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GORDON INSTITUTE
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University of Pretoria

The effect of resource acquisition networks on the internationalisation of small and medium enterprises (SMEs)

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

07th January 2013

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Abstract

The need for this research stemmed from the fact that most of what we know about the internationalisation of small and medium enterprises (SMEs) emerges from developed countries; little is known about internationalisation of African SMEs or, in particular, South African SMEs. The impact of globalisation, trade liberalisation, and technology advancement on SMEs is that they face increased competition right on their doorstep. To remain in existence and sustain their growth, SMEs are concertedly seeking opportunities in foreign markets. In order for SMEs to succeed and exploit international opportunities, they develop and rely on networks to compensate for their liability of foreignness, as well as their lack of resources in terms of finance, marketing, human capital, reputation, and technology.

This research investigated the effect of resource acquisition networks on the internationalisation of small and medium enterprises. The study involved SMEs who had internationalised their operations. Data were collected through unstructured interviews in Phase One and semi-structured interviews in Phase Two of this research study, with SME owners and their managers who were responsible for international operations. The key focus was the three research propositions dealing with networks, which focused on three network characteristics: network diversity, network density, and network size.

The findings show that the South African SME internationalisation process is highly influenced by resource acquisition networks. SMEs use their networks to exploit international opportunities by accessing resources that they lack internally. A highly diversified and highly connected network is significant to the SMEs' opportunity identification of and access to resources, while the size of the network is quite important.

Keywords:

Internationalisation, networks, resources, small and medium enterprises (SMEs), entrepreneur, entry mode

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Ken Karunga Msuku   Date:

Acknowledgements

The completion of this thesis would not have been possible without the assistance of certain people in my life.

I want to dedicate this thesis, firstly, to my wife, Farai, and my three fabulous children, Edith, Ken and Kyle. They are the ones who were most affected by my studies.

Secondly, I want to express my sincere gratitude to my company, and especially my mentor and coach, Mr. Harry Chakhala, who is the founder and CEO of the company, for providing me with this opportunity to further myself, as well as for his understanding of the toll it takes on my work engagements.

Thirdly, I would like to thank my supervisor, Judi Sandrock, for her guiding comments and for providing me with the direction to ensure that this research is a success.

Finally, I extend my gratitude towards my family, friends and colleagues for their support and encouragement throughout this two-year journey.

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1. Chapter 1: Introduction to Research Problem

1.1. Introduction

The aim of this research was to explore the effect of resource acquisition networks on the internationalisation of small and medium enterprises (SMEs).

Globalisation has posed new challenges to SMEs, since competition in their local market has increased and the life of their products has been substantially shortened. To overcome this vulnerability, it has become necessary for these firms to export their products or internationalise their activities (Raymond & St-Pierre, 2010). According to Chelliah, Sulaiman, and Yusoff (2010), internationalisation of SMEs is occurring at a faster pace now than ever before, and SMEs are involved in international business activities from the start-up stage. This trend is encouraged by the liberalisation of markets and digitisation.

This globalisation challenge presents SMEs with an opportunity to explore foreign markets, and strategic networks play a vital role in the internationalisation process (Raymond & St-Pierre, 2010). Through such networks, SMEs are able counterbalance their limitations in finance, human resources, technology, reputation, and market information.

1.2. Research Problem

In its *Integrated Strategy for the Promotion of Entrepreneurship and Small Business*, the South African Government, through the Department of Trade and Industry (DTI), has prioritised the promotion of entrepreneurship and small business. This is geared towards making sure that small businesses continues to grow, thereby increasing their role in job creation, equity, and access to markets (DTI, 2012).

One of the strategic programmes identified in the strategy document is the creation of a demand for SME products and services through the linkage with the broader industrial strategy and trade promotion. In line with this, the South African government has signed bilateral trade agreements with a number of countries. These agreements present potential opportunities, and pave the way for small enterprises to enter foreign markets through exports (DTI, 2012).

According to Senik, Isa, Scott-Ladd, and Entrekin (2010), internationalisation is significantly influenced by networks or relationships, and small firms in today's globalised market depend on networks to meet challenges by creating and maintaining networks with relevant institutions and important business associates.

Tolstoy and Agnadal (2010) state that firms must increase the market footprint of their products and their speed of delivery as much as possible. Since small businesses are not in possession of resources comparable to those of large businesses, they depend on networks to meet any shortfall.

The size of SMEs is seen as a disadvantage in internationalisation, as most SMEs lack resources and capabilities, which lack hinders their ability to seize business opportunities. Therefore, to overcome this limitation, SMEs require well-established networks to bridge said gap in order to access international markets (Korsakiené & Tvaronavićiené, 2012). Tolstoy and Agndal (2010) also state that many SMEs may not

be able to drum up all the resources necessary for international venturing within their own firms. However, they are able to leverage these resources through their networks.

According to Amal and Filho (2010), network relationships impact the internationalisation of SMEs by contributing considerably to the creation of new capabilities, and also by changing the entrepreneur's vision.

1.3. Research Motivation

Sen and Haq (2009) state that small and medium-sized firms are the drivers of economic growth and innovation in the global environment. Korsakiené and Tvaronavićiené (2012) state that, despite the significant role of SMEs in the transformation of an economy, they are confronted with competition, both in the domestic and international markets, which leads to market-seeking in other countries. Banham (2010) asserts that challenges to the growth and viability of SMEs are arising from globalisation, increased customer expectations, technological advances, and increased competition. Therefore, internationalisation of SMEs is a significant area of research (Korsakiené & Tvaronavićiené, 2012).

The need for this study stems from the view that most of the research on the internationalisation process is based on firms in developed countries. Research on internationalisation of firms in emerging markets is narrowly covered (Zou & Ghauri, 2010).

Mtigwe (2005) noted that SMEs in the Southern African region are growing at an increased rate, and are viewed as vehicles for innovation, employment, social, and cultural regeneration. However, very little published research exists on the process of internationalisation of entrepreneurial firms in the Southern African context. Improvements in government policy and support instruments, as well as SMEs' behaviour towards foreign business have brought about favourable conditions for SMEs within the Southern African region to embark on internationalisation (Mtigwe, 2005). Mtigwe (2005) also notes that most of the literature on entrepreneurial firms currently available emanated from other continents; hence the need for this study.

Establishing and nurturing network relationships is considered central to the internationalisation process of an organisation. Networks provide SMEs with valuable information benefits, and may influence the performance impact of SMEs' internationalisation strategies (Zhou, Wu, & Luo, 2007).

Networking is the solution to the lack of knowledge and many other SME internationalisation challenges. Internationalisation is dependent on network relationships, rather than on a firm-specific advantage or the phsyical distance from the foreign market (Zarei, Nasseri, & Tajeddin, 2011).

Networks are helpful to entrepreneurs, as they assist in opportunity identification, foster the building of trust with their partners, enhance the availability and accessibility of strategic resources, such as market information, and enable the creation of strategic alliances and other cooperation strategies (Amal & Filho, 2009).

The recently-released Global Entrepreneurship Monitor (GEM) *2011 Global Report* stated that not only multinational enterprises have international orientations; new and smaller firms are using the latest technologies, and are increasingly well equipped to broaden the scope of their business (Bosma, Wennekers, & Amorós, 2012). The report has a specific GEM measure that assesses the extent to which entrepreneurs sell to customers outside of their own economies, since global trade has become increasingly important, due to an ever-increasing global economy (Bosma *et al.*, 2012).

The focus of this research project is to explore the effect of resource acquisition networks on the internationalisation of SMEs. Research in the area of SME internationalisation is seen as relatively new, compared to research on the internationalisation of multinational companies (Korsakiené & Tvaronavićiené, 2012).

1.4. Research Definitions

This research will focus on the effects of resource acquisition networks on the internationalisation process of SMEs, with specific focus on the following:

- Networking capability, which refers to the firm's ability to acquire resources by establishing alliances and social networks to be applied in international markets (Zhang, Tansuhaj, & McCullough, 2009). Zhang *et al*. (2009) further describe a network as a metaphor for a set of connected actors. These actors may be either organisations or individuals, and the relationships that tie them together may take many forms, such as those between customers, suppliers, service providers, or government agencies (Zhang *et al*., 2009).

- Internationalisation, which is defined as the extent to which a firm is involved in international business. It includes exporting, the presence of foreign subsidiaries, share ownership by foreigners, and the appointment of foreigners in the organisational structure (Chelliah, Pandian, Sulaiman, & Munusamy, 2010).

- An entrepreneur, which is defined as a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to exploit these opportunities. He or she bears the risk of the venture, and is rewarded with profit, if it succeeds (Nieman & Nieuwenhuizen, p. 9, 2009)

1.5.   Research Objectives

This study will attempt, through the experiences of two South African SMEs, to gain a deeper understanding of the effects of resource acquisition networks on the ability of SMEs to penetrate, integrate, and expand to international markets.

The research will seek to establish whether:

1. diversity in resource acquisition networks enabled the entrepreneur to access established channels of formal networks and relationships for the internationalisation of the firm;

2. the density of resource acquisition networks enabled the entrepreneur to access established channels of formal networks and relationships for internationalisation of the firm; and

3. the size of the network partners in the resource acquisition networks impacted on the entrepreneur's ability to access established channels of formal networks, and whether this affected the SME's internationalisation choices.

1.6. Conclusion

Chapter 1 outlines both the need for the research and the significance of the study. The globalisation of the economy and trade liberalisation has fuelled the rapid internationalisation of SMEs. Networks have been identified as the key factor in the understanding of foreign market selection, entry modes, and international performance. It is therefore the purpose of this study to examine the effect of resource acquisition networks on the internationalisation process of SMEs. In the next chapter, relevant literature will be reviewed, with a focus on networks as the influential factor in SMEs' internationalisation process.

2. Chapter 2: Literature Review

2.1. Introduction

The theory reviewed in this section defines and describes the effect of resource acquisition networks on the internationalisation process of SMEs. The research problem that has been identified alludes to networks as the most influential factor impacting on the internationalisation of SMEs.

Fatima, Ali, and Arif (2011) state that small firms often depend on network relationships to overcome hurdles in their entry into new markets. The challenges these firms face lead them to accelerate their networks to survive and grow; as such, networks are said to be vital for the establishment and growth of new firms (Fatima *et al*., 2011). Korsakiené and Tvaronaviĉiené (2012) note that the position held by firms within their network and relationships in their current markets determines the firms' ability to excel in foreign markets.

Zarei *et al.*, (2011) note that networking assists SMEs to acquire a great deal of knowledge and gain new information and resources, which would be difficult to accummulate when working alone, which create additional value for firms. Uzzi and Gillespie (2002) assert that networks with one set of trading partners enhance exchanges with third parties, which eliminates the need to assign resources exclusively to the creation of a relationship.

