on new products and markets. By joining a global company it can gain access to the global company's international market network. This will enable it to gain international experience and greater exposure to foreign markets and other advantages of large corporation without losing identity and flexibility.

Other forms of co-operation such as licensing and franchising may the fastest ways for African local enterprises becoming active players in the global economy (Tallman & Yin, 2002). These arrangements are useful for local enterprises that lack technological know-how as assets. Franchising on the other hand is a very useful method of gaining knowledge assets especially in the area of production, management and marketing skills. By becoming a franchisee, the African firm gets access to the knowledge assets that have taken the franchiser a very long time to build.

FIRM SPECIFIC ASSETS AND THE COMPETITIVENESS OF AFRICA'S ENTERPRISES

There are several sources of sustainable competitive advantage. Competitive advantages that are most significant are those that are specific to the enterprise's unique bundle of tangible and intangible resources. These resources can be distinguished as market assets, knowledge assets, social assets and physical assets.

Market assets are mainly based on the enterprise's established relationships with customers and distributors through different kinds of interactions. The enterprise's relationship with customers and distributors becomes a strategic market asset only when the relationship has a specific tie to that particular enterprise. These special relationships with different actors in the market facilitate the enterprise's product to reach customers in a unique way that adds more value to the customer. A local enterprise's long term interaction with local customers, for example, creates customer loyalty (e.g. Nestlé's Nescafe, Unilever's Lipton, Nestlé's Milo). Customer loyalty generates resource position barriers against incoming competitors. Foreign competitors entering the market will therefore have to pay a much higher price to win customer loyalty. Just by the possession of these market assets the local enterprise therefore gains a competitive advantage over any new company entering its domestic market.

Access to efficient distribution networks is often critical for any company to succeed in less developed country markets. Market assets are path dependent, they are not easily achieved but

when established they are not easy for competitors to break or replicate. Some Nigeria's local enterprises such as the Dangote Group, that have developed strong market assets are in a much better position to compete directly against global competitors. One of the key firm specific assets that are likely to determine the success of local enterprises competing directly with the global company is their existing stock of market assets. More importantly, there are the established networks that a company has with distributors and agents that are crucial for the product's success in the domestic market.

African domestic enterprises with well-established network across the nation may be able to frustrate global multinational companies by making it difficult for them to reach target customers. This is more valid in African countries where most markets are characterized by having very few distributors who are capable of handling large stocks in an efficient manner. If the enterprise has succeeded in tying these distributors in a way that competitors do not have access to them; new foreign firms entering these markets may not be able to utilize the same channels and thus prevented from reaching target customers. In Nigeria, for example, Nigerian Breweries Limited has succeeded in competing directly against foreign firms (e.g., Budweiser) by building a network of distributors and having exclusive agreements with a wide range of key retailers across the country. Since there are very few reliable distributors in the market, new foreign firms entering the market have had difficulty in getting access to consumers.

A strong local brand name (e.g., Glo, Maggi brand and OMO brand in Nigeria) is another market asset that could enable the local enterprises competes directly against global competitors in the domestic market, since brand names take time to build and once accepted customers become loyal to that particular brand. For a foreign firm to overcome this, it may have to incur costs that may not be sustainable, especially when considering the market size of most African countries. Most African countries have very low purchasing power suggesting that multinational companies may not be able to sustain their operations if the cost of building brand names is too high. African enterprises can also use their market assets and networks of interrelationships to negotiate strategic alliances with multinational enterprises with the aim of gaining access to global markets or technological know-how.

Knowledge assets are based on the enterprise's accumulated information, skills and know-how. That is, to what extent is the local enterprise informed and knows how to exploit opportunities and solve problems. Know-how is mainly embedded in individuals working for the enterprise. Knowledge that is of relevance to strategic advantage is tacit knowledge; it is normally accumulated after a period of learning. The question of how a company responds to a particular problem or opportunity largely depends upon its combined competence of the individuals (personalized knowledge) in the organization and or the knowledge stored (codified knowledge) in the organization such as working manuals, structures, systems, processes, drawings, prescriptions, culture, etc. Knowledge assets are the most important assets that are likely to determine the competitive strength of the local enterprise.

