



# **SME Internationalisation from an Emerging Market to a Developed Market:**

## **A case study from Ghana**

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# SME INTERNATIONALISATION FROM AN EMERGING MARKET TO A DEVELOPED MARKET









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Turku, November 2015

*Irene Akyaa Kujala*



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## ABSTRACT

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This study focuses on understanding the internationalisation of small and medium-sized enterprises (SMEs) from an emerging market to a developed market. In particular, it examines the internationalisation process of a firm in the clothing and textile manufacturing industry in Ghana. Theoretically, the study is limited to the network internationalisation approach (e.g. Johanson & Mattsson, 1988; Johanson & Vahlne, 2009) and the industrial network approach (Håkansson & Snehota, 1995). Methodologically, a qualitative abductive case study approach is employed. The research process relies on a longitudinal method involving primary and secondary data and critical event analysis. Primary data has been collected from relevant informants at two different times in the internationalisation process.

The research findings highlight the significance of both domestic and foreign business relationships in the internationalisation of an SME from an emerging African market to a developed country market. They show the greater importance of exogenous critical events than has been found in the research regarding firms in developed countries. Institutional actors were essential in the network and as sources of exogenous critical events. In addition, the successful SME should possess unique resources in the form of an entrepreneurial spirit, sufficient knowledge of internationalisation, and specific product knowledge.

Theoretically, the present study contributes to business network research through providing an understanding of the process of developing network relationships and their impact in an African context. By focusing on SMEs, a contribution has been made in relation to the advancement of SME research. This research reveals empirical insight into SME internationalisation in a setting where an SME is internationalising to a developed country market from a newly emerging African market. Methodologically, the study provides an example of longitudinal research based on abductive methodology. The results provide implications for firms, managers, and policy-makers within the industry, especially on how to manage and use network relationships to promote SME internationalisation from newly emerging markets.



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## SAMMANFATTNING

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Denna studie är fokuserad på förståelse av internationaliseringen av små och medelstora företag (SMF) från en tillväxtmarknad till en utvecklad marknad. I synnerhet undersöks internationaliseringsprocessen i ett företag inom textiltillverkningsindustrin i Ghana. Teoretiskt är studien avgränsad till internationaliseringsteorin ur ett nätverksperspektiv (se t.ex. Johanson & Mattsson, 1988; Johanson & Vahlne, 2009) och det industriella nätverkssynsättet (Håkansson & Snehota, 1995). Forskningsmetoden bygger på en longitudinell, kvalitativ abduktiv fallstudie baserad på både primär och sekundär data samt analys av kritiska händelser. Primärdata har samlats in från relevanta informanter vid två olika tidpunkter i internationaliseringsprocessen.

Forskningsresultaten understryker betydelsen av både inhemska och utländska affärsrelationer i internationaliseringen av SMF från en växande afrikansk marknad till ett utvecklat lands marknad. Resultatet visar en större betydelse av exogena företags kritiska händelser än vad som tidigare presenterats i forskningen om företag från de utvecklade länderna. Institutionella aktörer har en viktig roll i nätverket och som källor till kritiska händelser. Dessutom bör framgångsrika SMF ha unika resurser i form av entreprenörsanda, tillräckliga kunskaper om internationalisering och specifika produktkunskaper.

Teoretiskt bidrar denna studie till forskningen om affärsnätverk genom att öka förståelsen för processen att utveckla nätverksrelationer och deras inverkan i en afrikansk marknadskontext. Genom att fokusera på små och medelstora företag, har ett bidrag gjorts i förhållande till SMF forskningsområdet. Denna forskning ger empirisk inblick i internationaliseringsprocessen i små och medelstora företag i en miljö där ett SMF går från en tillväxtmarknad till ett utvecklat lands marknad. Metodologiskt ger studien ett exempel på longitudinell forskning baserad på abduktiv metod. Resultaten ger implikationer för företag och beslutsfattare inom industrin, speciellt hur man ska hantera och använda nätverksrelationer för att främja små och medelstora företags internationalisering från nyutvecklade tillväxtmarknader.



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## LIST OF ABBREVIATIONS

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AGOA	African Growth and Opportunity Act
ARA	Actor, resources, and activities
CE	Critical events
FDI	Foreign direct investment
GDP	Gross Domestic Product
GSS	Ghana Statistical Service
IAABD	International Academy of African Business and Development
IMF	International Monetary Fund
IMP	International Marketing and Purchasing
INA	Industrial Network Approach
JAB	Journal of African Business
MNC	Multinational corporations
MoTI	Ministry of Trade and Industry
MOTIPSI	Ministry of Trade, Industry, and Presidential Special Initiatives
NBSSI	National Board for Small Scale Industries
SME	Small and Medium Enterprise
PSI	President's Special Initiative
RPED	Regional Project on Enterprise Development
SBE	Small-business enterprises
SSA	Sub-Saharan Africa
UIM	Uppsala Internationalisation Model
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations International Development Organization
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WATH	West African Trade Hub
WTO	World Trade Organisation







# 1

## INTRODUCTION OF THE STUDY

### 1.1. Background

One aspect of globalisation during the past decades has been the growth of emerging markets<sup>1</sup> and their integration into the global economy. Research shows that these countries have economically embraced liberalisation and free market policies to enable rapid competition and progress (Hoskisson, Eden, Lau & Wright, 2000). Large populations, growing markets, and ample natural resources make emerging markets appealing to global marketers and investors. Nevertheless, these economies experience, for instance, political and economic instability and undeveloped infrastructures (Hoskisson et al., 2000).

A 2011 report by the United States Agency for International Development (USAID) shows that particularly emerging markets in Sub-Saharan Africa (SSA) represent one of the world's fastest growing markets. It is estimated that by 2020, the African continent's GDP will rise to nearly \$3 trillion (Chironga, Leke, Lund, & Van Wamelen, 2011). For instance, Ghana, amid its distinctive historical, institutional, and cultural challenges has been acknowledged for its effective economic reforms, growth, and potential opportunities for investment (UNCTAD, 2011).

For many decades, internationalisation research was dominated by large multinational firms. Nowadays, however, small and medium-sized enterprises (SMEs) are also internationalising, thus resulting in the call for more research on the internationalisation of SMEs. Previous studies have emphasised the crucial role played by SMEs in stimulating socio-economic advancement and providing employment opportunities through internationalisation (Osei-Bonsu, 2014). Consequently, engagements in international business activities determine the significance of internationalisation, not only for survival but also for the successful development of SMEs.

SMEs have gained several benefits through internationalisation, including improved competitiveness and acquisition of knowledge. However, researchers

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<sup>1</sup> Refer to Sections 1.6 and 2.4 for further discussion of the concept of “emerging markets”.



have recognised several intrinsic and extrinsic impediments relating to SMEs internationalisation. These obstacles are linked to the managerial, financial, human, and informational resource limitations that are faced by such enterprises (Coviello & Munro, 1997). Particularly in the initial stages of internationalisation, SMEs have been deficient in the necessary resources for information and knowledge relating to foreign markets, thereby creating an impediment to internationalisation (Leonidou, 2004). This limited market knowledge increases market hesitation and risk perception, leading to higher perceived costs of internationalisation, reductions in international growth, and a negative effect on international market activities (Coviello & Munro, 1997).

SMEs from emerging markets face additional challenges in their quest to internationalise. With particular reference to Ghana, research indicates that in addition to the above mentioned impediments, the presence of bad logistics and infrastructure problems, challenges in finding customers overseas, and limited international marketing experience are obstacles that limit the internationalisation activities of SMEs (Mensah, 2012).

Business networks and relationships are crucial in allowing such firms to overcome some of the associated challenges. For instance, SMEs can internationalise through business networks that offer a diversity of knowledge sets, capabilities, and resources which may prove challenging for a small firm to gain or achieve on its own (Coviello & Munro, 1997; Chetty & Blankenburg-Holm, 2000; Agndal & Chetty, 2007). However, current research has recognised that there is little information on how SMEs, particularly those from emerging economies, develop network relationships to facilitate their internationalisation (Senik, Scott-Ladd, Entrekin, & Adham, 2011). As a result, developing network relationships may be even more challenging for emerging market SMEs from Africa that hope to enter a foreign market. This is because of their high risk of failure and the economic and political instability of their home market, among other factors.

Past research has shown that particularly in emerging markets, the textile and clothing industry may offer such platforms for learning and developing business network relationships (Guercini & Runfola, 2010). This is attributed to the industry's unique features. The textile industry is one of the oldest and most international sectors of all industries (Dickerson, 1995). It is "supplier dominated" (Guercini & Runfola, 2010, p. 2) and has been recognised as the initial take-off industry for many nations, primarily due to the labour intensity of the sector and its correlation with other industries such as agriculture



(Gereffi, 1999). Emerging markets have accordingly been the major suppliers of textiles and apparel to developed nations (Dicken, 2003). In Ghana, the textile sector<sup>2</sup> is a major priority for the government due to its potential of accelerating growth in the industrial sector and the economy as a whole, such as job generation and poverty reduction (Adjasi, 2006). Thus, textile SMEs have been supported through various policy initiatives.