Chetty and Campbell-Hunt (2003) state that the global market has changed tremendously; it requires firms to collaborate, due to the complexities and costly exercise of working alone. Buckley, in Chetty and Campbell-Hunt (2003), notes that SMEs are vulnerable to environmental changes, and their access to information, finance, and management time and experience is limited. These limitations constrain their internationalisation efforts. Therefore, working together through network ties allows SMEs to fast-track their internationalisation process and produce excellent results

beyond the results that are possible when working independently (Coviello & McAuley, in Chetty & Campbell-Hunt, 2003).

2.2. SME Internationalisation

Manolova, Brush, Edelman, and Greene (2002) state that internationalisation process theories are rooted in behavioural models of uncertainty avoidance. Johanson and Vahlne, cited in Manolova *et al.* (2002), developed a model that indicates that internationalisation moves in slow and carefully calculated steps – firms choose to export to countries that are close in proximity and have cultural similarities to that of the firm's country of origin and, therefore, require low investment in resources.

Moen, Gavlen, and Endresen (2004) describe internationalisation as characterised by its slow process in terms of commitment and modes of entry, whereby firms gradually enter more foreign markets. Sim and Pandian (2007) add to this by stating that the gradual process of internationalisation is based on a series of incremental decisions, where firms increase their commitments, based on the knowledge and learning they have acquired about the foreign market.

Entrepreneurial orientation of the business owner significantly influences the internationalisation of SMEs (Ruzzier, Antoncic, Hisrich, & Konecnik, 2007). Ruzzier *et al.* (2007) postulate that entrepreneurs use their human capital (knowledge, skills, and values) to further the goals of their organisations. According to Ruzzier *et al.* (2007), international business skills are acquired through foreign market assignments where international lessons are learned. Where entrepreneurs have access to information and contacts, there is an increase in learning about international trade policies, currency fluctuations, culture diversity, and international networks.

An SME's internationalisation process should be managed carefully, as it can cause the firm to either grow or decline. In order to balance the allocation of scarce resources, SMEs face the dilemma of deciding how to strike a balance between when to initiate the

internationalisation process and how resources, such as finance and information, will be acquired (Chetty & Campbell-Hunt, 2003).

According to Sim and Pandian (2007), an SME's internationalisation process begins in international markets that are closely similar to the firms' country of origin in terms of language, business practices, culture, and industrial development, and then the firms enters markets that are loosely similar to its domestic market.

2.2.1. Factors Influencing Internationalisation of SMEs

According to Senik *et al.* (2010), factors influencing internationalisation of SMEs can be investigated through the motivational factors for internationalisation. Proactiveness and reactiveness can also be influential in internationalisation. Crick and Chaundry, in Senik *et al.(* 2010), note that internationalisation can be fuelled by internal and external change agents.

The revised model for the internationalisation process by Johanson and Vahlne (2009) shows that, firstly, internationalisation is dependent on the firms's relationships and networks. The firm's entry into a foreign market is based on its ties with key partners who are devoted to the growth of the firm through foreign markets (Johanson & Vahlne, 2009). The partners' network centrality in international networks may lead an SME to follow the partner into the foreign markets. Such expansion is motivated by the exploitation of profitable business opportunities and showing commitment to the relationship by following a partner who is expanding internationally or already has an international presence (Johanson & Vahlne, 2009).

Senik *et al.* (2010) identified 24 key themes as reasons for SME internationalisation, categorised into five factors: motivational, firm-specific, industrial, external influences, and networking. Table 1 (below) shows the influential factors in internationalisation, together with the percentage of agreement amongst the experts who took part in their study.

Table 1: Influential factors in internationalisation

	Factors (Dimensions)	Themes/Reason	No. of Items	No. of Experts (N:32)	% of Experts
1	Motivational	Domestic conditions	11	22	69%
		Market issue	11	22	69%
		Resource seeking	9	16	50%
		Globalisation	4	16	50%
		Follow suppliers	4	10	31%
		For survival	5	8	25%
		Total items	**44 Items**		
2	**Firm**				
	Firm itself	Resources	10	20	63%
		Product	11	20	63%
		Capability	6	14	44%
		Reputation	7	10	31%
		Total items	**34 Items**		
	Owner/Key Managers	Skill and ability	20	28	88%
		Attitude	16	24	75%
		Background	11	22	69%
		Total Items	**47 Items**		
3	Industrial	Intense competition	7	28	88%
		Market attractiveness	5	18	56%
		Economies of scale	1	16	50%
		Nature of industries	8	12	38%
		Total Items	**22 Items**		
4	External	Economy	11	22	69%
		Political	8	20	63%
		Technology	5	16	50%
		Society	8	8	25%
		Total items	**32 Items**		
5	Relationship (Networking)	Institutions	12	32	100%
		Personal relation	7	26	81%
		Business associates	7	24	75%
		Total items	**26 Items**		

Note. Influential Factors. Adapted from "Influential Factors for SME Internationalisation: Evidence from Malaysia," by Z.C Senik, R.M. Isa, B. Scott-Ladd and L. Entrekin, 2010, *International Journal of Economics and Management*, 4 (2), p. 293

2.2.2. Approaches to Internationalisation

Korsakiené and Tvaronavićiené (2012) note that internationalisation studies have found several approaches to internationalisation, namely stage, learning, contingency, and network approaches.

Stage approach – refers to firms that start with modes of entry that require the least commitment of resources, and,with experience in the market, increase their commitment of resources to international activities (Korsakiené & Tvaronavićiené, 2012).

Learning approach – where internationalisation is a dynamic process (Korsakiené & Tvaronavićiené, 2012). The approach focuses on evolutionary and sequential building of foreign commitments over time (De Bruca, in Korsakiené & Tvaronavićiené, 2012).

Contingency approach – refers to the firm assessing and exploiting opportunities as they become available, irrespective of whether the market is nearer to the firm's country of origin or whether the mode of entry requires a substantial investment (Okoroafo, in Korsakiené & Tvaronavićiené, 2012).

Network approach – focuses connections and associations in the internationalisation process (Johanso & Mattsson, in Korsakiené & Tvaronavićiené, 2012). Chetty and Blankenburg-Holm, in Korsakiené and Tvaronavićiené (2012), assert that internationalisation takes place in three ways: through developing associations with partners in foreign markets, through increasing investment in foreign networks already in existence, and through consolidation of the firm's role in networks in other countries. According to Amal and Filho (2009), internationalisation is related to a collaborative process, using the firm's competitive advantages and those owned by other members of the network in which the firm is embedded, and also between these combined advantages and overall country advantages. The present research report focuses on this approach, due to the importance of relationships in business success, in both domestic and international markets.

2.2.3. Entry Modes

According to Moen *et al.* (2004), depending on the alternatives available in the network, firms may differentiate their entry modes in similar markets. Bell, in Moen *et al.* (2004), states that computer firms, when initially expanding into international markets, used various entry modes, as opposed to progressing from exporting to setting up local branches, as predicted in the Uppsala Model (Johanson & Vahlne, 2009), where firms replaced agents with their own sales staff as sales increased, and later began manufacturing in the foreign markets. Sim and Pandian (2007) further state that firms' initial entry modes were low commitment, such as being a minority in a joint venture, followed by increased levels of commitment, such as majority equity holding in a joint venture and a wholly owned branch.

Market entry modes can be categorised as equity-based or non-equity-based. In terms of equity-based modes, the decision is between operations that are wholly-owned and equity joint ventures, whereas, with non-equity-based modes, firms can use either contractual agreements or exports (Pan & Tse, 2000). Bell, in Moen *et al.* (2004), also presents a list of different entry forms, which are: indirect exports, agent/distributor, export sales staff, licensees, joint ventures, and branches in marketing.

2.3. Definition and Relevance of Networks

The term *network* refers to a collection of 'actors,' including people, departments, or businesses, and their strategic links, such as family, community finance, or business alliances with each other (Johnsen & Johnsen, in Senik *et al*., 2010).

Coviello and Munro, in Johanson and Vahlne (2009), state that network ties have an effect on the selection of foreign market, and the entry modes and inter-organisation relationships affect the international expansion of the firm.

Networks are an essential source of market information about international opportunities for new ventures (Coviello & Munro, in Fernhaber, Gilbert, & McDougall (2008). Chetty and Campbell-Hunt (2003) concur with the view, stating that, in response to internationalisation opportunity triggers, firms search for information to exploit opportunities, and that business associations are reliable sources of information, allowing the firms to accellerate their learning about internationalisation. Chetty and Campbell-Hunt (2003) further state that networking significantly influences internationalisation activities, as it includes establishing ties with foreign intermediaries, clients, alliance partners, suppliers, and government officials.

According to Hoang and Antoncic (2003), network content, and inter-personal and inter-organisational relationships are seen as the channel for accessing diverse resources held by other partners. Entrepreneurs are able to access information and advice from the networks during their entrepreneurial process (Hoang & Antoncic, 2003).

Jack (2005) asserts that the survival of a firm is guaranteed by the networking by the entrepreneur, and that resource critical for establishing and developing a firm can be acquired through networks. A network improves the probability of a firm attaining excellent results, as it supplements the entrepreneur's own business resources (Jack, 2005).

Fatima *et al.* (2011) propose two different ways of operationalising the network approach to entrepreneurship.

The first emphasises entrepreneur's network characteristics and structure, and explores the effect of these characteristics on the internationalisation process (Fatima *et al.,* 2011). Network structure is defined as the pattern of direct and indirect ties between actors. The control of resource flows and entrepreneurial results are based on the network member's differential positioning within a network structure (Hoang & Antoncic, 2003).

The second way identifies numerous activities carried out by entrepreneurs in the inception phase of their firms, and how much support they received from their network (Fatima *et al.,* 2011).

2.4. Characteristics of the Networks of Entrepreneurs

Fatima *et al*. (2011) identify three characteristics of networks of entrepreneurs, namely network diversity (diversity), network density (density), and network size (size). The three characteristics are discussed below.

Diversity emphasises the network's capability to add a variety of contacts, experience, and information by fast-tracking the different players in the social networks. Diversity increases as the number of key players increases in these networks (Fatima *et al*., 2011).

Density refers to the extent to which the key player's network associates are, themselves, linked to each other – an increase in interconnections between associates increases the network density. The network density is shown through ties between the players in the network. The interconnectedness of the contacts facilitates the continuous flow of information (Fatima *et al.,* 2011).

Size refers to the number of people with whom the entrepreneurs interact for specific reasons, such as discussions, seeking advice and information, etc. (Fatima *et al.,* 2011).

2.5. Classification of Networks According to Functions

Fatima *et al.* (2011) identify five classes of networks that the entrepreneur consults before establishing and operating a firm, and how the entrepreneur organises strong and weak relationships. The five classes are: discussion network, information network, advice network, emotional support network, and resource acquisition network.

The present research project is limited to the investigation of the effects of the resource acquisition network on the internationalisation of SMEs. The effects of the discussion network, information network, advice network, and emotional support network on internationalisation of SMEs will not be addressed.