Home country specific knowledge as an asset is one of the competitive advantages that Africa's local enterprises may have over incoming foreign competitors. Such edge gives the local enterprise an advantage over foreign competitors because it cannot be easily acquired by the foreign company due to compression diseconomies (Dierickx & Cool, 1989).

Successful local enterprises in Africa (such as Multi Choice of South Africa, Dangote of Nigeria, Zenith Bank of Nigeria, Standard Chartered Bank of South Africa) that have succeeded in operating in their home markets may have developed special knowledge assets, which are specific to that particular home market. Such skills may be in the form of product technologies or marketing know-how uniquely developed to fit well with specific consumer tastes, customs and demands of the local consumer. Enterprises with such knowledge assets can use them to compete directly against global multinational enterprises in those specific products or services. Familiarity with the local tastes, for example, enabled Nigeria's oldest brewer, Nigerian Breweries Ltd., to maintain its presence in the Nigerian market despite the flow of global brands (Budweiser) in the markets. The company's specific knowledge of the local beer market, modern managerial practices accompanied with in-house training of its sales force, enabled it to develop low-cost, mass-market brands which managed to overcome rising competition from imported beers.

Social assets of a firm are defined here as direct and indirect relationships that a firm has with actors located in the non-market environment. This conceptualization of social assets is similar to that of social capital (Paxton, 1999) and political behavior (Boddewyn & Brewery, 1994). Social assets are specific ties that an enterprise has with individual members or groups within the society. These ties may be reciprocal, trusting, and involving positive emotion. The nature and context of these ties provide a basis upon which the enterprise can achieve strategic objectives. A company's special relationships with board members of a tendering company, for example, are likely to enhance the company's chance of winning the tender. Through social interaction between the enterprise's staff members and the tendering company's board member, additional clues and information that may be critical for the bidding enterprise winning the tender can be revealed.

Social assets become a source of competitive advantage for local enterprises against global companies in their domestic markets in a number of ways: First, acts of government, such as, industrial policy can provide a conducive environment to the local enterprise's competitive advantage. Government policies may provide certain conditions that favor local companies or restrict foreign owned companies in carrying out certain operations or access to certain resources. Examples include ownership structure which is skewed against foreign ownership and legislations requiring certain amount of local content in an industry's value chain. Such protection measures provide a competitive advantage over foreign firms that do not have access to such resources or may have access to them at a higher cost.

Secondly, social assets do not necessarily require wealth. Protection measures that discriminate foreign firms give the local firm a competitive advantage over foreign firms without any cost. The fact that members of a society are ready to support a particular company just because it is run by or employs members of their own ethnic group requires no prior financial investment. This is the case of Globacom, a Nigerian-owned telephone service providers competing against foreign-owned MTN, Airtel and Etisalat/9Mobile in the Nigerian market. Globacom's message that "it is owner own" resonates well among Nigerians who consider themselves patriotic.

Thirdly, social assets are not easily accessible to a new foreign firm. Social assets are a result of social interaction that takes time to build. The fact that a firm is local can encourage members

of a community to be more loyal to that company, just because they trust their local company is more committed than a foreign firm that is likely to leave any time. Local enterprises can build on their social assets to compete directly with global multinational enterprises. By establishing relationships with various stakeholders in the country, local firms can have access to permits and exclusive rights that can be used to pre-empt foreign competitors entering their domestic market. Multinational enterprises may enter the market but may be required to operate at a higher cost relative to the local enterprises already established social assets. For example, the multinational enterprise may have to spend more than average on advertising and publicity just to match the competing local enterprise's social assets.