It is in light of this background discussion that the present study focuses on SME internationalisation from an emerging market perspective, using the textile industry as a specific case for investigation. Due to the rapid economic changes mentioned earlier, such market economies themselves represent a fascinating context for researchers seeking to understand the relevance and applicability of existing theories constructed in developed economies.

## 1.2. Problem Setting

Research on internationalisation has primarily focused on firms from developed countries. Even with globalisation and the current interest in emerging market economies, only a small number of studies have focused on internationalisation in emerging markets and even less so on African economies (Owusu & Habiyakare, 2011). Furthermore, existing theories are not necessarily applicable to emerging markets (Burgess & Steenkamp, 2006; Ibeh & Kasem, 2011). Due to the socio-economic differences between developed and developing nations, presumptions made in prior theories along with associated empirical results, cannot be directly generalised to firms from developing markets. There is, therefore, a need for existing theories to be tested and contextualised with studies in developing markets. In addition, the business network literature (see, e.g. Johanson & Mattsson, 1988; Johanson & Vahlne, 2009; Håkansson & Snehota, 1995) provides limited consideration of African business networks and contextual studies. Due to the sparse research on business in Africa, several researchers have called for more theoretical and empirical research (Owusu & Habiyakare, 2011; Burgess & Steenkamp, 2006; Hoskisson et al., 2000).

Upon reviewing the existing literature on emerging markets (see Chapter 2 for a detailed discussion), the following contributions and research gaps were identified.

First, the majority of previous studies have mainly focused on foreign direct investments (FDI) and internationalisation strategies of multinational

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<sup>2</sup> Refer to Chapter 4, for a thorough discussion on the textile network and industry in Ghana.



corporations (MNC) in emerging economies (e.g. Owusu & Habiyakare, 2011; Klein, Wöcke, & Hughes, 2014; Bartels, Alladina & Lederer, 2009). A small but growing number of studies have been conducted on SME internationalisation in these markets. In most cases, the research tends to be on firms from developed market entering emerging market economies with particular focus on “bigger emerging markets”<sup>3</sup> (e.g. Sandberg, 2013; 2014). To my knowledge, very little research has addressed SME internationalisation from an emerging/developing market (particularly firms from Africa) to a developed market economy.

Second, in their review of research on internationalisation of African firms between 1995 and 2011, Ibeh, Wilson and Chizema (2012), noted that previous studies have primarily focused on export internationalisation (e.g. Okpara & Kabongo, 2010). Although aspects of these studies are useful, the authors encouraged more studies as well as a broader focus pertaining to studies from Africa. In addition, although considerable research has highlighted the significance and usage of networks in SME internationalisation, the focus has remained on informal and personal networks (Ibeh et al., 2012). Previous research, particularly from an African SME perspective, has not sufficiently considered the concepts of business network dynamics and critical events as important elements in the processes related to a firm’s internationalisation. Research has shown that in order to understand a firm’s developmental process, it is important to incorporate these concepts (Halinen, Törnroos, & Elo, 2013).

Third, methodological and empirical concerns should be addressed. In a review of 96 published articles on African business studies in the *Journal of African Business* (JAB), Zoogah (2008) identified the following. First, the findings indicated a limited number of theories that could be applied contextually to African economies. The author proposed a framework that would enrich the significance and vigour of business research on African economies and context-specific research. According to the author, it is increasingly important for researchers to focus on studies that could provide managerial and policy implications in an African context. Furthermore, the author identified the lack of longitudinal research during the period reviewed that included observing phenomena over time. This could be due to the issue of time and cost involved in longitudinal studies as well as challenges related to obtaining reliable data from such market economies (Burgess & Steenkamp, 2006).

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<sup>3</sup> According to the Economist (<http://www.economist.com/topics/emerging-markets>), the biggest emerging markets (BEM) are countries such as BRIC (Brazil, Russia, India and China) along with Eastern Europe, Turkey, South Africa, Mexico, and Argentina.



In addition, most of the relevant empirical studies on African SMEs are mostly cross-sectional quantitative studies, which do not provide rich and extensive contextual information and analyses (see e.g. Mtigwe, 2005; Ibeh, 2003). Thus, Zoogah (2008) called for more longitudinal studies in an African context.

Previous studies have had a limited focus in terms of the empirical context (i.e. researched industries). For instance, existing research has predominantly focused on the agriculture and food industry (Mtigwe, 2005), while internationalisation within the clothing and textile industry seems to have been disregarded. As discussed in Section 1.1., the clothing and textile industries are key players in emerging economies, and Ghana in particular.

Taking the research gaps into consideration, the present study contributes to the literature on business networks and SME internationalisation. It provides a business network perspective on SME internationalisation in the context of an emerging African economy. Furthermore, the results of this study provide implications for management and policy makers to implement strategies and policies that could help improve the competitive advantage of African SMEs.

### 1.3. Objective and Research questions

The objective of this research is *‘To develop an understanding of SME internationalisation in an emerging African market context using a business network approach.’*

The particular empirical context is a Ghanaian SME and its internationalisation into the American (US) market. The industry to be focused on is the textile industry. The motivations for the chosen empirical context are discussed in Sections 1.1 and 1.2; see also Chapters 3 and 4.

The research questions guiding the main objective are as follows:

1. How can a business network approach be used to develop a conceptual framework for SME internationalisation from emerging markets?
2. How has the internationalisation process of case SME in the Ghanaian clothing and textile manufacturing sector unfolded over time?
3. How can the internationalisation process be analysed through a processual case study approach, and what are the methodological implications for SME internationalisation research?



4. What are the theoretical, managerial and policy implications for developing international business of SME firms from emerging markets?

## 1.4. Focus and Delimitations

This study combines conceptually a business network approach, contextually an emerging market perspective, and methodologically a processual viewpoint (see Figure 1.1.) in order to achieve the study's objective. In applying the business network approach as the theoretical focus, the first question explores network characteristics from an internationalisation angle. The justifications for the chosen theoretical focus are the following.

The network approach places emphasis on industrial firms, which fits the perspective developed for analysing the business networks relationships of the Ghanaian textile industrial case firm. Due to the dynamics of business networks (Håkansson & Snehota, 1995), it provides an understanding of the interactions and processes between the actors in the network as they evolve over time as well as the events that correspond to the development process.

The focus of the second question is on describing the internationalisation process of the Ghanaian SME and its focal business network<sup>4</sup> during its internationalisation into the US market. This is done by analysing the changes and critical events (CE) that shape the process. Here the interest lies in exploring how the focal business network comes into existence and develops as a dynamic process over time. The key elements are the changes in the network structure (using the ARA model: actors, activities and resources) and its subsequent influence on the internationalisation process. I acknowledge that the concepts of role and position are implicit in the ARA model and that the dynamics of ARA impact the positions and roles of the actors. In many ways, the two sets of concepts are intertwined and not mutually exclusive. However, in this study, I use the ARA framework and I do not explicitly use the concepts of role and position. This exclusion is necessary in order to draw boundaries for the study as well as obtain a deeper understanding of the internationalisation process of the particular empirical context.

The third question focuses on the assumptions and implications of the processual case study and its usefulness for research and practice particularly considering emerging African markets. The aim of the fourth question is to

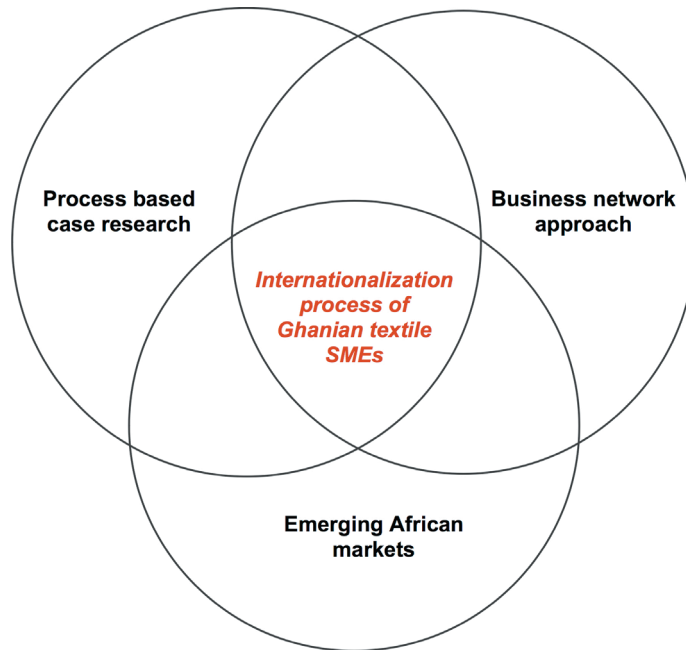
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<sup>4</sup> The focal business network refers here to the most important actors with direct contact with the firm that enabled the firm's entry into the foreign market.



develop conceptual and practical implications for management, researchers, and policy makers on how to use network relationships to promote SME internationalisation from emerging markets, particularly from Ghana.

