Chapter XI
Evolving Value Networks and Internationalisation of National Telecommuncation Companies from Small and Open Economies

Riku Laanti
The University of Adelaide Business School, Australia

Fred McDougall
The University of Adelaide, Australia

Georges Baume
The University of Adelaide Business School, Australia

ABSTRACT

This chapter focuses on the internationalisation processes of national telecommunications companies (telcos) from small and open economies (SMOPECs) who have moved from a domestic monopoly to an actor within the global industry. This chapter aims to increase our understanding of how these companies have internationalised, what factors have been the most influential in this process, and how the position of these companies has changed in the evolving value network of the industry. The basis of the analysis will be a theoretical discussion about the concept of value networks and research on the internationalization process of a firm. The study reported in this chapter is part of a wider research project on the internationalisation strategies of telcos from SMOPECs. Case examples from that study will be used to illustrate the internationalisation processes of telcos from SMOPECs within the context of the whole industry value network. Finally, conclusions will be drawn and future research opportunities suggested.

INTRODUCTION

The telecommunications industry has experienced significant transformation: value chains have changed from vertical to horizontal, and there has been an important shift from value chains to value networks (Cave & Waverman, 1999; Fjeldstad, Becerra, & Narayanan, 2004; Li & Whalley, 2002; Sabat, 2002; Steinbock, 2003). Many factors, such as digitalisation, deregulation and privatisation, have contributed to these developments (Häikiö, 2001; Ramamurti, 2000). Li and Whalley (2002), who explored the complexity of value networks, argued that new research is needed in this still evolving area. They emphasized that "To survive and thrive in this new environment, every company needs to understand their positions in each of the value chains within the value network, and to re-evaluate their strategies and business models" (Li & Whalley, 2002, p. 469).

This chapter will analyse these developments by focusing on the internationalisaton processes of national telecommunications companies (telcos) from small and open economies (SMOPECs), who have moved from a domestic monopoly to be an actor within the global industry. SMOPECs include countries such as Austria, Denmark, Finland, Ireland, New Zealand, Portugal, Norway, Sweden, and Switzerland, who have integrated in the world economy by lowering or eliminating their trade barriers (Benito, Larimo, Narula, & Pedersen, 2002; Kirpalani & Luostarinen, 1999; Maitland & Nicholas, 2002; Merrett, 2002). Multinational companies (MNCs) from smaller countries face specific challenges due to their relatively smaller size and limited resources, especially in capital-intensive service industries such as in the telecommunications industry. In these types of industries where expensive foreign direct investments (FDIs) are commonly the mode to enter international markets, the largest MNCs from the largest economies of the world often dominate the sector (Knight, 1999). Research findings are still limited on how MNCs from smaller countries have managed these challenges and if there are alternative strategies available for them internationally (Knight, 1999). This chapter aims to increase our understanding of *how* these companies have internationalised, *what factors* have been the most influential in this process, and *how the position* of these companies *has changed* in the evolving value network of the industry. An analysis of telcos from SMOPECs provides valuable longitudinal empirical data on this topic, as many of these companies were among the first telcos to internationalise.

The study described in this chapter is part of a longer ongoing research project on the internationalisation of telcos from SMOPECs (Laanti, 2008). The purpose of the project has been to analyse the applicability of traditional internationalisation theories, especially internationalisation process theories and the latest strategic theories on globalisation, to a service network industry. Case examples from the empirical data of the wider study will be used here to illustrate the different phases of the internationalisation process of telcos from SMOPECs within the context of the whole industry value network.

The findings described here should be useful to researchers and managers of internationalising telcos from SMOPECs, and telcos more generally, for other companies in the telecommunications industry or the whole ICT industry's value network, and for policy makers to increase their understanding of the internationalisation process and associated factors.

The next section focuses on the concepts of value chain and value network, and discusses the telecommunications industry´s value network and telco's position and role in it. It is followed by a brief review of the research on internationalisation theories, with a more specific description and analysis of the internationalisation process