2.6. Resource Acquisition Network

A resource acquisition network refers to network associates that provide ready access to clients and suppliers, where the firm's success is determined by the growth in the number of clients. Word-of-mouth references are used by friends and acquintances to market the firm in their own networks. This shows the advantage of having a diverse network. Relatives and acquaintances extend informal lines of credit that are especially helpful during the inception phase of the firm, and entrepreneurs may engage family members at no pay to compensate for financial constraints (Fatima *et al.*, 2011).

According to Siu and Bao (2008), the acquisition of information and start-up capital resources are crucial for a firm's survival, and continued growth can be ensured through networks. The firm also gains a competitive advantage through the combination of the firm's capabilities and those of other firms (Siu & Bao, 2008). Networks play a significant role in the internationalisation process by developing a distribution channel to market products and assisting the entrepreneur to access well-established distribution channels (Coviello & Munro, in Fatima *et al.*, 2011).

Resource acquistion networks enable entrepreneurs to access resources that they would not normally be able to afford, and at a very low cost. The firm's ability to access these resources is critical for the firm's internationalisation process (Fatima *et al*., 2011). Birley, in Wiklund, Patzelt, and Shepherd (2009), suggests that the resources required to exploit foreign market opportunities can be sourced within networks, and that these resources are critical for the firm's growth. Furthermore, Tolstoy and Agndal (2010) state that network resources may initiate internationalisation by reducing the uncertainities in the market and by bringing about innovative business solutions.

According to Mohramna and Von Glinow, in Zahra, Ireland, and Hitt (2000), international expansion links the firm with key role players in diverse markets, allowing it to acquire key resources, cost effectively. Mathews, in Sim and Pandian (2007), also emphasises that acquistion of resources and learning new capabilities through contractual ties with foreign partners could enable a firm to rapidly internationalise its activities. Tolstoy and Agndal (2010) identify six types of network resources that can be acquired:

- **Technological resources**, which are essential for innovation and discovery of cutting-edge business solutions, and include key technology knowledge and research and development capacity (Tolstoy & Agndal, 2010). According to Sim and Pandian (2007), resource scarcity forces firms to export their current product offering and technologies to foreign markets that are economically and culturally similar, and close to the firm's country of origin;

- **Market resources**, which increase the firm's ability to exploit opportunities through the knowledge acquired from the networks regarding customer problems and preferences (Tolstoy & Agndal, 2010). According to Reihlen and Apel (2007), market intelligence and the latest industry updates can be acquired through relationships with professional bodies. Benito and Welch, in Chetty and Campbell-Hunt (2003), also argue that learning and market changes are the core driving forces of internationalisation. The interactions between network actors enhance the learning about foreign markets, and increase the know-how of handling institutional and cultural barriers, in order to conduct business in another country (Benito & Welch, in Chetty & Campbell-Hunt, 2003);

- **Human resources,** which are vital for the development of the international ventures and networks, provide a platform to access highly educated people (Tolstoy & Agndal, 2010). According to Manolova *et al.* (2002), SMEs that have internationalised their activities use human capital as a distinctive advantage to balance their resource limitations;

- **Reputational resources**, which are a source of competitive advantage that enhance the firm's long-term ability to attract foreign customers (Tolstoy & Agndal, 2010). According to Tolstoy and Agndal (2010), the firm's reputation lies within its network. Networks enhance the reputation of the firm, as third parties can request information that could assist in assessing the viability of the enterpreneurial firm. Since entrepreneurial firms are considered a high risk, certification from highly respected individuals and organisations is a stamp of approval regarding the firm's capabilities, which increases the confidence levels of third parties wishing to engage the firm (Hoang & Antoncic, 2003). Furthermore, Coviello (2006) states that the attractiveness of certain ties enhances the legitimacy of the new international venture, and stimulates third-party referrals for growth and internationalisation;

- **Financial resources**, which are a major constraint when SMEs have made the choice to enter foreign markets. Through networks, SMEs can access much-needed financial resources to turn opportunities into business (Tolstoy & Agndal, 2010); and

- **Physical resources**, which may involve the buildings, warehouse space, and equipment required to capture foreign business opportunites. Through networks, SMEs can gain access to highly sophisticated facilities and equipment (Tolstoy & Agndal, 2010).

2.7. Diversity of Resource Acquisition Network

Siu and Bao (2008) assert that the resource needs of a firm differ at various stages of a firm's growth, and that SMEs needs to pay close attention to how their networks are structured, and tenaciously work on establishing more diverse relations. Siu and Bao (2008) further note that the lack of network relationships or diversity in a network influences access to various resources.

Siu and Bao (2008) postulate that the likelihood of an entrepreneur readily acquiring more information and recognising more opportunities is influenced by the diversity in social contacts and network ties. A lack of financial, technological, and information resources results in entrepreneurs approaching their immediate network, including family members, close relatives, and good friends for emotional support and initial start-up capital (Siu & Bao, 2008).

According to Zahra *et al*. (2000), an increase in foreign markets serviced by the firm enhances technological learning. This enables the firm to embrace different cultures and use the learning in localising their process technologies, product design, and marketing, since the firm has a deeper understanding of the local culture. Reihlen and Apel (2007) also state that, to stimulate innovation and increase the firm's ability to manage diverse cultures, diversity in the organisational structure is important.

Lechner, Dowling, and Welpe (2006) suggest that the more social relationships the start-up possesses, the faster the entrepreneur is able to access necessary resources and achieve performance targets, such as realising the first sale and reaching profitability. Resource acquisition networks, which are the focus of the present study,provide immediate access to resources, as the working relationship between the two partners does not need a 'warm-up' period in order for the parties to get to know each other (Lechner *et al*., 2006).

2.8. Density of Network

Ojala (2009) reports that firms with a dense resource acquisition network use formal relationships with existing partners to gain access to the partners' distributors for distribution of its products. Firms that do not have existing business activities in other countries use friends for their market entry. The foreign market entry by firms with dense resource acquisition networks is influenced by the management team from the foreign country (Ojala, 2009).

Johanson and Vahlne (2009) state that firms' interactions in their networks foster the creation of new knowledge. This knowledge is increased by the activities of both the firms and their partners. The benefits of this knowledge is experienced across the chain of partners, as each firm has other partners with whom they have dealings (Johanson & Vahlne, 2009).

According to Johanson and Vahlne (2009), firms should consolidate their position in one or more networks to ensure successful performance. The essential elements of the internationalisation process – learning and building trust and commitment – are largely made possible by networks.

Tolstoy and Agndal (2010) state that competitive advantage is acquired through skillful combination of a firm's resources. Firms benefit from new capabilities and opportunities created when growth is achieved through acquistion of resources and exploitation of opportunities in the market (Penrose, in Tolstoy & Agndal, 2010).

Tolstoy and Agndal (2010) argue that firms should leverage resources aquired through networks, in order to compete internationally, as these resources can be accessed across countries.

According to Siu and Bao (2008), network centrality, which is the ability to access resources through indirect and direct links, may influence access to diverse resources.

The ability of actors to reach other actors in their network through intermediaries is related to the degree of centrality (Hoang & Antoncic, 2003).

Johanson and Vahlne (2009) state that, as access to certain information is reserved for the privileged partners in the network, high-level investment in the network provides access to high-level information, and enables firms to share knowledge, making it possible for them to realise and/or generate new opportunities.

2.9. Size of Network

According to Hoang and Antoncic (2003), the most important measure of a network is its size. Network size is defined as the number of direct links between a focal actor and other actors (Hoang & Antoncic, 2003).

Lechner *et al*. (2006) suggest that a large network of family and friends positively affects the performance of a firm; thus, network size influences the growth of the firm. Arenius, in Coviello (2006), also states that accessibility of resources and international opportunities is enhanced by an increase in social capital.

According to Chetty and Campbell-Hunt (2003), there is a negative side to business networks. The constraints of time and resource scarcity influence the number of networks a firm can establish.

3.   Chapter 3: Research Proposition

This chapter details the necessity of conducting this research into the effects of a resource acquisition network on the internationalisation of SMEs. The objective of this research report is to determine if network diversity, density, and size have an influence on the internationalisation process of SMEs in South Africa, through the experiences of two SMEs.

Saunders and Lewis (2012) define a proposition as an assertion that something is true, and can be tested using available data; it is a statement that may be true or false (Olivier, 2004). Three propositions (discussed below) are put forward for the purpose of this research report.

3.1. Proposition 1: Network Diversity

The more diverse the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

The purpose of this proposition is to determine how diverse the SME's resource acquisition network is, and if diversity within the network plays a role in the internationalisation of the firm. This stems from the argument of Steier and Greenwood (2000) that, in order to reduce competitive pressures for developing new firms, entrepreneurs need to develop a more diverse and dense network (the latter of which is addressed by the second proposition in the present study).

3.2. Proposition 2: Network Density

The denser the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

The purpose of this proposition is to assess the interconnectedness of the SME's resource acquisition network.

3.3. Proposition 3: Network Size

The fewer the network partners in a resource acquisition network, the fewer chances an entrepreneur has to access established channels of formal networks and additional relationships for internationalisation.

The purpose of this proposition is to determine if the SME's network size has an influence on the internationalisation process of the firm. Korsakiené and Tvaronavićiené (2012) state that size of SMEs is seen as a disadvantage in internationalisation, as most SMEs lack resources and capabilities, which lack hinders their ability to seize business opportunities. Therefore, SMEs require well established networks to bridge this gap in their internationalisation efforts.

4. Chapter 4: Research Methodology

4.1. Method of Analysis

The research was aimed at exploring the effect of a resource acquisition network on the internationalisation of SMEs. This was achieved by a two-phased approach; Phase One was unstructured interviews with SME owners/managers to unravel patterns and common themes, and Phase Two involved semi-structured interviews with owners and managers of two international firms. The interview guide questions were based on the literature review, and can be found in Appendix 1 of this report.

The research design was qualitative and exploratory in nature. Saunders and Lewis (2012) describe exploratory research as a study that aims to seek new insights, ask new questions, and assess topics in a new light. Furthermore, the method provides flexibility, together with a fuller understanding of an issue or situation.

Saunders and Lewis (2012) state that exploratory research should be used to discover general information about a topic that is not clearly understood by the researcher. Ligthelm, Martins, Tustin, and Wyk (2005) state that exploratory research should be used when searching for insights into the general nature of a problem, the possible decision alternatives, and relevant variables that need to be considered. Ligthelm *et al.* (2005) further state that exploratory research is typically useful where there is little prior knowledge on which to build. Saunders and Lewis (2012) found that exploratory research lends itself particularly well to new phenomena, and provides tentative answers to initial questions, which need to be followed up with more detailed research to provide more dependable answers (Saunders & Lewis, 2012).

Fatima *et al.* (2011) state that following a qualitative method provides a comprehensive insight into the functioning of a network. The method helps to comprehend the interviewee's perceptions, stories, and viewpoints (Fatima *et al.,* 2011). Jack (2010) postulates that articles using qualitative type research in studying networks provide more detailed demonstrations of the functioning of a network. Jack (2010) asserts that these

articles are important in generating an understanding of the real value of networks, the benefits and/or constraints associated with networks, the activity of networking, and the processes involved in their creation, use, and development.