Multinational companies that are willing to succeed in such markets where their domestic rival has developed social assets may have to enter into collaborative arrangements so as to guarantee access to the market This therefore puts the domestic enterprise at a competitive position for bargaining a favorable deal in such collaborative arrangements. The question of social assets was the main reason that led to the entering into a joint venture between local African entrepreneurs and many foreign multinational companies. Such partnership arrangements are mostly found in the oil and gas sector (NNPC and other multinational oil and gas companies), accounting profession (Delloite & Touche, Accenture, KPMG, PwC), and in the pharmaceutical industry (May & Baker, GlaxoSmithKline, Procter & Gamble).

Physical assets refer to the tangible resources that a company has and can be used to generate additional revenue. Such resources may include capital equipment, manufacturing plant, materials, land, building premises, financial resources etc. A firm's access to physical resources such as unique source of raw materials, high capacity plants can enable the firm to earn economic rents based on those assets provided that they are not easily available to competitors and they are not easy to substitute.

Local enterprises, especially those that were formerly state owned had exclusive physical assets and are in a better position to compete directly against foreign competitors entering their domestic markets. Some of these companies had capacities to produce large quantities enough to meet the demand of an entire nation. Enterprises with such plants are capable of creating entry barriers against foreign firms since it would be irrational for foreign firms to enter a market where excess capacity would lead to intensive competition and low returns. These local enterprises with such physical resources that require substantial amount of investments may pre-empt foreign firms from incurring such investments.

HOME MARKET CONDITIONS AND THE COMPETITIVENESS OF LOCAL SMALL AND MEDIUM SIZE FIRMS

The factor endowment theory of Hecksher (1919)-Ohlin (1933) ascribes differences in the comparative advantage of countries in international trade to differences in factor endowment. The fact that different countries have different factor endowments becomes a source of competitive advantage for firms located in countries having lower cost factors to earn above average economic rents. Resource rents arise due to differences of the cost of resources in a particular country relative to other alternative sources. In areas where African countries have relatively plentiful natural resources or low cost labor they are in a better position to provide local enterprises with low-cost advantage against foreign companies. By their enterprises

having access to low cost resources, they will be able to produce at lower cost than the global industry and sell at international market prices.

In some countries, natural resources may be available at one particular location and therefore giving a monopoly to the only one sole supplier. This is true in such industries as oil, mining and power generation where the first mover advantage plays a crucial role. Small and medium size companies in LDC having access to such resources can maintain their monopoly position regardless of global competition. Local enterprises having access to such unique resources are in a much better position to compete directly with global multinational enterprises.

These companies are also in a better bargaining position if they choose to cooperate with global multinational enterprises as strategic partners. Due to their monopoly position they can choose to co-operate with any multinational enterprise in exchange of market access or/and unique technology that the multinational enterprises posses.

Local enterprises having access to low cost input sources are also in a better position in competing directly with foreign firms entering their markets. They can capitalize on these cost advantages by offering products at prices lower than the global multinational company. Since most consumers in most countries in Africa are cost conscious, the African enterprise therefore has a competitive advantage over the foreign firm that in most cases has additional cost to bear.

Most of the LDC does not have a very well developed infrastructure that allows easy access to the whole national market. The infrastructure is characterized with inefficient distribution systems, poor banking facilities, inadequate logistics; poor road networks, inefficient telecommunication networks, and frequent power failures. This is far different from the commercial infrastructure as is known in the West where the commercial infrastructure of mails, dealers, distributors, multiple stores, credit cards, supermarkets and shopping malls is normally taken for granted. Although the potential market may be large, access may require a great deal of investment for a foreign firm from developed economies to be able to operate efficiently in such markets. On the other hand, since the local firm has always been in this environment it has already learnt to deal with it and is therefore compatible with such infrastructural problems.