Finally, the study is limited to the analysis of the business network dynamics from a focal firm perspective (actor- network)<sup>5</sup>.



*Figure 1.1. Focus and perspective of study*

## 1.5. Overview of Research Methodology

This section gives a brief description of the research paradigm, research design, and process. A note on the case selection and the data collection processes is also provided.

The study adopts a constructivist worldview (e.g. Guba & Lincoln, 1994). Constructivist research considers reality to be subjectively considered and

<sup>5</sup> According to Halinen and Törnroos (1998), in line with the focal firm perspective (actor – network), the unit of analysis concerns diversity of the focal firms network relations. The substance and advantage with this perspective, according to the authors, lies in the fact that individuals are fundamentally part of the network; hence they influence the changes in the network. (see more in Chapters 2 and 5)



thus, recognises that the investigative and theoretical background of the researcher, his/her actions, and those of the informants certainly influence the understanding of the studied situation. The research process is also abductive, (Locke, 2010) which allows the researcher to go back and forth between theory and empirical data as the study develops (Gummesson, 2000).

A longitudinal research approach is chosen due to the processual nature of the empirical phenomenon (e.g. Pettigrew, 1997; Halinen, Medlin & Törnroos, 2012; Halinen, Törnroos, & Elo, 2013). The research analysis is limited primarily to a study of the time period from establishment of the firm (2002) to the last period of the data collection (2013). The current study relies on a qualitative exploratory case study (Halinen & Törnroos 2005) involving an in-depth single case. Data collection for this study consists of primary data (informants with access) as well as secondary data.

Chapter 3 provides a detailed description and justification of the selected approaches, as well as the choice of case selection, data sources, and how the data were collected and analysed. A critical analysis of the various methods applied in the study, including reflections regarding the trustworthiness of the study, is also provided.

### 1.6. Key Terms and Definitions

In this section, definitions are provided for the most important concepts that are necessary to understand the subsequent chapters and discussion. Some of these concepts are discussed more thoroughly in Chapters 2 and 3.

#### *Emerging Markets*

Varied definitions of emerging market exist in literature. The concept has been defined as economies that have undergone adjustments in structure and reforms, below advanced market level, but possessing increased levels of economic capabilities and international engagements (World Bank, 2012).

According to Hoskisson et al. (2000), emerging markets constitute “low-income, rapid growth economies using economic liberalisation as their primary engine of growth” (p. 249). This definition is broad as it incorporates emerging economies from Africa, former communist markets, east European countries, Latin American markets, and Asian economies.



For this study, I have adopted the definition of Hoskisson et al. (2000). Again, I focus in this thesis on emerging markets from Africa (emerging African markets). However, I use both the terms “developing nations” and “emerging markets”. In some instances, I use literature that refers to a wider range of developing countries some of which are not considered emerging markets. Many researchers and institutions use the terms interchangeably (e.g. Owusu and Habiyakare, 2011). Some others insist that “emerging markets” are the more attractive “developing markets” (Hoskisson et al, 2000; Hennart, 2012). However, there are various lists of emerging markets, which makes an incontrovertible definition difficult. All emerging markets are classified as developing markets, but not all developing markets are emerging markets (Goldman Sachs, 2007).

### ***SMEs***

According to the World Bank - Regional Project on Enterprise Development (RPED) classification, SMEs are of three classes: (1) micro firms - the ones with an employee workforce of about five or fewer; (2) small firms - those that have an employed workforce of between 6 to 29 people; and (3) medium-sized firms - those that have a workforce ranging from 30 to 99 workers. The present study adopts the above definition for the following reasons. First, the World Bank definition has been widely cited by researchers with regard to SME studies on Ghana (e.g. Adjasi, 2006; Abor & Quartey, 2010). Further, the definition enables consistency and is comparable to the definition of SMEs in similar countries in the sub-Saharan African region.

### ***Critical Events***

The perspective of critical events used in this study is similar to the interpretation of Hedaa and Törnroos (1997; 2008). Critical events in the study are defined as outcomes of human acts or changes caused by nature that play an important role for or have a significant impact (positive and/or negative) on the internationalisation and business network development. The focus is on both exogenous and endogenous events (e.g. Halinen et al., 2013).

### ***Business Network***

Emerson (1981) defines business network as “a set of two or more connected business relationships in which each exchange relation is between business firms that are conceptualised as collective actors” (p. 71). Connectedness implies that an exchange that occurs in a specific relationship is affected by and



dependent on another exchange relation. Actors include individuals, firms/ departments, customers, distributors, competitors, government institutions, and suppliers (Håkansson & Ford, 2002).

### ***Internationalisation***

Researchers have adopted various definitions of the internationalisation concept. (see Chapter 2.). The network view defines the concept of internationalisation as a process involving establishment and development of business relationships internationally through interactions and influences of actors, activities, and resources (Johanson & Mattsson, 1988; Håkansson & Snehota, 1995). The present study adopts this definition.

## **1.7. Thesis structure**

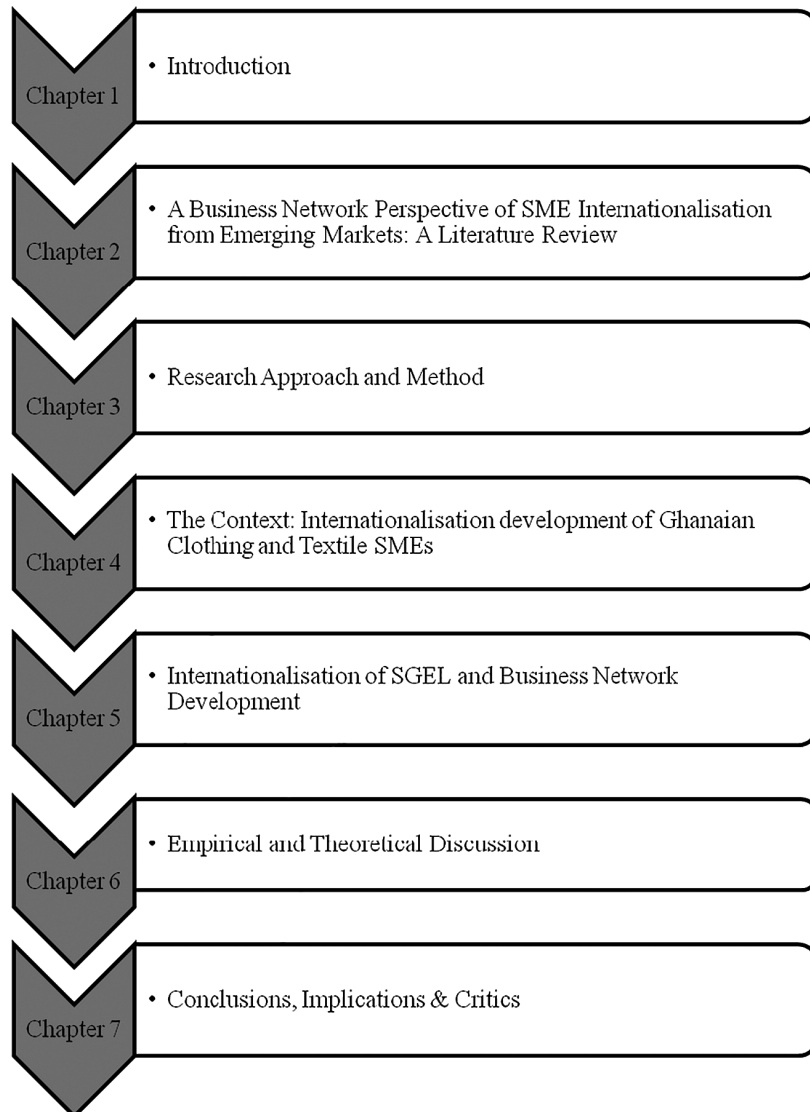
The present research consists of a seven chapter monograph (see Figure 1.2). Chapter 1 presents the study background, the research objectives and key research questions, the focus and delimitations of the study, a definition of the main concepts, a note on the chosen methods, and the structure of the thesis. Chapter 2 offers a review of the most relevant literature on SMEs and business networks from an internationalisation viewpoint. The chapter ends with a review of literature on internationalisation from emerging markets and presents the conceptual model.

Chapter 3 details the research approach and the selected methods. This chapter presents the chosen research paradigm, including the study's ontological and epistemological foundations. This part includes and motivates assumptions of the chosen qualitative, processual case study method, as well as the case selection, data collection, and analysis methods. In addition, the trustworthiness of the qualitative case study is presented.