A multiple case study method was applied, due to the exploratory nature of the research proposition. Saunders and Lewis (2012) define the case study method as a research strategy that involves the investigation of a particular contemporary topic within its real-life context, using multiple sources of evidence. Olivier (2004) states that case studies are particularly useful for studying phenomena in the situation in which they occur. Furthermore, Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, where the boundaries between phenomenon and context are not cleary evident, using sources of evidence (Yin, 1994, p. 23).

The present researcher used the multiple case study methodology based on Eisenhardt's approach, cited in Ojala (2009), Amal and Filho (2011), Tolstoy and Agndal (2010) and Fatima *et al.* (2011), as it enabled the researcher to study patterns that were common in the cases and the theory under investigation. Einsenhardt, in Ravenswood (2011), asserts that theory building from case studies is most appropriate in new areas of research with little extant literature, because it does not rely on previous literature or empirical evidence.

The present research had an exploratory character, due to the lack of qualitative research on SMEs' internationalisation in emerging countries (Amal & Filho, 2010). Bailey and Marsden, in Fatima *et al*. (2011), state that the most important internationalisation-related issues for entrepreneurs are identified through a qualitative study.

To gain a deeper understanding of the influence of resource acquisition networks on internationalisation of SMEs, it was necessary to understand the motives of the entrepreneur, which could only be done using the type of exploratory research that was undertaken.

4.2. Research Process

The research project took the form of a two-phase qualitative study. Details of each phase are provided below.

Phase One: This phase consisted of unstructured interviews with three SME owner/managers who had internationalised their firms. The aim of this research phase was to establish common patterns of internationalisation and the effect of networks on this internationalisation process.

Phase Two: This phase took the form of semi-structured interviews with two owners of firms and their managers of the international operations area. These respondents had been identified through personal contacts in the researcher's own network, as well as through business alliances that existed within the researcher's firm.

4.3. Population and Unit of Analysis

Ligthelm *et al.* (2005) define a population as the group from which a sample is drawn. It should include all the people from all establishments whose opinions, behaviour, preferences, and attitudes will yield information with which to answer the research question.

The population of this study was South African SMEs involved in international business activities. The categories of small to medium firms was defined according to the definition in the National Small Business Amendment Act of South Africa, 2003 (No. 25763), which defines a small firm as having fewer than 50 employees, with a turnover of less than R19 million, depending on the industry sector, and a medium firm as having more than 50 employees but fewer than 200, with a turnover more than R19 million, depending on the industry sector (SA Government, 2003).

The unit of analysis was SMEs that had internationalised their business activities.

4.4. Selection of Case Firms

The firms that were studied were chosen using the following selection criteria:

- Small or medium-sized businesses, according to the South African classification (the size of SMEs is limited to maximum 200 employees by industry sector by the National Small Business Amendment Act of South Africa) (SA Government, 2003);
- Continuous engagement in international activities for a period of at least two years; and
- The firm's head office is located in South Africa.

4.5. Size and Nature of the Sample

Ligthelm *et al.* (2005) state that the determination of sample size is a rather complex issue involving both statistical and practical considerations. The statistical considerations include the following: degree of variability in the population; degree of precision associated with the population estimates, based on the sample; degree of confidence associated with any population estimates; and the extent to which the analysis will involve the use of sub-samples for cross-classification, and/or the use of statistical techniques that require a minimum sample size to produce meaningful results. Practical considerations such as resources in terms of money, time, personnel, and non-responses, which need to be considered in determining the sample size.

The sampling methods used in this research were a combination of two non-probability sampling techniques: purposive sampling for Phase One, with the specific purpose gaining an understanding of common trends in internationalisation and networks, and convenience sampling in Phase Two, for selecting interviewees, based on accessibility and availability.

Table 2 indicates the data-collection method, sampling technique, and sample size for each of the research phases.

Table 2: Research phase and corresponding sampling information

Research phase	Aim of phase	Data-collection method	Sampling technique	Sample size
Phase 1	Establish common trends in internationalisation and networks	Unstructured interviews	Purposive	5
Phase 2	Face-to-face interviews with SME owners/managers who have internationalised their business activities	Semi-structured interviews	Convenience	2

4.6. Data Collection

The method of data collection was a two-phased interview. The types of interviews that were utilised during each phase are indicated in Table 2. Unstructured interviews were selected for Phase one, as they are more informal and encourage participants to talk openly and widely about the topic (Saunders & Lewis, 2012). The interviews in this phase enabled the researcher to identify themes that emerged, and informed the formulation of the semi-structured interview questions to be used in Phase two. The interview guide that was used to guide the discussion can be found in Appendix 1 of this report.

Semi-structured interviews were utilised in Phase Two. This method was chosen to capture classification data such as firm characteristics (age, number of employees, and markets) and entrepreneur characteristics (age, education, experience, and international exposure) (Fatima *et al.*, 2011). The unstructured interviews allowed participants to express their views and experiences, so that the researcher could gain a deeper understanding of the issues at hand (Fatima *et al.*, 2011).

The interviews took place at the candidates' offices, and lasted between 40 and 60 minutes. All interviews were audio-recorded and transcribed verbatim, and the resulting texts were analysed.

4.7. Data Analysis

Once the interviews had been completed, the data were analysed using the pattern-matching approach, which is a useful technique for linking data to the propositions (Fatima *et al.*, 2011). Each case was analysed separately, after which a comparison was drawn between the cases (Amal & Filho, 2010).

The above processes were assisted by the use of qualitative data analysis software (CAQDAS), which is a tool in the management of textual data for storage and retrieval of information, as well as other functions offerred by ATLAS/ti (Mouton, 2005).

4.8. Data Storage

All the notes and transcripts were stored electronically. The interviews were audio recorded and stored electronically. The recordings and documentation will be stored for a minimum of 10 years from the date of submission of the present research report.

4.9. Potential Research Limitations

The following are possible limitations of this study:

- Since only two firms were studied and the unit of analysis was not determined, the representativeness of the sample and the generalisability of the study may be limited;
- The research was dependent on participants' views and experiences, as well as their ability to provide sufficient insights during the interviews;
- The research was exposed to response bias, associated with the self-reporting nature of an interview; and

- Interviewer's lack interviewing skills and bias related to internationalisation (subjectivity), as he is involved in a firm that has used resource acquisition networks in its internationalisation process, may have influenced the data collection.

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5. Chapter 5: Results

5.1. Introduction

In this chapter, the responses gathered through the interviews conducted with two SME owners, as well as the interviews with three managers responsible for international operations within the organisations are reported. A key objective of the interviews was to gain a deeper understanding from the participants about the influence of resource acquisition networks on their internationalisation process. As such, the interview questions posed to the respondents aimed to elicit information that would answer the three research propositions highlighted in Chapter 3, by gathering responses to seven sub-questions that focused on how diversity, density, and size of resource acquisition networks had influenced the SMEs' internationalisation processes. The interviews were semi-structured, and an interview guide was used (see Appendix 1).

Each interview lasted between 40 and 60 minutes, and was audio-recorded and later transcribed verbatim. The information collected was analysed using pattern matching, highlighting the key themes, which are discussed in detail in this chapter.

The discussion of the results is broken up into the following sections:

- SMEs' backgrounds and demographics;
- Participants' characteristics; and
- Results of the research propositions (Phase One and Phase Two).

5.2. SMEs' Backgrounds and Demographics

In order to gain a background to the interview responses, a brief overview of the SMEs that were selected for participation in this study is provided below. To observe confidentiality, the SMEs have been classified as Firm A, Firm B, and Firm C.

Firm A, a black empowerment firm (100%), was formed in 1999, and has a track record of over 13 years of delivering world-class information and communication technology (ICT) services and solutions. Of significance to its clients is the firm's best practice zeal, mapped around the firm's core competencies and technologies in effective ICT service delivery.

The firm also has a mobile strategic business unit that is an international Wireless Application Service Provider (WASP) Aggregator that operates in the Value Added Services sector of the Mobile Telecommunications Industry. With the SS7 gateway, the unit is empowered with access to any mobile network in any country, thus giving its clients access to run any mobile-related service in a remotely controlled location.

The firm has conducted business in various international markets since 2005, including Malawi, Namibia, Ghana, Kenya, Botswana, Democratic Republic of Congo, and Zimbabwe.

Firm B is an entrepreneurial, black-owned South African company specialising in the movement of commercial cargo, including break bulk cargo, containers, bagged cargo, etc. The company has offices in Johannesburg, South Africa, and Lilongwe, Malawi. The offices are strategically positioned to cater to the main exporters of agricultural produce from Malawi and neighbouring countries. With four years of freight/transport and cross-border handling experience, the company provides services to customers in the SADC region: Zimbabwe, Malawi, Zambia, Tanzania, Democratic Republic of Congo, Angola, Botswana, and Mozambique. Its fleet operates on mainly the Johannesburg-Malawi route: north bound, carrying flour, steel, mining equipment, fertilizer, maize, and various other types of cargo to Malawi. On the south-bound leg, the fleet carries tobacco and other exports to South Africa.

Firm C is a 'born-global,' as its founder originates from Kenya and, from inception, its publication has been traded in several African countries, including Malawi, Kenya, Zambia, Ghana, Nigeria, Tanzania, Uganda, and Zimbabwe. The business was established in 2010 as a conversion from a Kenyan group website where users posted information to a publishing and corporate events company. The quarterly publication

captures stories of African professionals and entrepreneurs who thrive beyond national borders. The company also organises various networking activities in Gauteng, in partnership with a number of well-known corporate partners.

Table 3 (below) highlights the details of the three SMEs that were selected for participation in the study in terms of their year of establishment, number of employees, annual turnover, nature of the business, and international markets. Each firm was selected using the criteria stated in Section 4.4 of Chapter 4.

Table 3: SMEs' demographics

Company	Firm A	Firm B	Firm C
Year established	1999	2008	2010
Number of employees	52	34	7
Annual turnover	R27million	R10million	R 800 000
Nature of business	Information Technology	Transport	Publishing and Corporate Events
International market	Zimbabwe, Malawi, Kenya, Ghana, Botswana, Namibia, Democratic Republic of Congo	Malawi, Botswana, Mozambique, Angola, Democratic Republic of Congo, Tanzania, Zambia, Zimbabwe	Kenya, Zambia, Ghana, Malawi, Nigeria, Tanzania, Democratic Republic of Congo, Uganda, Zimbabwe

5.3. Participants' Characteristics

Table 4 (below) highlights the characteristics of the respondents selected for participation in the study. A total of seven people were contacted, who confirmed their willingness to participate in the study; however, due to time constraints, two later declined. To observe confidentiality, the participants are referred to as P1 to P5. P1 to P3 participated in Phase One of the research. The purpose of Phase One was to establish common trends in internationalisation and networks. The completion of Phase One enabled the researcher to refine the interview questions for Phase Two, in which P4 and P5 were participants. P4 and P5 are owners of Firm A and Firm C respectively and, between them, their international experience spans eleven countries. The purpose of Phase Two was to determine the effect of resource acquisition networks on the internationalisation of SMEs through the participants' expression of their views and experiences. Each participant was selected using a purposive and convenience sampling technique, based on accessibility and availability.