In such conditions local firms are likely to have a better competitive position than foreign firms entering such markets. In several developing countries (e.g., Nigeria), producers and distributors have worked for a substantial time, they develop trust to an extent that the manufacturing enterprise keeps a supply of open cheques from their distributors. When the manufacturing enterprise sends the order it simply fills in the respective amount based on the shipment in the blank signed cheque. Thus, the absence of a viable financial infrastructure and the lack of working capital have been overcome by trust built by the different actors in the market after a long time of business interaction. Local firms that have learnt to overcome such infrastructural impediments can therefore use this experience to compete directly with global multinational enterprises entering their domestic markets with no prior experience in operating in such environments.

African enterprises with such experiences can also use these experiences to enter other developing countries with similar infrastructures, especially those markets where cultures are

similar to those of the home market. Due to the fact that the majority of the population in Africa has very low income, domestic demand is constrained by very low purchasing power. The middle class that can afford higher prices is very small. The majority of the population is concerned with meeting the basic necessities. Most African consumers look for products that are durable, have lower prices and lower maintenance costs. As a result of this, consumers in African countries are far more focused on the price-performance equation than their counterparts in developed economies.

These demand conditions tend to give local low-cost African enterprises a much better competitive position in hotly contested markets. Foreign firms will either have to target the very small middle class or sell at the lower prices on a cash basis, an option that may not be feasible to foreign firms. Many foreign firms have rushed into developing countries being attracted by the market size, only to realize that the costs are much higher than the profits that they are likely to get from operations in such markets. Africa's small and medium size enterprises can capitalize on local demand conditions and compete directly with global multi-national enterprises by targeting the lower end of the market where the majority of consumers are located. Nigerian Breweries Limited, for example, has managed to capitalize on domestic demand conditions in Nigeria by pursuing aggressive marketing strategies by offering products to all market segments thus leaving very little room for any foreign company to dominate the market. Nigerian Breweries Limited offers low priced quality beer to the mass- market segment of low-income earners. At the same time, it offers other brands at premium prices targeting the small upper niche where it competes with other global brands such as Heineken and Guinness.

CONCLUSION AND RECOMMENDATIONS

As a result of globalization, the world market has become more and more integrated and African enterprises are increasingly being exposed to vagaries of global competition. The growing literature in international business has assumed that globalization has put African enterprises at a disadvantage vis-a-vis the large global companies. Based on the resource-based view of the firm, this paper has provided an alternative framework for analyzing the competitive options available to African local enterprises in a global market. The framework suggests that firm specific assets, global industry conditions and the local enterprise's home market will influence competitive options for African enterprises.

Through a meta-synthesis of the available discourse and counter discourse of Africa's competitiveness in the context of the global economy, this paper has argued that by drawing strength from their firm specific assets, Africa's local enterprises, as our biblical "David", can stand up and compete against global companies (the Goliaths) entering their domestic markets, particularly in multi-domestic industry structures where pressures for globalization are low. African local enterprises can also avoid direct confrontation with large global companies by choosing to serve niche markets that require firm specific assets or in fragmented markets that are not attractive to global companies. The option of collaborative arrangements with global companies will enable them to gain market access and learn from global companies.

To the field of international business management this study has started the shift of focus from the multinational enterprise to the analysis of global competition from the perspective of the competitiveness of enterprises in less developed countries such as African countries. The suggested framework can also be used by scholars to map strategic options for local enterprises

in selected markets. Future research can empirically test the framework to see how well the arguments hold.

To policy makers, the discussion provided in this paper goes beyond protectionism and opens up alternative views of the role that local companies can play in the global market. It encourages policy makers to provide incentives for the empowerment of their national enterprises without necessary going against the World Trade Organization (WTO) rules. Both foreign as well as local enterprises can grow for mutual benefit of all parties.

For managers of local enterprises, this work provides a useful contribution to changing their mindset from that of weak players to that of veritable competitive players in the global markets. This study has highlighted areas of strength which local firms can capitalize on to build their competitive advantages in global markets.

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