Chapter 4 provides an overview of the study's context. It presents background knowledge of the Ghanaian economy, the business environment, and the characteristics of the Ghanaian manufacturing industry, particularly in relation to SMEs. This part of the thesis also highlights the structure of the Ghanaian clothing and textile industry. Further, a description of the international business environment including the host country (US) market, the global textile industry, and third party international trade laws is provided. Chapter 5 provides a description of the empirical case findings regarding the internationalisation process into the US market. Chapter 6 concerns



discussion of the empirical study findings. These are discussed in relation to the research questions (theoretical, empirical, and methodological) and the conceptual framework that form the basis of the study. Chapter 7 discusses the conclusions, implications, and critical remarks of the study by summarising the lessons learned including theoretical, policy, and managerial implications. This chapter also makes suggestions for future research and provides a critical overview, including the trustworthiness of the research.



**Figure 1.2.** Thesis Structure







## 2

## A BUSINESS NETWORK PERSPECTIVE OF SME INTERNATIONALISATION FROM EMERGING MARKETS: A LITERATURE REVIEW

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Chapter 2 presents a review of the extant research on internationalisation of SMEs. They are presented and assessed in terms of their applicability to the process of SME internationalisation within emerging markets. The chapter concludes with a synthesis of the literature review in a conceptual model, which will be applied in the empirical study.

### 2.1. Internationalisation defined

Researchers have adopted various definitions of the internationalisation concept to explain or justify their work, and as such, the range of literature utilising internationalisation is vast.

For example, according to Johanson and Vahlne (1977), internationalisation is a process that occurs in stages in which companies enhance their involvement gradually over time. The Uppsala internationalisation model has been developed by the proponents of this view and will be further elaborated on in subsequent sections. Internationalisation can also be viewed as “a synonym for expanding geographic operations over a national country border” (Ruzzier, Hisrich, & Antoncic, 2006, p. 477). Welch and Luostarinen (1988, p. 36) argue that internationalisation should incorporate both “*inward and outward*” activities, and thus they define the concept as a process of intensifying engagements in foreign operations.

Beamish (1990) uses a broader definition of internationalisation that refers to “*the process of increasing awareness of direct and indirect influence of foreign transactions on a firm’s future and the firm’s establishment and business transactions with other countries*” (p. 77).

It is also defined as “the process of adapting firms operation (e.g. structures, resources, strategies) to foreign markets” (Calof & Beamish, 1995, p.116).



For its part, the network view defines the concept of internationalisation as a process involving the establishment and development of business relationships internationally through interactions and influences of actors, activities, and resources (Johanson & Mattsson, 1988; Håkansson & Snehota, 1995).

## 2.2. Internationalisation Theories<sup>6</sup>

For decades, the internationalisation processes of firms have been a highly debated topic, both in theoretical and empirical studies. In analysing the literature within behavioural and process-oriented SME internationalisation theory, the following approaches have been identified: (1) the stages approach and (2) the business network approach. These approaches are presented in the following sections.

### 2.2.1. The Stages Approach

According to the stages approach, internationalisation constitutes a process that is both linear and sequential taking place in distinct phases (Coviello & McAuley, 1999). There are two known schools of thought within this approach: the innovation-related internationalisation model (I-model) (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) and the Uppsala internationalisation model (U-model) (Johanson & Vahlne, 1977).

Due to the study's focus, the I-models have not been reviewed because they are strongly based on the U-model and do not differ significantly (see e.g. Leonidou & Kastikeas, 1996; Vissak, 2003 for an overview of I-models). The Uppsala model is a dominant internationalisation model and has influenced research on business network development (e.g. Johanson & Vahlne, 2009), which is the empirical focus of this study.

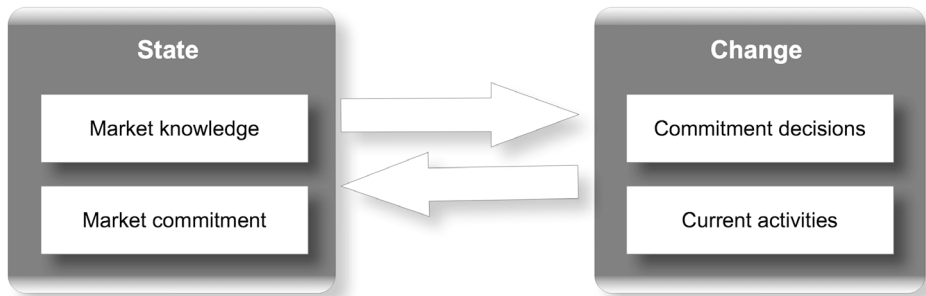
#### 2.2.1.1. The Uppsala Internationalisation Model (U-Model)

Originally, this model relied on empirical evidence relating to the internationalisation process of Swedish industrial firms' in the 1970s, as researched by Johanson and Vahlne (1977). Within this framework, the authors posited that during the internationalisation process, firms tend to enter foreign markets by taking small incremental steps based on their market knowledge.

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<sup>6</sup> Research concerning the internationalisation process of firms provides the following popular views: the process/ behavioural approach and the economic approach (Andersson, 2000). In this study, the review is limited to the process/ behavioural approach. Economic approaches are beyond the scope of this study and have been excluded.





**Figure 2.1.** *The basic mechanism of internationalisation: State and Change aspects (Source: Johanson & Vahlne 1977, p. 26)*

As a consequence, these firms tend to enter foreign markets with low commitment in the initial stages, which includes indirect and direct exports. Gradually, they shift towards higher commitment modes, such as establishing a sales subsidiary and later a manufacturing or production unit. The model assumes that the inadequacy of appropriate information on foreign markets restrains the development of internationalisation and that the needed information could be acquired, perhaps, from international operations or experiences realised in practice (Johanson & Vahlne 1977; 2009). The model (see Figure 2.1) has two main aspects: state (this includes commitment and knowledge of the market) and change (this includes decisions relating to commitment and current undertakings). In essence, the state aspect tends to determine the current position of the firm and its long-term variables enabling internationalisation. The change aspect refers to short-term variables or daily activities that support the firm. The model emphasises the level of uncertainty related to the market and the acquisition of knowledge in order to build confidence, and therefore, gradually expand commitment. It posits that increased market knowledge will enable the firm to intensify its resource commitment (Johanson & Vahlne 1977; 2009).

The factors that are likely to inhibit or distract the flow of valuable information to and from firms and markets constitute what is considered “*psychic distance*” (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). Thus, during internationalisation, the firm first enters countries with the shortest psychic distance from home and gradually moves to countries with longer psychic distances from home (Johanson & Vahlne, 1977). As a consequence, these factors make it more difficult for an organisation to fully comprehend important aspects of foreign business settings, such as language



differences, cultural orientation, and dissimilar political or institutional systems (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne 1977). An inadequate knowledge-base and psychic distance tend to heighten the firm's feelings of risk and uncertainty. As the company gains more knowledge from internationalisation in nearby markets and less-risky modes like exports, it begins to expand to more distant markets and more involved modes.

### ***Critical views of the U-Model***

Andersen (1993) criticised the U-model as lacking methodological rigour and not providing a thorough conceptual and theoretical framework to guide research. Additionally, it has been criticised as being static and too deterministic by suggesting a single internationalisation path for firms (Reid, 1983; Andersen, 1997). Similarly, Bell (1995) argues that the key drawback of the U-model is that it is one-dimensional, and, therefore, offers only one explanatory variable in explaining “complex, dynamic, interactive and frequently non-linear decisions” (p. 72). Other research has found substantial evidence that firms do not follow the deterministic path presented in the U-model (Ruzzier, et.al, 2006). Axinn and Matthyssens (2002) criticise the U-model for not taking into account managerial achievement. They state, “Managers play an increasingly important role in the development of firms’ internationalisation strategies” (Axinn & Matthyssens, 2002, p. 445). Johanson and Vahlne (2009) agree with this opinion and acknowledge the importance of management’s views. The authors emphasised, “We also think that the model can easily incorporate managerial discretion and strategic intentions” (Johanson & Vahlne 2009, p. 1417). Similarly, the U-model has been criticised by Wright, Westhead, and Ucbasaran (2007), as being firm-focused rather than entrepreneur-focused. They maintain that a firm-focus limits research relating to the firm’s internationalisation, since empirical studies have confirmed the significance that entrepreneurs play in the process.

From studies conducted among knowledge-intensive organisations by Crick and Jones (2000), as well as Coviello and Munro (1997), it was determined that some organisations enter into the international markets and domestic markets concurrently. Additionally, they indicated that some organisations ignore the entire domestic market and concentrate solely on the global market. Camuffo, Furlan, Romano, and Vinelli. (2007) criticised the model, arguing that it could be enhanced by including information on technological advancements and interactions between particular customers and suppliers. According to Reiner, Demeter, Poiger and Jenei (2008), cross-border expansion to a neighbouring



country controls the facility in the target country and reduces the time that is needed to amass the required knowledge as suggested by the U-model.

Reid (1983) claimed that the notion of psychic distance is limited as an explanation of the internationalisation process. Turnbull (1987) proposed that the model ignores the opportunity for organisations to adopt a blend of entry modes in entering a single market.