Table 4: Participants' characteristics

Research phase	Phase one			Phase two	
Participant	P1	P2	P3	P4	P5
Company	Firm A	Firm A	Firm B	Firm A	Firm C
Position in the organisation	Executive: Product Sales	Executive: Mobile Operations	Accounts Manager	CEO / Owner	Director / Owner
Age	27	29	34	48	32
Education	Microsoft Certified Systems Engineer, Diploma in Sound Engineering	Diploma in IT	Diploma in Financial Management, Bachelor of Business Administration	Master of Business Administration (MBA-Wits), Chartered Marketer, Postgraduate Diploma in Management, ACCA-CDipAF	Chartered Accountant, Postgraduate Diploma in Journalism, Higher Diploma in Accounting, Bachelor of Commerce
International experience (countries where you have conducted business)	United States of America, Netherlands, Zimbabwe, Malawi, Ghana, Namibia	Zimbabwe, Malawi, Kenya	Malawi, Zambia	Malawi, Kenya, Zimbabwe, Ghana, Namibia, United States of America, France, Democratic Republic of Congo, Botswana,	Australia, Chad, Kenya, United States of America, Democratic Republic of Congo
Total number of years experience	9	10	12	25	8

5.4. Research Propositions – Results of Phase One

5.4.1. Proposition 1: Network Diversity

The more diverse the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

5.4.1.1. Motivation for the Organisations' Internationalisation

The purpose of this interview question was to identify the motivation behind the firm internationalising its activities. The results of the interviews show that SMEs are engaging in internationalisation for various reasons, as demonstrated by the following responses:

> P1: "…obviously growth, making more money, and also diversifying where you [do] not have all your eggs in one basket."

> P3: "….I would say we are being driven by the customers, because we load the good[s] for the customers and they will say, 'Ok, we want the goods to go to Angola,' then we go to Angola."

Though there are various motives behind the internationalisation of the SMEs, the participants acknowledged that the main motivating factor was growth – expanding the firm's market coverage.

5.4.1.2. Diversity of the SMEs' Resource Acquisition Networks

It was stated that, for SMEs to succeed and remain sustainable in international markets, they require a diverse resource acquisition network, as this enables the entrepreneur to more rapidly access necessary resources.

> *P1: "It needs to be diverse; you need to speak to people from all different background[s]. For an IT company to succeed in Africa, you need to be neutral on all aspects, I think, political[ly], religion wise, there are a lot of people that's got diverse background coming from different places, so for you to be successful, you need to be acceptable to all local customs."*

Diversity within a network is crucial, as it allows the SMEs to gain access to a variety of resources that assist in overcoming the firm's limitations in terms of finances, human resources, knowledge, etc.

5.4.1.3. Resources Acquired through Resource Acquisition Networks

In terms of the resources acquired through resource acquisition networks, Table 5 (below) outlines the findings regarding the resources that have been acquired through networks, classified according to the six types of network resources identified by Tolstoy and Agndal (2010) and discussed in Chapter 2, Section 2.6.

Table 5: Types of network resources acquired

Ranking	Resource type	P1	P2	P3	Count
1	Financial resources	✓	✓	✓	3
2	Market resources	✓	✓	✓	3
3	Human resources	✓	x	✓	2
4	Reputational resources	✓	✓	x	2
5	Technological resources	✓	✓	x	2
6	Physical resources	x	x	✓	1
	Total resource acquired	5	4	4	

From Table 5 above, it can be seen that the participants had acquired at least four resource types through resource acquisition networks. The key resources acquired through resource acquisition networks were financial resources, market resources (by all three companies) and human resources (by two of the three companies). Physical resources were the least acquired (by only one of the three companies).

With regard to financial resources, participants noted:

P1: "… obviously, marketing funds that we can use to position certain products in the market."

P2: "…all our accommodation, subsistence and travel allowances are covered by our partner in Zimbabwe. All we need to do is get there."

P3: "..financial assistance is required for our drivers when returning from the delivery point, since they have overused their allowances whilst in transit, due to unforseen circumstances on the road."

P1, referring to marketing resources stated:

> "…we get word on marketing material, we get leads from our partners that we can utilise, and then we apply our local knowledge to it, to add local flavour to it. That's the value we add."

Regarding human resources, P1 stated that having a person with sound knowledge of the solution available locally to assist with the entire sales cycle is a considerable advantage. P1 said people still prefer face-to-face communication, and having a local person to manage the processes is beneficial. In addition, a skills and knowledge transfer process occurs whilst the person is engaged in demonstrating the solution. However, P2 stated that the skills level was very low in his firm's partner in Zimbabwe, and that more time was spent on training the personnel to acquaint them with the solution than on implementing the solution.

5.4.2. Proposition 2: Network Density

The denser the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

5.4.2.1. The Influence of Resource Acquisition Networks on SMEs' Internationalisation

The participants stated that resource acquisition networks significantly influenced the internationalisation of the firm by reducing the firm's liability of foreignness, as the networks provided a better understanding of the international market. The networks help to close sales, guarantee cargo from other countries, and aid in the conclusion of partnerships with local firms in other countries, such as Zimbabwe and Malawi.

> P1: "For example, we have done business in Ghana, but, definitely, we would not have gotten it if it wasn't for this local company helping us doing the local traction and the communications barriers for us."

> P3: "...for example, they have got offices in Zambia, Zimbabwe, Tanzania, so when they give us loads, say, in Zambia, they will give us other loads coming back; then we will load from Zambia coming to South Africa, and if we go to Tanzania they will give us loads from Tanzania to South Africa."

5.4.2.2. Interconnectedness of SMEs' Resource Acquisition Networks

In order to understand the density of the entrepreneurs' networks, participants were asked how interconnected their networks were, and if the network actors knew each other. Based on the responses given during the interviews, the resource acquisition networks under study are highly interconnected. This high interconnectedness helps the firm to identify new customers, new suppliers, and new partners; it also allows for a quick flow of information, which enables the firm to quickly respond and adapt to market changes.

> P1: "What I have seen is that, in the area we play, it is a small world that everybody seems to know everybody from somewhere. …. depending, I get a lot better joy out of our partners if the network relationships are better, for example, if you have some sort of a personal relationship with your business account manager, it definitely helps in getting the right information quicker out of the organisation, stuff like that; whereas from other partners, where relationships are not that good, you struggle to get information out."

> P2: "Connections have been quite useful; you find that somebody knows somebody, the network is very connected."

5.4.2.3. The Role of Resource Acquisition Networks in the SME's Growth Strategy

The significance of resource acquisition networks on the firms' growth strategy can be seen in opportunity identification in the local markets. It was stated that, through its associate company, Firm B ventured into offering customs import formalities for transit cargo, as that was where an opportunity existed, and it was in alignment with its cross-border handling experience.

It was also stated that, through resource acquisition networks, Firm A was able to bundle its product offering and services to offer a turn-key solution at the client's request.

5.4.2.3.1. Guidance in Foreign Market Selection and Entry Modes

Resource acquisition networks, with their collective market understanding and intelligence, have assisted in guiding the firms' market selection and entry mode. Firm B opened offices in Zambia to save costs on road fees imposed on foreign vehicles by registering some of its fleet there. It was also stated that resource acquisition networks were instrumental in sourcing local partners, with whom Firm A had entered into a joint venture.

Participants noted:

> P1: "The local networks give us guidance and advice on how to conduct business in their territories."

> P2: "…operating in foreign countries, you have to abide by the country's regulations, so we had to enter into a joint venture as our entry mode into Zimbabwe in order to comply with the indigenisation policy."

> P3: "…we opened offices in Zambia to bypass the impasse that was between the governments of Malawi and Zambia."

5.4.3. Proposition 3: Network Size

The fewer the network partners in resource acquisition networks, the fewer chances an entrepreneur has to access established channels of formal networks and additional relationships for internationalisation.

All participants responded that they had a small number of network partners in their resource acquisition networks, but that this did not limit their access to established

channels of formal networks. The network size and number of network partners vary between industries.

Table 6a (below) shows the number of network partners in the resource acquisition networks, and Table 6b shows the responses to whether the participants perceived their resource acquisition networks to be more or less.

Table 6a: Number of network partners in the resource acquisition networks

What is the number of network partners?	No. of partners
P1	5
P2	1
P3	2

Table 6b: Perceptions of number of partners in networks

Are resource acquisition networks more or less?	Count
More	0
Less	3

Participants noted:

P1: "...small; it's a small network of people. In my honest opinion, it feels like ... a couple of people making decisions affecting a lot of people in the network; so, although it could be a big network, ... a couple of people ... can make real impact in the whole ecosystem."

P2: "...there are only three mobile network operators in Zimbabwe, and we have partnered with the biggest operator of the three."

P3: "Very small. Currently we have two major partners who give us work across the SADC region."

5.4.4. Conclusion

Phase one identified the common trends in internationalisation and networks, with a focus on the diversity, density, and size of the networks. Phase Two revisited the three focal points, in order to gain an understanding of the owners' experiences of the effect of resource acquisition networks on the internationalisation of SMEs.

5.5. Research Propositions – Results of Phase Two

5.5.1. Proposition 1: Network Diversity

The more diverse the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

5.5.1.1. Motivation for the Organisations' Internationalisation

To understand why SMEs internationalise, the participants were asked what motivated them to expand internationally, to ascertain if network diversity influenced the firms' internationalisation process. It was stated that external growth, market diversification, and sustainability were the key motivating factors for the internationalisation of Firm A and Firm C.

P4 noted that the South African ICT market is highly competitive and mature; therefore, there is a push to explore the African market, which is less mature. Furthermore, the participant felt that his firm's business opportunities lie in less mature markets, where growth can be experienced.

P5 noted that growing the firm's advertising base and readership reach was done for the sake of the organisation's survival and sustainability. The participant felt that serving a market that the client had already exhausted would not to add value. Therefore, to

remain attractive to its clients and retain their advertising clients, the organisation had to increase its market size through internationalisation.

The following are quotations that show growth as the motivation for internationalisation:

P4: "…we are looking both diversification and growth in markets that we think, relatively, is [sic] not mature."

P5: "Internationally, it only made sense because if your publication, people want your reach to be as big as possible. If you only advertise to local Kenyans in South Africa, then someone will not advertise for long for you."

5.5.1.2.   Diversity of the SMEs' Resource Acquisition Networks

In order to determine the effect of diversity of resource acquisition networks on the internationalisation of SMEs, participants were asked to elaborate on how diverse their networks were, and what impact this diversity had during internationalisation. Table 7 shows the responses from participants when asked how diverse their organisation's resource acquisition networks were (Interview Question 3).