Furthermore, as emphasised by Forsgren (2002), due to the effects of increased globalisation, there are more opportunities for internationalised firms and pressures on firms to internationalise. The author stresses that some firms might invest in international markets intentionally, regardless of the firm's knowledge of the market, for example in situations when the risk that could be incurred by not investing could be larger compared to the risk the firm would incur by investing in the market. This could be due to intense competition or diminished growth rates that a firm experiences in the home country. However, it is to be noted that such a view does not challenge the U-model, as the framework was not developed to provide explanations of the reasons why firms opt to make entry decisions in a specified market, but rather, the behaviour resulting from the decision to enter a foreign country (Johanson & Vahlne, 2009; Figueira-de-Lemos, Johanson, & Vahlne, 2011). In summary, Forsgren (2002) argues that other research has revealed the multifaceted nature of organisational learning, and a firm could learn from similar firms within its business network, thus making experiential knowledge less important. The firm can, for example, appoint employees with experience and also acquire local firms in order to acquire knowledge. Johanson and Vahlne (2009) challenge the foregoing assertion by arguing that in order to identify and make use of another firm's knowledge, the internationalising firm still requires its own firm-specific experience and knowledge. Thus, experiential knowledge is significant, although conclusions may have to be adjusted in relation to the learning process of the firm due to advancements in research. Finally, Johanson and Vahlne (2009) acknowledge the debate regarding the likelihood of obtaining knowledge and learning from the other firm's network of relationships as they incorporate the business network perspective in their revisited model (see Johanson & Vahlne, 2009). This will be discussed further in subsequent sections.

Although the U-Model has received much criticism, its contribution cannot be ignored. The model has received considerable empirical and theoretical support and tremendously enriched our knowledge of firm internationalisation.



However, considering this study's objective and the identifiable assumptions of the U-model, the model is considered to be inadequate for this study's framework. It does not provide enough factors to understand the dynamics of the internationalisation process, especially its applicability in the new business environment that exists in emerging African markets. Nevertheless, it can provide a relevant springboard for developing internationalisation processes in an emerging market situation.

### 2.2.2. The Business Network Approach

In the following, the business network approach is discussed with respect to its origin, concepts, ideas, rationale, and criticisms.

#### 2.2.2.1. Industrial Network Approach (INA) background

In the 1970s, the Industrial Marketing and Purchasing (IMP) Group<sup>7</sup> project was initiated to research industrial marketing and purchasing with a focus on the role of long-term interactions within industrial markets. Their research led to the establishment of the industrial network approach (INA) also referred to as the markets-as-networks view (Ford, 2002; Johanson & Mattsson, 1992). The approach suggests that all actors in the business market engage in business relationships that are inter-connected to create networks. Relationships are defined as contacts, interactions, and links between firms and other actors in the business market (Håkansson & Snehota, 1995). Relationships, thus, involve two firms. With two interlinked relationships, a network is created, which means that three or more firms are interlinked through direct and indirect relationships and different types and strengths of ties. The result is that the firms interact, cooperate, and are interdependent in various ways. These processes impact the success or failure of each firm. They exchange resources, which means that they receive resources that they need or lack from other firms and provide their own in exchange (Håkansson & Snehota, 1995).

In this era of globalisation, the INA symbolises an important research viewpoint, particularly concerning its usefulness for research in business-to-business relations that extend across borders (Håkansson & Snehota, 1995). According to Halinen, Salmi, and Havila (1999), the network perspective analyses the business context holistically with specific attention given to the manner in which business

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<sup>7</sup> Refer to Håkansson and Snehota (2000) for an overview of the emergence of the initial research of the IMP Group created in accordance with two most important inter-linked projects, namely IMP 1 and IMP 2. Both projects resulted in what is popularly referred to as the IMP.

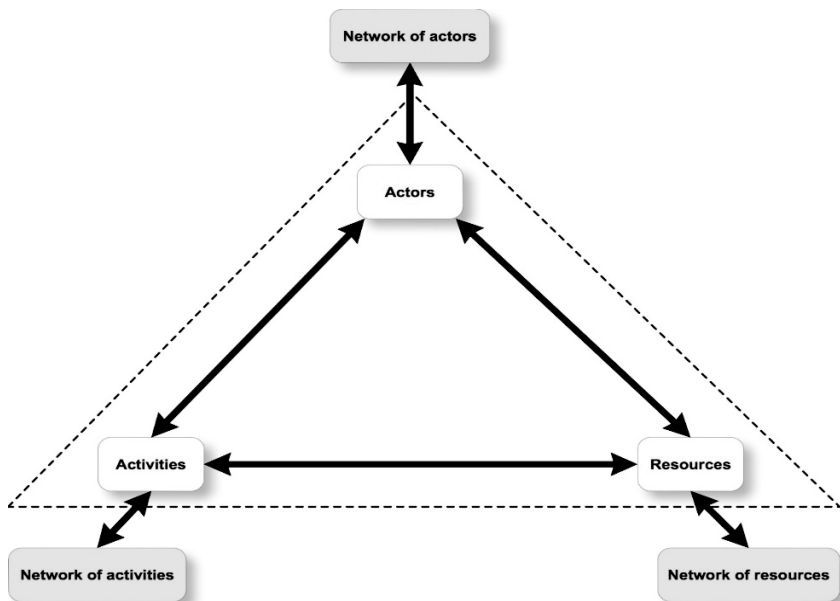


relationships are connected. It additionally addresses the borderless way in which firms are embedded in business networks. Over the years, the IMP Group has conducted numerous studies that have engendered research by others throughout the world. These studies were conducted in an attempt to make sense of the development of relationships among firms, especially in business-to-business markets. This research highlights the complex business networks in which firms operate as they export, import, collaborate, and compete with each other.

Since its inception, the IMP viewpoint has resulted in a myriad of studies and frameworks for analysing business networks. Among these is the model of actors, resources, and activities (ARA) (Håkansson & Johanson, 1992). A review of this approach is outlined below.

#### 2.2.2.2. The Model of Industrial Networks - The ARA Model

The basic structure of the industrial network was introduced by Håkansson and Johanson (1992), (see Figure 2.2.), and it consisted of three elements: actors, resources, and activities (ARA). The authors state that the model was developed to capture the complexity of the interactions and dynamics of business networks.



**Figure 2.2.** *Model of Industrial Network (ARA model).  
Based on Håkansson and Johanson, 1992.*



Håkansson (1987) defines actors as “those who perform activities and/or control resources within a certain field” p. 14). They can be individuals, firms, departments, customers, distributors, competitors, government institutions or suppliers. Consequently, actors within a network work to direct and control available resources and activities. Through resource exchange processes, they develop relationships and gain access to resources of other network actors. In addition, they possess varied views and knowledge in relation to activities, resources and other actors in the network (Håkansson & Johanson, 1992). They are held together by actor bonds, which connect and influence them and their perceptions in forming their identities in the network. Thus, bonds are strong forces that prevent the actors from easily leaving the relationship (Håkansson & Snehota, 1995). Actor bonds develop over time and are based, for example, on economic (e.g. distinct credit and payment arrangements), legal (e.g. contracts), technical (shared resources in the form of technology, products), social or informational, and logistics planning considerations.

Håkansson and Johanson (1992) stress that activities take place when an actor or numerous actors combine, develop, or exchange resources by making use of other resources. Activities involving technical, commercial, and administrative activities carried out by each organisation can be linked in different ways. They can be segmented into transformation or transfer activities. Transformation activities alter the existing resources to form new resources. On the other hand, transfer activities tend to shift direct control of the available resources from a single actor towards several other existing actors. In several ways, activities can be related, representing a repetitive activity cycle, whereby numerous independent activities are repeated (Håkansson & Johanson, 1992; Håkansson, 1987).

As stated earlier, activities require resources. According to Håkansson (1987), resources are made up of physical (machinery, materials, etc.), financial, and human resources (labour, existing knowledge base, and relationships). A relationship between two firms, for instance, influences the way the firms makes use of their resources. Accordingly, to gain a competitive advantage, firms must possess knowledge and experience regarding the handling and control of resources. Håkansson (1987) emphasises that only in combination with other resources will resources possess value. In the present study, ARA is defined similarly to the above-mentioned authors.



### 2.2.2.3. Stages of business relationships and networks

Various researchers, such as Dwyer, Schurr and Oh (1987); Ford (1980); Ghauri, Lutz & Tesform (2003), have brought to light the “stage approach” and models describing different developments of business relationships and relationship life cycles as well as their associated influencing factors. In the following section, Ford’s (1980) five stage process is emphasised due to its numerous applications and popularity both inside and outside the academic research of the IMP-Group.

Ford (1980) put forward five stages that the development of a relationship goes through: *pre-relationship, early, development, long term, and final stages*.

The author describes each developmental stage as being based on the customers’ and suppliers’ experiences. This includes relationship factors, for instance, the manner in which the adaptation, commitment and the uncertainty, and distance varies among these influences. Trust and commitment are significant with respect to the reliability of the actors (Håkansson, 1982), as these factors enhance collaboration. Commitment occurs when the actors in the relationship consider it valuable to ensuring the maintenance of the affiliation (Håkansson, 1982).

According to Ford (1980), the development process begins with the *pre-relationship stage*, which involves initial business activities between the parties. At the onset, both parties have limited knowledge of one another; they are simply searching for prospective suppliers and buyers. Ford (1980) indicates that no commitment takes place during this phase. The focus is on obtaining information to evaluate, for instance, a new supplier. During the *early stage*, negotiations between the buyer and seller are resumed; thus, the connection between the supplier and the buyer is established. This enables the development of interaction for the purchase of primary goods (Ford, 1980). In this stage, primary information is required, and priorities and cost agreements are discussed (Dwyer et al., 1987). Ford (1980) affirmed that when there is a reduced psychic distance, increased commitment levels and experience-building tasks, the relationship can be strengthened. In the *development stage*, the delivery of products increases after completing the contractual agreement. Both the seller and buyer will need to deal with aspects, such as integration of the purchased product. It is also at this phase where the developed commitment and trust are tested. There is an observed decrease of distance and uncertainty, while the interdependence increases. In addition, the information flow gradually progresses, as do the interests and intentions of



the parties and the atmosphere of exchange. However, there are circumstances where the relationship could be discontinued based on the performance, dealings of outsiders or evaluation of their potential (Ford, 1980). The growth of business and relationships is at a high level during the *long-term stage* with an increased level of experience. It is important that commitment and trust are highly maintained for the continuation of the relationship at optimum levels for mutual benefit (Ford, Gadde, Håkansson & Snehota, 2003). In the *final stage*, the relationship is said to be widely routinized, regulated and institutionalised (Ford, 1980; Ford et al., 2003).

For a longitudinal study like the present one, Ford's framework (1980) can be used for analysing the development of business relationships. This does not, however, imply a deterministic or a linear process or approach to the study of business networks. Relationships in business networks "are continuously recreated over and through time" (Halinen et al., 2012, p. 215). Chapters 3 and 5 present a detailed discussion of how the model is employed in the current study.

#### **2.2.2.4. Critical events and business network dynamics**

Havila and Salmi (2000) argue that while ongoing actor bonds, resource ties, and activity links develop business network relations, events can also create change in the business network. Therefore, in order to understand the dynamics of the network, critical events need to be taken into account. The authors state that the criticality of events occur "*...when they lead to either disruption or establishment of relationships*" (Havila & Salmi, 2000, p. 110). Furthermore, Hedaa and Törnroos (2008) stress that an event is the outcome of the changes or acts enacted by humans, or sometimes by the natural environment outside or within the business environment. They classify events as having two sources: man and nature. Natural events are unintentional, whereas man-made events could be intentional or unintentional.

Results of an event may be understood differently by an actor. Once an event is recognised, the interpretation is registered in the actor's mind. The actor may be a human being (for instance, an export manager) who reacts or responds to stimuli from the events that take place. A response to stimuli can be reactive (following and reacting passively), proactive (creating new events and new acts), indifferent and/or neglectful with no further intention to act on the stimuli result (Hedaa & Törnroos, 2008, p.326). From an internationalisation perspective, the outcome of an event enables decision makers to either increase or decrease their commitment to foreign markets. At times, and in



some extreme cases, it is possible to withdraw the process after the signals and interpretation that follow the given event. The stimulus response can persist into the future. Events can be further classified as exogenous and endogenous based on their occurrence (Halinen et al., 2013; Hedaa & Törnroos 2008). Endogenous events are those that occur in the focal firm and exogenous events occur in another firm or outside of their control<sup>8</sup>.

#### **2.2.2.5. Embeddedness and context in business networks**

Research on industrial networks has shown that business networks and relationships are neither established nor developed remotely. Instead, each relationship is embedded in a wider contextual setting that consists of mutually dependent relationships (Håkansson & Snehota, 1995). Embeddedness emanates from the notion that all business relationships are impacted by the surrounding political, technological, cultural, and social contexts. In this way, business relationships are actually part of the cultural and social exchanges and are affected by these factors (Granovetter, 1985).

The model of network embeddedness introduced by Halinen and Törnroos (1998) is derived from Granovetter's (1985) definition and depicts six different kinds of network embeddedness: technological, social, political, spatial, temporal, and market, which should be taken into account in understanding how the firm operates in a network context. Technological embeddedness refers to the level of technological influence on the business activities of the firm or industry. Social embeddedness represents the impact of social structure. Market embeddedness refers to the impact of market structure, while political embeddedness refers to the impact of political structure. The influence of space and location is considered spatial embeddedness, while temporal embeddedness refers to the temporal impact (past, present, and future) (Halinen & Törnroos, 1998). From the perspective of a network approach, embeddedness emerges from mutual long-term relationships that are susceptible to alterations and investments by the actors and other relationships influencing the network and the actors involved (Forsgren, Holm, & Johanson, 2005).

Researchers, such as Fletcher and Barrett (2001), have studied embeddedness as consisting of various network types (market, technological, social, institutional, regional, and infrastructural). The authors also stress the influence of the contextual environment in the internationalisation process. As a result,

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<sup>8</sup> See Chapter 3 for a further discussion of the concepts of endogenous and exogenous events.



Fletcher and Barrett (2001) take the stance that for a clear understanding of the evolution and functioning of business networks in the international front, a vivid understanding of certain aspects is of utmost necessity. These could include awareness of prevailing politics, infrastructure, social, regional, technological, institutional and market networks. These factors tend to exert significant influence on the network in addition to the level of access of resources. Additionally, other institutional actors (regulatory institutions, research and technical organisations) could pose a critical impact in fostering internationalisation. Other researchers (e.g. Hadjikhani & Thilenius, 2005; Hadjikhani & Ghauri, 2001) have stressed that political embeddedness and the relationship with institutions, non-business or political actors,<sup>9</sup> such as governments, are critical for conducting business. The authors indicate that international firms are interconnected in networks that consist of both business and non-business actors. Consequently, institutions, non-business or political actors can assist in building and impacting change in business networks (Hadjikhani & Håkansson, 1996).

### **2.2.3. The development of internationalisation research using the network approach.**

The ideas, concepts, and models of the IMP approach have inspired recent work on the internationalisation of firms. These studies include, for example, export decisions and initial phases in the foreign market (Ellis, 2000), rapid internationalisation (Loane & Bell, 2006), explosive internationalisation and success amongst SMEs (Chetty & Campbell-Hunt, 2003) and network relationships in knowledge acquisition (Hohenthal, Johanson, & Johanson, 2014). The role of business network relationships in internationalisation activities and choices include studies by Coviello and Munro (1997), Coviello and McAuley (1999), Coviello (2006), Chetty & Blankenburg-Holm (2000) as well as Meyer and Skak (2002). Fletcher (2008) used the network approach as a framework in his longitudinal study of the internationalisation of an Australian firm. Based on empirical evidence of Swedish MNEs, the Uppsala globalisation process model (Vahlne & Ivarsson, 2014), provides a holistic view by incorporating various internationalisation approaches including the network approach. Accordingly, the authors developed the model based on the 1977 U-model (Johanson & Vahlne, 1977), revised U-model (Johanson & Vahlne,

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<sup>9</sup> Refer to Section 2.3. for a discussion on the role and influence of political and institutional actors in emerging markets.



2009), the international entrepreneurship theory (Vahlne, Schweizer & Johanson, 2010) and multinational coordination of networks (Vahlne & Johanson, 2013).

However, original and key network internationalisation theories, such as the network model of internationalisation (Johanson & Mattsson, 1988) and the revisited Uppsala business network model (Johanson & Vahlne, 2009), have dominated the field of behavioural and process-oriented internationalisation research. In the subsequent sections, the contributions and impact of these theories and impact of business network particularly on SME internationalisation, will be discussed.

### 2.2.3.1. Key network internationalisation models

#### ***Johanson and Mattsson's (1988) Network Internationalisation Model***

The model by Johanson and Mattsson's (1988) acknowledges the significance of a focal firm's position in a network as a significant factor during internationalisation. It is assumed that both the degree of the market internationalisation (the extent to which there are many and strong relationships among the different national nets) and the degree of firm internationalisation (the scope to which a particular firm assumes a position in dissimilar national nets as well as the manner in which these positions are essentially integrated) have an effect on the developmental process.

Johanson and Mattsson (1988; 1993) emphasise that firms establish and develop positions with counterparts in foreign markets during internationalisation by means of international extension. This occurs when the firm establishes a position in a network located in another country followed by international penetration when the firm further develops its already existing position. Finally, international integration occurs where the firm increases coordination between positions in different national nets. The authors put forward four distinctive situations and types of internationalising firms as illustrated in Table 2.1 below.