Table 7: Perceptions of diversity of resource acquisition networks

How diverse are the organisation's resource acquisition networks?	Count
More diverse	2
Less diverse	0

The following are quotations from the participants' responses:

P4: "…if you have a network of much [sic] diverse people in the industry in [a] leadership position, maybe it helps to gain new clients."

P5: "We decided to print it, and we generated a lot of interest from other communities like Uganda, Nigeria, and Ghana. That's how the publication became [a] publication for all communities…."

It was also stated that the network diversity stemmed from various platforms. P5 noted that, through their online platform, they have connections with businesses outside of the country, and have enhanced their links with other community networks, such as the Association of Malawians in South Africa (AMSA) and the Biganda network.

5.5.1.3. Resources Acquired Through Resource Acquisition Networks

As stated in Chapter 2, Section 2.6., Tolstoy and Agndal (2010) identified six types of network resources that can be acquired. Participants in this study were asked which of these resources they had acquired through resource acquisition networks. Table 8 (below) indicates the resources that the organisations had acquired.

Table 8: Types of network resources acquired

Ranking	Resource Type	P4	P5	Count
1	Financial resources	✓	✓	2
2	Market resources	✓	✓	2
3	Human resources	✓	✓	2
4	Reputational resources	✓	✓	2
5	Technological resources	✓	✓	2
6	Physical resources	x	x	0
	Total resource acquired	5	5	

Table 8 above indicates that the participants had acquired at least five of the six resource types through resource acquisition networks, with the exception of physical resources.

With regard to financial resources, participants noted:

> P4: "…funding is huge, we have been involved in co-marketing initiatives with our partners, and some have absorbed the cost of training of our resources."

> P5: "…the shareholders, as well, have invested in it. That's a key resource in terms of working capital."

P5, referring to marketing resources, stated:

> "…so, getting within our network people who can be able to advertise has been the number one key, that has enabled us to keep the publication going and profitable."

With regard to human resources, participants noted:

> P4: "…the material you publish, you need human resources, people who can write stories, for example. ... we do have our own, but there are people in the community in our network who want to write, who want to make their voices heard, so it works well, because we give them the opportunity to make their voices heard and publish, but we don't generally pay for their contributions."

> P5: "…of course employees; if it's highly diversified with other foreign people, it give [sic] you another image to feel confident to go into foreign markets."

P4 referring to reputation resources:

> P4: "*What I picked up is that, when you say we are a Microsoft partner, [or] Oracle partner, those forms of accreditations are very critical to be accepted in international markets. It gives you a certain level of respect.*"

With regard to technological resources, participants noted:

> P5: "*The international business has been driven largely by online publishing… if you are talking about the online, you need [an] effective website that can have all those applications and all those things and updates [are] very important to our international appeal, as I said. There we have tapped into our network, and we have managed to secure a good arrangement with an individual in the network, who can maintain the website. The maintaining of the website has been basically not free, but on a barter arrangement, so you maintain the website and we advertise for you.*"

> P4: "*… they partnered with us to introduce the services of Centrify on the local market to bridge that gap and expand the market footprint.*"

5.5.2. Proposition 2: Network Density

The denser the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

5.5.2.1. Influence of Resource Acquisition Networks on SMEs' Internationalisation

The participants responded that resource acquisition networks had a significant influence on the internationalisation of their organisations. Table 9 (below) exhibits responses from the participants when asked whether resource acquisition networks had had an influence on the internationalisation of their organisations.

Table 9: Perceptions of the influence of the networks on internationalisation of the organisations

How influential have resource acquisition networks been in the internationalisation of the organisation?	Count
Significantly influential	2
Not significantly influential	0

The following are quotations from participants regarding the influence of resource acquisition networks on internationalisation of their organisations:

> P4: *"…What makes the difference on resource acquisition networks is that it's a partnership that you have to be open to bring in local partners into your business to reduce the learning curve, to cushion uncertainty and, of course, to accelerate maturity. Basically, you are trying to accelerate the maturity of the organisation by using the local knowledge instead of you building it up. Both [in] Zimbabwe and Malawi, by doing that, we have been able to accelerate the maturity of the organisation and penetration of the market."*

P5: "…the immediate network is connected to a bigger network…. as a result of that, the network has kept growing and we have actually managed to expand the network by tapping into a network with every person that we run into."

P4 noted that, through networks, Firm A was invited to explore opportunities in Zimbabwe and Malawi. Without the network, these opportunities would have gone unnoticed.

5.5.2.2.   Interconnectedness of SMEs' Resource Acquisition Networks

In order to understand the density of the entrepreneurs' networks, participants were asked how interconnected their networks were, and if the network actors knew each other. Based on the responses given in the interviews, the participants felt that they had a highly interconnected resource acquisition network that was helpful to the organisation. Table 10 (below) shows the participants' responses when asked how interconnected their organisations' resource acquisition networks are.

Table 10: Perceptions of interconnectedness of networks

How interconnected is the organisation's resource acquisition networks?	Count
Highly connected	2
Highly disconnected	0

In referring to the interconnectedness of the organisations' resource acquisition networks, participants noted:

P4 "I think it's highly interconnected. I mean, if you are taking a brand across, the assumption is that they are aware of the brand, so I would say very high. If the interconnection is high on the brand the better. If they know you, Firm A like a lot guys in Zimbabwe do talk: 'Oh, we know Firm A that helps you.' The higher the

interconnection, the more you have access to networks, probably, the easier it becomes."

P5 "…we work on a referral system…. Same thing with ambassadors, we featured the ambassador of Malawi. She tells you, 'You should try to get in touch with this one and those people.' "

5.5.2.3. The Role of Resource Acquisition Networks on the SME's Growth Strategy

Responses from participants tabulated in Table 11 (below), show that resource acquisition played a role in the organisations' growth strategy for international markets.

Participants were asked if resource acquisition networks had any role in their firms' growth strategy in international markets. The responses indicated that the resource acquisition networks played a significant role in the organisations' growth strategies, as they assisted the firms in identifying opportunities, and provided information that influenced their market selection and entry mode.

Table 11: Role of networks in internationalisation growth strategy

What role have resource acquisition networks had on the organisation's growth strategy in international markets?	Count
Significant	2
Not significant	0

P4, referring to the role of resource acquisition networks in the organisation's growth strategy in international markets, stated:

"Very high. It's nice to have diversity in employees; diversity in an organisation gives you quite good leverage for network acquisition when you are going into other markets. I mean, to take P2 going into the Zimbabwe market ... helps. If it was pure[ly] South African employees, probably it would not have been easy. So

if you have good diversity in an organisation, you learn more of other markets, and you prepare better; you can write a better strategy in preparation of the new market."

5.5.2.3.1. Guidance in Foreign Market and Entry Mode Selection

The participants stated that the networks did provide guidance in foreign market and entry mode selection. The market selection followed a gradual process, with SMEs entering foreign markets that were close to their home country, and which had a similar culture and language.

Firm C noted that its international focus had been on English-speaking countries, which is where most of its articles had originated from.

It was noted that Firm A had entered into a joint venture in Zimbabwe, and has strategic partnerships in Kenya and Malawi, whereas Firm C had used a supplier agreement with a reputable airline company and a retail outlet as its mode of entry.

Table 12a (below) indicates the responses to Interview Question 6 on whether resource acquisition networks provided guidance on foreign market selection, and Table 12b indicates entry modes chosen by the firms.

Table 12a: Guidance by networks in foreign market selection

Did the networks provide guidance in foreign market selection?	Count
Yes	2
No	0

Participants noted:

P4 "It gives both. Of course, the diversity internally gives us an understanding of Zimbabwe and Malawi quite significantly. You have internal local knowledge of the international market. ... it's a strategic advantage, very high..... If it's a

service, you have to have understanding of local knowledge, so partnership or strategic partnerships, collaboration, alliances are very key to internationalisation of small/medium enterprise service organisations."

P5: "In terms of physical printing in east Africa, Kenya, Uganda, Tanzania, people buy the publication in bulk and go and sell there. We have stories about seven countries where we have had a focus, and most of our stories have come from English-speaking countries, which are Kenya, Uganda, Tanzania, Malawi, Zambia, Zimbabwe, Nigeria, and Ghana."

Table 12b: Guidance by networks on entry modes

Did the networks provide guidance on entry mode mechanisms?	P1	P2
Equity-based modes		
Wholly owned	✓	x
Equity joint ventures	✓	x
Non-equity-based modes		
Contractual agreements	✓	✓
Exports (direct & indirect)	✓	✓

From the responses above, it can be seen that Firm A had used all forms of entry modes, and Firm C had only used non-equity-based modes. P5 noted that they had limited resources to commit in foreign markets and, therefore, relied mostly on contractual agreements; direct and indirect exports as their modes of entry.

P4, referring to entry modes, stated:

> "It's nice to partner with companies that you can identify with; maybe one or two relationships. Of course it helps. But we have also seen the disadvantage, like Malawi, where it didn't make any difference."

5.5.3. Proposition 3: Network Size

The fewer the network partners in resource acquisition networks, the fewer chances an entrepreneur has to access established channels of formal networks and additional relationships for internationalisation.

The responses from the participants illustrated that, even with few network partners, networks gave participants more opportunities to access established channels of formal networks. The participants felt that the number of possible network partners was industry-dependent, and that their network size did not limit their access to other networks. P4 explained that Firm A's mobile division has relationships with all four mobile network operators in South Africa, which means the firm has access to the whole mobile market. Table 13a (below) shows the responses to the number of network partners in the resource acquisition networks, and Table 13b shows the responses to whether the participants have more or fewer resource acquisition networks. The perception of the participants was that they had fewer network partners, but they did not see it as a limiting factor when accessing other networks and additional international relationships.

Table 13a: Number of network partners in networks

What is the number of network partners?	No. of partners
P4	15
P5	25

Participants noted:

> *P4: "…It's a low number of network partners."*

> *P5: "…between 10 – to 50 partners, which is very small when looking at the world as our global village."*

Table 13b: Perceptions of number of partners in networks

Are resource acquisition networks more or less?	Count
More	0
Less	2

It was stated that network partners focusing only on revenue generation, using the SMEs as an extension of their sales team, was fatal to the relationship. The SMEs did not respond as intended, and mutual benefits did not accrue to both partners. P4 mentioned that partners with a serious commitment to the development of Firm A had invested a lot in the relationship, and were reaping the benefits, as the firm was able to close more deals and bring on board clients that their network partner had been attempting to solicit for quite some time.

The challenge of balancing the resources of time, personnel, and finances to develop and maintain a relationship was also an issue faced by the participants. P5 mentioned that time was the biggest challenge to the development of his network, since he also had to maintain his full-time job and run the publication.

P4 also noted that finding the right people to manage network partnerships was a challenge. Firm A spent a lot of money on training and development of its employees, who were assigned to manage network partners; later, some of these employees were poached by the network partners.