**Table 2.1.** *The Network Model of Internationalisation (Source: Johanson and Mattsson, 1988)*

		Degree of internationalisation of the market	
		Low	High
The firm degree of internationalisation	Low	Early starter	Late starter
	High	Lonely International	International among others



As shown in Table 2.1 above, an early starter tends to possess low levels of internationalisation in a business with a low degree of internationalised networks. Thus, the firm has a few insignificant relationships with other firms in foreign countries. The early starter possesses fewer links and often leverages the network positions of foreign counterparts, e.g. distributors. Penetration in the market requires an investment into relationships with different actors in the network. The lonely international refers to a situation in which just the firm tends to be internationalised, in most cases to a high degree, while the market remains un-internationalised. Here, the firm is likely to gain considerable advantages from international integration. In the case of the late starter, the market rather than the firm is internationalised. Internationalisation can, thus, be initiated through the use of domestic network relationships. The firm needs to specialise to develop a position in an established international network. The fourth quadrant, the international among others, occurs when both markets and firms are internationalised; hence the firm is most likely to strategically take advantage of network positions.

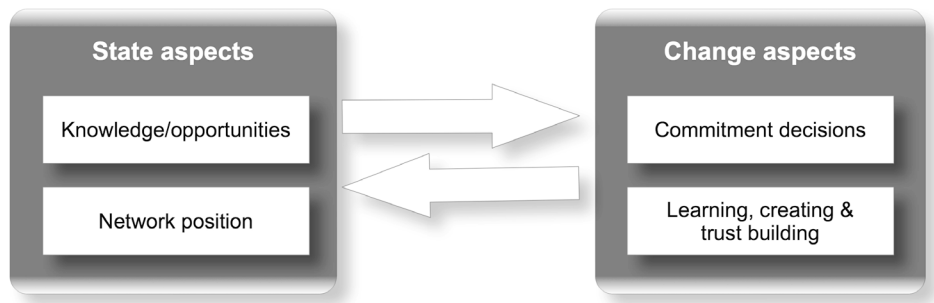
### ***Johanson and Vahlne's (2009) business network model***

According to the authors, it has been necessary to update existing internationalisation theories and, therefore, their original U-model (Johanson & Vahlne, 1977), as a result of increased globalisation and advancements in research. The new model (see figure 2.3.) incorporates the network perspective and develops the “*business network internationalisation process model*” (Johanson & Vahlne, 2009, p. 14). The model emphasises the role of business networks and relationships (see Figure 2.3) during a firm's internationalisation. The firm's immediate business environment is seen as being composed of a network of relationships.

The two dimensions of state and change interact with the network and relationship environment. Thus, there are some differences in the ways these aspects function in this reformulated model compared to the original U-model (Johanson & Vahlne, 1977). As internationalisation in the reformulated model is presumed to occur within the company's business networks, the current network position of the firm is considered significant in achieving internationalisation and the concept of network position is considered more significant than market commitment as shown in Figure 2.3.



The original U-model (Johanson & Vahlne, 1977) only considered market commitment as being important. However, this is now thought to provide a limited view, and hence, in the state aspects, the authors now include knowledge and opportunity variables (see Figure 2.3). Knowledge refers to the firm's current situation in regards to the foreign market. It is argued that knowledge is important for the firm in order to identify opportunities (Johanson & Vahlne, 2009). Consequently, an internationalising firm has to establish a robust position as well as solid commitments within the business network to gain opportunities and access such required knowledge, usually open only to '*network insiders*' (Johanson and Vahlne, 2009, p. 1423).



**Figure 2.3.** *The Business Network Internationalisation Process Model; Source: Johanson and Vahlne, (2009)*

Decisions to make solid commitments and existing undertakings were considered important in the initial U-model (Johanson & Vahlne, 1977). However, the reformulated model encompasses relationships that are included with commitment decisions, which explains the company's decision to make further commitments to relationships in the foreign country (Johanson & Vahlne, 2009). In the revisited model, learning, creating, and trust building have replaced current activities in the original model (Johanson & Vahlne, 1977) (see Figure 2.3). It is of note that current activities are still important, but the result of the current activities is the issue of interest. In both the original model and the reformulated model, experiential knowledge remains the important form even though other types of learning are included. With the inclusion of the network view, trust building becomes significant, since trust has to exist in order for firms to build relationships and commit to the network (Johanson & Vahlne, 2009; 2011).



Consequently, with the introduction of the network viewpoint in the reformulated U-model, less emphasis has been placed on the psychic distance concept with more emphasis placed on “outsidership” (having no links to a network) as a possible cause of uncertainty. In the model, the psychic distance is thought to be less important or irrelevant but should be taken into account if the internationalising firm lacks strong or important network partners. In that case, the firm should concentrate on building relationships, e.g. starting with an agent (Johanson & Vahlne, 2009). According to the authors, their model is applicable to the internationalisation of both smaller and larger firms; however, it should be noted that the processes of the two types of firms are likely to differ due to their different resource endowments.

In summary, a connection exists among the concepts in the reformulated model. First, the current network position in which the firm is involved is important in order to build knowledge. An increase in knowledge will enable the firm to foresee opportunities in the foreign market, thus aiding the firm in creating relationships and commitment decisions. This situation will result in the firm’s ability to learn, develop, and build trust. With these attributes, the firm can increase its position in the network over time (Johanson & Vahlne, 2009). This further implies that the network models of internationalisation views internationalisation in accordance with a firm’s existing home or foreign relationships, thus including relationships that the firm may have to establish in order to enter foreign markets and conduct business. The results of such an interactive process avoid a singular focus on a firm as the main influencer of the internationalisation process and enable an analysis of the role of other business actors in the network, i.e. the firm’s immediate business environment.

### **2.2.3.2. Business networks and SME internationalisation**

Numerous studies have stressed the influence of networks on internationalisation of SMEs (for example, Chetty & Blankenburg Holm, 2000; Chetty & Wilson, 2003; Agndal & Chetty, 2007; McAuley, 2010; Coviello & Munro, 1997; Fletcher 2008; Zain & Ng, 2006; Ojala, 2009). For SMEs, networks largely assist with the ease and speed of entering foreign markets (O’Gorman & Evers, 2011; Oviatt & McDougall, 2005; Casillas & Moreno-Menéndez, 2014). Hence, the firm builds the relationships needed to facilitate the internationalisation process. Relationships and networks impact the level of the risk of entry into markets overseas, thus assisting in the firm’s internationalisation (Musteen, Francis, &



Datta, 2010; Kontinen & Ojala, 2011). The study by Coviello and Munro (1995) of small entrepreneurial firms reveals that the process of internationalisation of small firms can be very fast and that the country selection activities and decisions are influenced by the available prospects provided through network relations. Furthermore, the network relationships provide a diversity of knowledge, learning, and experience that can facilitate the exploitation of different markets, as well as providing opportunity recognition in the international markets (Nummela, 2011; Johanson & Vahlne, 2011).

While many studies have focused on the positive effects, Tang (2009) discussed networks as a “doubled-edged sword” that can produce both favourable and unfavourable consequence for a small firm. According to Coviello and Munro (1995), networking requires a sacrifice of some elements of control of the market being targeted, an aspect with capacity to weaken an organisation’s position within the network. This fact results in the firm being highly dependent on its partners. In general, the relationship may limit the firm’s ability to foresee prospects in the market overseas. As such, the networking partner could exercise some sort of control on the smaller firm, thus limiting growth in relation to product development and market diversification. Ojala (2009) contends that when an organisation follows its networks passively into the new markets, there is the possibility of missing opportunities in some other markets. The firm can also be led into countries where its real market potential is very low. According to Forsgren (2008), pre-existent relationships in a network could keep the firm rooted in insignificant relationships and prevent prospective partnerships.

In line with this discussion, Vahlne et al. (2010) state that engagement in global networks could result in difficulties related to adapting to cultural differences that can restrict the development of relationships. Furthermore, a firm that invests in an improper relationship may face problems along the way in the internationalisation process.

Being involved in an industrial network raises many questions as to management techniques that benefit both the networks and relationships (Ford, 1998), and this presents many dilemmas for SMEs. Organisations should decide about the investment in a single relationship and the resources to be invested, based on the rate of return. The managers of SMEs must consider the impact of networks and pay attention to building relationships and developing them in the right way (Coviello & Munro, 1995).



### 2.2.4. Critical remarks on the business network approach

One cannot disregard the contribution of the business network approach to an understanding of the internationalisation process of firms. However, taking into account the complex nature of the subject, we cannot expect any theory to be without criticism.

The network model of internationalisation has been criticised for restricting the ability to perceive the internationalisation pattern, not providing strict conclusions, involving numerous variables (Bjorkman & Forsgren, 2000), having varied grounds for distinguishing between different types of organisations such as late and early starters (Chetty & Blankenburg-Holm, 2000), and for not providing satisfactory prediction models (Bjorkman & Forsgren, 2000). Additionally, the model does not clarify how organisations change places in its typology (Chetty & Blankenburg-Holm, 2000).