5.5.4. Conclusion

Phase Two captured the views and experiences of the two owners of Firm A and Firm C. From the responses above, the motivating factor for SMEs to internationalise their activities is growth. SMEs seek growth in relatively immature markets to increase their market footprint. Network diversity and network density have a high influence on the internationalisation of SMEs, whereas network size does not limit SMEs' access to established channels of formal networks and additional relationships.

Resource acquisition networks are influential in the internationalisation of SMEs, and they provide guidance in the selection of both the market and entry modes.

6. Chapter 6: Discussion

6.1. Introduction

This chapter analyses the results of the research findings outlined in Chapter 5. These findings are compared with the literature review in Chapter 2, and the analysis is structured according to the three research propositions posed in Chapter 3. The interviews with the five participants provided insights into the effect of resource acquisition networks on the internationalisation of SMEs.

Raymond and St-Pierre (2010) state that, in order to take advantage of and exploit the opportunities offered by globalisation, SMEs need to develop distinctive strategic capabilities, such as networking, to enable them to internationalise and collaborate in business. Three network characteristics of entrepreneurs' networks were identified: network diversity, network density, and network size. This research attempted to determine whether these characteristics have an effect on the internationalisation of SMEs.

6.2. Proposition 1: Network Diversity

The more diverse the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

6.2.1. Motivation for the Organisation to Move International

The most-cited motivation for internationalisation was growth. Participants felt that the South African market is mature, making it highly competitive. This was expected, based on the findings of Korsakiené and Tvaronavićiené (2012) and Banham (2010) that, with

globalisation, SMEs are faced with increased international competition, and are forced to compete in foreign markets.

The above point was also observed when it was found that the business of the SMEs' in the present study lies within relatively mature markets. In addition, the African market was termed a "virgin market" with a low level of technological advancement. Entering such markets allow SMEs to capitalise on the 'first mover' advantage and add value to their client base whilst sustaining their growth rate. This was also found by Steier and Greenwood (2000), who state that, in order to reduce competitive pressures for developing new firms, entrepreneurs need to develop a more diverse and dense network.

6.2.2. Diversity of the SMEs' Resource Acquisition Networks

It was found that diverse resource acquisition networks had a greater effect on the internationalisation of the firms. Success in doing business in foreign markets was attributed to having access to various resources, such as financial resources, marketing resources, human resource, reputational resources, and technological resources.

As stated in the literature by Lechner *et al.* (2006), the more social relationships the start-up possesses, the more readily the entrepreneur is able to access necessary resources and achieve performance targets, such as realising the first sale and reaching profitability. Firm C, by having a diverse network, enhanced its international appeal by covering stories from different communities, featuring prominent business professionals and government officials. This generated interest from the whole continent, and helped the firm to access international businesses that were willing to advertise in the publication.

In the literature, Reihlen and Apel (2007) postulate that, by increasing the diversity of organisational members, the firm could not only facilitate innovation, but also increase its absorptive capacity for understanding and managing culturally remote markets. In the present study, Firm A, through networks, was able to hire personnel from Malawi, Kenya, Zimbabwe, Angola, and Nigeria. A diverse workforce assisted the firm in

understanding and managing relationships in remote markets. It was also found that the firm utilised the employees' local networks from their country of origin to access and validate information, vet new partners, and exploit opportunities.

6.2.3. Resources Acquired Through Resource Acquisition Networks

In order to overcome SMEs' resource capacity limitations, it was found that six resources were acquired through networks. This linked to the findings of Jack (2005), that networks provide a resource base crucial to starting and developing a business, as well as supplementing the entrepreneur's own business resources. The resources are listed in Table 14 and discussed further in the following paragraphs.

Table 14: Types of network resources acquired

Ranking	Resource Type
1	Financial resources
2	Market resources
3	Human resources
4	Reputational resources
5	Technological resources
6	Physical resources

It was found that financial resources constituted the key category of resources acquired through networks. The networks were a source of working capital and marketing funding, and provided funds for training the SMEs' human resources. It was also found that other resources acquired from network partners could not be easily monetised, such as holiday vouchers.

Market resources were found to be critical, as the SMEs were required to understand the local cultural values and adapt their marketing design to the foreign market. Marketing

information acquired from local partners allowed the SMEs to adapt and localise their marketing campaigns. This can be linked to the findings of Tolstoy and Agndal (2010), that the knowledge acquired from networks regarding customer problems and preferences increases a firm's ability to exploit opportunities.

In terms of human resources, the SMEs in the present study acquired diverse personnel from resource acquisition networks, which enabled the firms to reduce the organisations' learning curve and increase their understanding and knowledge of foreign markets. The international experience of the personnel also increased the risk tolerance of the SMEs, in order to confidently explore foreign markets. It was found that the personnel were helpful in opportunity identification, and critical in harvesting opportunities. In the present study, having a mix of foreign nationals within the firm reduced the companies' liability of foreignness, as the foreign nationals had a better understanding and appreciation of the local culture in foreign markets. This was also found by Reihlen and Apel (2007), who state that, by increasing the diversity of organisational members will not only facilitate innovation, but also increase the firm's absorptive capacity for understanding and managing culturally remote markets.

Reputational resources proved to be useful, as they enhanced the SMEs' acceptability and credibility in the market. It was found that certification by organisations such as Microsoft were leveraged to meet tender requirements. Having these accreditations meant that the SMEs had met the competencies required by the organisation (e.g., Microsoft), and thereby enhanced their reputation. This finding is consistent with the literature by Hoang and Antoncic (2003) and Coviello (2006), who found that entrepreneurs seek legitimacy to reduce their perceived risk by associating with, or gaining explicit certification by, well-regarded individuals and organisations.

The interviews highlighted that technological resources acquired from networks enhanced the organisations' competitive advantage in the market. It was found that Firm A was able to supply a cutting edge technology solution from a network partner, of which solution there were only two providers. This enhanced the firm's chances of successfully contracting the client, as it had only one competitor. It was also found that the SMEs gained technology knowledge, and enhanced their skills, through testing and demonstrations of network partner solutions.

6.3.   Proposition 2: Network Density

The denser the resource acquisition networks are, the more an entrepreneur is able to access established channels of formal networks and relationships for internationalisation of the firm.

6.3.1. Influence of Resource Acquisition Networks on SMEs' Internationalisation

Based on the interview results, resource acquisition networks were significantly influential in the internationalisation process of the SMEs. As stated in the literature by Chetty and Campbell-Hunt (2003), a large amount of internationalisation activity is associated with networking, because it involves building relationships with foreign intermediaries, customers, alliance partners, suppliers, and government officials. The SMEs, through their networks, were able to access information about foreign markets, and also gain new customers and network partners. It was also found that networks were influential in reducing the perceived risk of the SMEs, and increased their understanding of the local culture. As stated in the literature by Zhou *et al*. (2007), networks influence the performance impact of SMEs' internationalisation strategies.

The interviews highlighted that the SMEs were able to access resources in terms of personnel and supplies at a lower cost through their networks. This can be linked to the findings of Fatima *et al.* (2011) that, through resource acquisition networks, entrepreneurs can mobilise their personal networks and access limited resources not otherwise available, at low cost.

A quote from one of the participants supports this finding:

> P1: *"...and, obviously, business comes through various angles, but I would say between 70% and 80% of that is through networks, people that you know in the industry; so, it played a big role, and in the success of the company. It is very important organisations like Firm A to keep on networking with other companies and partners and clients for that community to build. As the network extends, cost will reduce."*

It was also found that, through network influence, Firm A was able to participate in closed expression-of-interest invitations, which allowed it to showcase its solutions and capabilities. This is in line with the finding of Johanson and Vahlne (2009) that some types of knowledge are closed to everyone except network partners.

6.3.2. Interconnectedness of SMEs' Resource Acquisition Networks

The present research also tried to determine if the interconnection of the SMEs' resource acquisition networks had had any effect on their internationalisation process. Based on the responses given in the interviews, it was found that the networks were highly interconnected, as defined in Section 2.4 on density. The high density of the networks enabled the SMEs to access more resources, such as information. This allowed the SMEs to quickly respond to market changes and adapt their marketing strategies. This links to the findings of Chetty and Campbell-Hunt (2003) that firms search for information to respond to opportunity, and that business networks are an efficient source of information to gain such knowledge, and enable SMEs to speed up their learning about internationalisation.

It was found that the connectedness of the network allowed SMEs to tap into other individuals' and firms' networks for resources and opportunity exploitation. This was also found by Mohramna and Von Glinow, cited in Zahra *et al.* (2000), who state that international expansion connects a firm with important constituencies in diverse markets, allowing it to obtain key economic resources. International expansion also enhances exchanges with third parties, and eliminates the need to dedicate exclusive resources to

the formation of a partnership or brokerage arrangement with a third party (Uzzi & Gillespie, 2002).

As stated by Coviello and McAuley, in Chetty and Campbell-Hunt (2003), business networks can enable SMEs to accelerate their internationalisation process and achieve success beyond what they could achieve alone. The interviews highlighted that networks had accelerated the SMEs' maturity and reduced their learning curve. This required the SMEs to be active participants within the network by adding value to the network. It was found that, when the SMEs had been passive in certain networks and did not contribute to the building of the network, they had found themselves outside of that network.

6.3.3. The Role of Resource Acquisition networks on the SMEs' Growth Strategy

It was found that SMEs' growth strategies were markedly impacted upon by their resource acquisition networks, as these provided information and resources for the businesses' growth. This links to the finding of Siu and Bao (2008) that, for SMEs to survive and continue to grow, as well as gain a competitive advantage, entrepreneurs use their networks to access resources, in particular information and start-up capital, which are vital to their business survival and continued growth, as well as to their ability to gain a competitive advantage. Coviello (2006) also states that certain ties are attractive in that they enhance the legitimacy of the new international venture and stimulate third-party referrals for growth and internationalisation.

In the present study, it was also found that the SMEs were better prepared to design growth strategies for international markets, because they could learn more about other markets through the network. This was also found by Benito and Welch, cited in Chetty and Campbell-Hunt (2003), who state that networks are relied upon for learning about new markets and understanding how to overcome the institutional and cultural barriers, in order to conduct business in those markets.

6.3.3.1. Guidance in Foreign Market Selection and Entry Modes

As stated in the literature by Coeviello and Munro, in Johanson and Vahlne (2009), network ties have an influence on foreign market selection, as well as on the mode of entry, and inter-organisation relationships affect the international expansion of firms. The interviews highlighted that the SMEs had received guidance on which markets to select and which entry modes to use. Networks served as a guide in doing business in foreign markets by providing a deep understanding of those markets. It was found that the SMEs had guidance in their market selection, that all countries entered were close to their home country, and that the majority of these countries were English-speaking nations. This can be linked to the findings of Sim and Pandian (2007) that firms with limited resources tend to extend their current products and technologies to nearby countries with similar economic and cultural environments. In the present study, the SMEs found it dificult to penetrate French- and Portuguese-speaking markets, and were inclined to pass over opportunities in these markets. The participants cited communication being lost in translation as a major challenge and a costly problem to overcome.

6.4. Proposition 3: Network Size

The fewer the network partners in resource acquisition networks, the fewer chances an entrepreneur has to access established channels of formal networks and additional relationships for internationalisation.

Based on the responses given in the interviews, the SMEs had few network partners, but the size of the network did not limit their access to established channels of formal networks and additional relationships for internationalisation. It was found that time and cost were the main factors in developing and nurturing relationships. This was also found by Chetty and Campbell-Hunt (2003), who state that limited time and resource scarcity inhibit the number of relationships a firm can form.

It was also found that network partners had an influence on whom the SMEs partnered with, which led to SMEs being locked into one relationship to avoid competition and a conflict of interests. Due to a lack of human resources, the SMEs were found to be constantly balancing resources between network partners. This had led to some network partners terminating partnerships, as they felt that the SMEs were not focused, and were not putting sufficient effort into their solutions.

The interviews highlighted that the SMEs responded favourably to network partners who were willing to share their knowledge and invest in the relationship. The SMEs did not dedicate significant resources to partnerships where they felt the return was lower than the cost of maintaining the partnership.

7. Chapter 7: Conclusion

7.1. Introduction

The present research was undertaken to investigate the effect of resource acquisition networks on the internationalisation of SMEs. Three propositions were generated from the literature reviews, focusing on network diversity, network density, and network size.

A case study method was used to study two SMEs in South Africa that had internationalised their activities, using interviews with their owners and the managers who were responsible for their international operations. This allowed the researcher to gain a deeper understanding of the patterns that emerged, and the influence networks had had as the firms entered foreign markets.

7.2. Summary of Key Findings from the Research

The exploratory nature of this study on the effect of resource acquisition networks on the internationalisation of SMEs aimed to establish whether the diversity, density, and size of the networks had played a role in the entrepreneurs accessing established channels of formal networks and relationships for internationalisation of their firms. The main objective of this research was therefore to understand the influence of resource acquisition networks on the internationalisation of SMEs.

7.2.1. Network Diversity

A key finding of this research is that diversity in resource acquisition networks has an influence on SMEs' internationalisation process. It was found that, in pursuit of growth, network diversity enables an entrepreneur to access diverse resources that are important to a firm's entry into foreign markets. These resources have been outlined in great detail in Chapter 6, Section 6.2.3, and, in summary, have been identified as: 1) financial resources, 2) marketing information, 3) human resources, 4) reputational

resources, and 5) technological resources. It was also found that a firm's network diversity enables the entrepreneur to deeply understand, appreciate, and function well in other countries' cultures.

7.2.2. Network Density

Ojala (2009) reports that friends are used as a market entry in countries where firms have no existing business activities. This is in line with the findings of the present research, that entrepreneurs are able to access market information from their employees' networks in other countries. The interconnection between the network members reduces the perceived risk of the firm, and enhances its reputation, making it easier for the firm to expand internationally and gain new clients.

It was also found that the connectedness of the network has an influence on the growth strategy, market selection, and entry modes selected by a firm. Through their networks, firms are able to recognise and exploit opportunities in relatively under-developed markets.

7.2.3. Network Size

A key finding of this research is that the nature of a business and the industry in which it operates are key determinants in the firm has a large or small number of network partners, which affects its internationalisation choices. It was found that firms with fewer network partners are not limited in their access to formal networks or their internationalisation choices.

7.3. Recommendations for SMEs

Resource acquisition networks represent a significant source of resources to help SMEs overcome their liability of foreignness when internationalising their activities. Therefore, SMEs need to develop and nurture their resource acquisition networks, to ensure their survival and growth in foreign markets.

Diversity in the network is critical, as it helps firms to access diverse relationships and increase knowledge generation. Therefore, SMEs should strive for a diversified network, as this can increase the firm's learning and knowledge to fully exploit identified opportunities in foreign markets.

Network density has a profound effect on SMEs, as it enhances the flow of information and the position of the firm within the network. Since SMEs are vulnerable to environmental changes and resource scarcity, having a highly connected network will provide access to information and resources that enable a rapid response to market changes. SMEs should invest in maintaining strong network connections, as this enables them to access opportunities and information that is available only to privileged network members.

The number of network partners should be maintained at a level where the cost of maintaining the relationship is justified through benefits. SMEs should manage their network size carefully to ensure that it adds to their competitive advantage without wasting the firm's limited resources (such as time, human resources, etc.). Network partners should be thoroughly screened to avoid situations where there is no return on the firm's investment.

7.4. Limitations of This Study

The results of this study are subject to certain limitations, since exploratory research has inherent methodological limitations:

- The small sample of participants interviewed and it not being possible to determine the unit of analysis size severely limit the generalisability of the findings beyond the sample;

- The purposive and convenience sampling techniques chosen resulted in a bias towards familiar firms, further limiting the generalisability of the study beyond the sample; and

- The sample chosen may have been prone to bias, as the participants were all personally involved in their firms' internationalisation activities, and therefore may have presented information more favourably.

7.5. Recommendations for Future Research

As the area of SMEs' internationalisation is relatively new in academic terms, future research could focus on:

- Achieving generalisability by applying a quantitative approach, so that the results may be tested on a larger sample, which may enhance and further strengthen the findings of this study;

- Identifying other important factors in SMEs' internationalisation processes and performance under different cultural environments, such as in French-speaking countries.

7.6. Conclusion

This study achieved its overall objective, outlined in Chapter 3, of determining if network diversity, density, and size have an influence on the internationalisation process of SMEs in South Africa. The unstructured and semi-structured interviews provided sufficient data, presented in Chapter 5 and Chapter 6. The findings provided evidence to confirm that resource acquisition has an effect on SMEs' internationalisation process, and the findings support the literature in this regard.

In conclusion, resource acquisition networks have a profound effect on the internationalisation of SMEs. To overcome the relentless pressure of globalisation, SMEs acquire resources from their networks to enhance their viability and growth. An entrepreneur's access to formal networks and other international relationships is enabled by a more diverse and dense network, but size is not a limiting factor in this access.

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9. Appendix 1 – Interview Questionnaire

Section 1: Organisation Background Information

1. What is the name of your organisation?

2. When was the organisation established?

3. What is the nature of your business?

4. What position do you hold in the organisation?

Organisation Classification
(Please use the table below to answer question 5 and 6)

Sector	Large	Total Full time employees	Total Turnover	Tot Gross Asset Value (excl fixed-property)
Transport	Large Medium	> 200	R26.01m - R 250m	> R6m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R6m
	Small	21 - 50	R3.01 - R13m	R0.61 - R3m
	Very Small	6-20	R0.21 - R3m	R0.11 - R0.6m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Finance and Business Services/ Construction/ Telecoms and Electronics	Large Medium	> 200	R26.01 m - R 250m	> R5m
	Medium	51 - 200	R13.01 - R26m	R3.10 - R5m
	Small	21 - 50	R3.01 - R13m	R0.51 - R3m
	Very Small	6-20	R0.21 - R3m	R0.11 - R0.50m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Community and Personal Services	Large Medium	> 200	R13.01 m - R 250m	> R6m
	Medium	51 - 200	R6.10 - R13m	R3.10 - R6m
	Small	21 - 50	R1.10 - R6m	R0.61 - R3m
	Very Small	6-20	R0.21 - R1m	R0.11 - R0.6m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Agriculture	Large Medium	> 100	R5.01 m - R 250m	> R5m
	Medium	21 - 100	R3.10 - R5m	R3.10 - R5m
	Small	11 - 20	R0.51 - R3m	R0.51 - R3m
	Very Small	6 - 10	R0.21 - R0.50m	R0.11 - R0.50m
	Micro	1 - 5	R0 - R0.20m	R0 - R0.10m
Mining	Large Medium	> 200	R39.01 m - R 250m	> R23m
	Medium	51 - 200	R10.10 - R39m	R6.10 - R23m
	Small	21 - 50	R4.10 - R10m	R2.10 - R6m
	Very Small	6-20	R0.21 - R4m	R0.11 - R2m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Manufacturing / Electricity and Water	Large Medium	> 200	R51.01 m - R 250m	> R19m
	Medium	51 - 200	R13.10 - R51m	R5.10 - R19m
	Small	21 - 50	R5.10 - R13m	R2.10 - R5m
	Very Small	6-20	R0.21 - R5m	R0.11 - R2m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Retail and Motor Trade	Large Medium	> 200	R39.01 m - R 250m	> R6m
	Medium	51 - 200	R19.10 - R39m	R3.10 - R6m
	Small	21 - 50	R4.10 - R19m	R0.61 - R3m
	Very Small	6-20	R0.21 - R4m	R0.11 - R0.60m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Wholesale	Large Medium	> 200	R64.01 m - R 250m	> R10m
	Medium	51 - 200	R32.10 - R64m	R5.10 - R10m
	Small	21 - 50	R6.10 - R32m	R0.61 - R5m
	Very Small	6-20	R0.21 - R6m	R0.11 - R0.60m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m
Catering	Large Medium	> 200	R13.01 m - R 250m	> R3m
	Medium	51 - 200	R6.10 - R13m	R1.10 - R3m
	Small	21 - 50	R5.11 - R6m	R1.91 - R1m
	Very Small	6-20	R0.21 - R5.10m	R0.11 - R1.90m
	Micro	1-5	R0 - R0.20m	R0 - R0.10m

5. What is the size of your organisation in terms of total turnover?
   - Large-medium
   - Medium
   - Small
   - Very Small, or
   - Micro

6. What is the size of your organisation in terms of number of employees?

- Large-medium
- Medium
- Small
- Very Small
- Micro

7. Name the countries in which the organisation does business?

1.	2.
3.	4.
5.	6.
7.	8.
9.	10

Section 2: Networks

1. What motivated the organisation to internationalise?

2. How influential have resource acquisition networks been in the internationalisation of the organisation?

3. How diverse are the organisation's resource acquisition networks?

4. How interconnected are the organisation's resource acquisition networks?

5. What is the number of network partners? Are resource acquisition networks small or large?

6. What role have resource acquisition networks played in the organisation's growth strategy in international markets? Did the networks provide guidance on foreign market selection and entry mode mechanisms?

7. What necessary resources have resource acquisition networks helped the organisation to acquire?

10.   Appendix 2 – Informed Consent Letter

Dear Participant,

I am currently studying towards obtaining my MBA, and in partial fulfilment of my degree I need to conduct research.

I am conducting research on the effect of resource acquisition networks on the internationalisation of SMEs, and I am trying to find out more about how the diversity, density, and size of the network influence the internationalisation of SMEs. Our interview is expected to last about an hour, and will help us understand how resource acquisition networks influence SMEs' internationalisation process. **Your participation is voluntary, and you can withdraw at any time without penalty**. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Signature of Participant: _____

Date:_____

Signature of researcher: _____

Date: _____