Moreover, the approach has been criticised for disregarding numerous external actors and factors such as strong domestic competition, relationships involving competitors (Chetty & Wilson, 2003) and governmental export support activities that could enable rapid internationalisation (Chetty & Blankenburg-Holm, 2000). Kuivalainen, Puumalainen, Sintonen and Kyläheiko (2010) criticise the network approach, stating that it disregards the importance of the organisation and decision-maker in undertaking opportunities for integration, extension, and international penetration that arise from networks.

Bjorkman and Forsgren (2000) criticise the network theory on the basis that it provides indefinite conclusions about internationalisation manifestations. For an extensive review and further critiques of the network approach, see, e.g. Bell, (1995); Coveillo and Munro, (1997); and Madsen and Servais (1997).

I maintain that the benefits of the network theory outweigh the criticisms. The approach possesses some unique capabilities in relation to a firm's internationalisation process. The distinctive characteristics and ability of the network model to demonstrate the internationalisation process as unpredictable and non-linear makes it distinct from other approaches. It provides a powerful and multi-faceted framework for understanding and analysing the role of relationships and networks in enabling firms to overcome resource limitations, gain knowledge, and globalise in a dynamic world economy where opportunities arise at a fast pace, but risks can be simultaneously difficult to predict. Consequently, the nature of the approach makes it a powerful tool



for describing and analysing the internationalisation process of an SME and an emerging market firm, particularly from Africa taking into account the uniqueness of such a business environment.

### **2.3. A Review of Internationalisation Studies in Emerging Markets**

As this is a relatively new but very wide area of research, I have started by describing the process of selecting relevant literature. At the beginning, I listed four criteria for identifying appropriate publications. Firstly, the articles had to emphasise business network studies. Secondly, they had to focus on internationalisation of manufacturing SMEs from an emerging market to a developed market, particularly in the area of clothing and textiles. Thirdly, they had to describe the strategies used by firms to develop the network relationships. Fourthly, they had to take into account the role and impact of the relationships. Of numerous articles searched, only a few met the above criteria. Consequently, I decided to widen the review to include studies of other industries besides clothing and textiles or firms besides manufacturing SMEs. Table 2.2 below provides a list of some previous emerging market studies identified for this review. It shows numerous and diverse studies of internationalisation on emerging markets, particularly SMEs. They touch on triggers and drivers for internationalisation, obstacles and success factors, the role of networks, and the impact of the business environment as well as institutional actors. Most of the studies indicate that the emerging market is different from the developed market and acknowledge specific characteristics that can impact the internationalisation process of the SME from an emerging market.

In the following sections, after presenting Table 2.2, I summarise the literature under the following headings: drivers, obstacles, relationships and networks; and studies on textile and garment exporters.



**Table 2.2. Previous Studies on Internationalisation in Emerging Markets**

Author, Year, Title	Title/Key issues	Findings/recommendations
<b>Tendy Matenge (2011)</b> Small firm Internationalisation: A developing country perspective.	Based on case data from four Botswana firms, the study seeks to assess factors influencing internationalisation, especially in developing countries.	The study revealed that culture, experience, and the role of the government are influential and serve as the foundation for internationalisation in a developing country. Elements including inadequacies of export knowledge or information, constraints and finance, are major barriers to internationalisation of these firms.
<b>Ngoma and Ntale (2014)</b> Network Competence and Internationalisation of Service Firms in Uganda.	Based on data in Uganda, the study investigates network competence and its effects on internationalisation. It also explores the influence networks have on internationalisation.	The findings revealed that network competence and relationships influence success. The study recommends a focus on initiating, building, and maintaining network relationships with the various partners to assist internationalisation.
<b>Owusu-Frimpong, and Martins (2010)</b> Adoption and Implementation of Internal Marketing Systems by SMEs in Ghana.	Based on a qualitative research method, the study explores the influence of internal marketing (IM) in Ghana.	Socio-cultural factors and the lack of finances impede SME growth in sub-Saharan Africa, and discourage IM practices in Ghanaian SMEs.
<b>Akomea, Sørensen, O. J. &amp; Amponsah-Efah, (2014)</b> Export Drivers and Barriers: Evidence from Ghanaian Pharmaceutical Manufacturing Firms.	Based on an exploratory study and data collection from key managers, the study explores the drivers and barriers for exports in Ghana's pharmaceutical manufacturing sector.	The main reasons for exporting in Ghana were to broaden the market, become globalised, earn foreign exchange, and benefit from economies of scale. Firms also looked for government incentives for expansion.
<b>Ciravegna, Majano, &amp; Zhan (2014)</b> The Inception of Internationalisation of Small and Medium-sized Enterprises: The Role of Activeness and Networks.	The study analysed how exporters gather information and initiate internationalisation based on empirical studies on Chinese textile SMEs.	The findings illustrate experience, commitment, networking, and decision makers' attitude had an effect on the success of internationalisation. Internationalisation of emerging market firms is seen as a dynamic process with unforeseen situations.
<b>Osei-Bonsu (2014)</b> Understanding the Internationalisation Process of Small-to Medium-Sized Manufacturing Enterprises (SMEs): Evidence from Developing Countries.	Using a mixed research method, the objective was to find the key resources that determine internationalisation processes for SMEs in developing nations.	Based on the findings, the main enablers of internationalisation were managerial competencies, capabilities of production and prevailing conditions within the domestic market.



Author, Year, Title	Title/Key issues	Findings/recommendations
<b>Ibeh, and Kasem (2011)</b> The Network Perspective and the Internationalisation of Small and Medium Sized Software Firms from Syria.	The study used a qualitative case-based methodology to explore the applicability of networking factors in the internationalisation of Syria's SMEs.	The findings show the vital significance of network relationships in bringing about internationalisation, the choice of market, and the speed of internationalisation. Institutional actors and their involvement also influence internationalisation process in emerging market.
<b>Damoah (2013)</b> Strategic Performance and Firm Performance in an Emerging Economy.	Based on a survey, this study examined the strategic factors that influence firm performance in the Ghanaian manufacturing sector.	The findings indicate that joint venture ownership predicts significant performance compared with indigenously owned firms. Workforce productivity and location are other strategic drivers of firm growth and performance.
<b>Crick, Kaganda &amp; Matlay (2011)</b> A study into the International Competitiveness of Low and High Intensity Tanzanian Exporting SMEs.	This study explored elements that significantly affect the intensity of export levels, competitiveness, and market choice strategy of the internationalising SMEs in Tanzania.	The findings highlight the patterns of firms' internationalisation. It also identifies issues that impact a firm's competitiveness abroad.
<b>Khemakhem, (2010)</b> Explaining the Entry Mode Choice among Tunisian Exporting Firms: Development and Test of an Integrated Model.	This study explored influences that affect firms' exports and the mode of entry in Tunisia.	The results stress the importance of the characteristics of a product, the features of the firm, and the characteristics of the setting in ascertaining an appropriate mode of entry for Tunisian SMEs in foreign markets.
<b>Grosse, Shannon, &amp; Cecilio (2013)</b> Exporting to the Near and Far Abroad.	Using a survey method, this study examined the export behaviour of Uruguayan firms.	The findings show that factors such as the age of the firm, experiences while exporting, firm size, and product adaptation were aspects that could influence the export success of Uruguayan firms internationally.
<b>Milanzi (2012)</b> The Impact of Barriers On Export Behaviour of a Developing Country Firms: Evidence From Tanzania.	This paper assessed the major export barriers and examined the process of exports in Tanzania.	The results showed that inadequate knowledge of the impact of financial constraints on exporting and lack of infrastructure considerably influence exporting success.
<b>Okpara, J.O. &amp; Kabongo, J.D. (2010).</b> Export Barriers and Internationalisation: Evidence from SMEs in an Emergent African Economy.	This study examined strategic processes, export entry choices and the perceived aspects that constrain the development of exports within Nigeria SMEs.	The findings reveal that inadequate finances, corruption, lack of international exporting knowledge and lack of qualified employees impedes export internationalisation of emerging market firms. Entrepreneurs and managers' orientation was found significant in the export expansion process.



Author, Year, Title	Title/Key issues	Findings/recommendations
<b>Krugell, W.F. and Matthee, M. (2012)</b> South African Firm-level Evidence of the Links Between Finance and Efficiency.	This study assessed the influences of resource barriers to internationalisation. The factors evaluated included the size of the firm, capital, productivity, and constraints imposed by the labour markets in South Africa.	A firm's size, its productivity and funding are crucial for export success. Additionally, there were many barriers that impact a firm's engagement in exporting goods. Some of these included transportation, custom delays, and electricity charges.
<b>Ibeh, Wilson and Chizema (2012)</b> - The Internationalisation of African Firms 1995-2011: Review and Implications.	The article reviewed previous studies on African business and employs views on how to improve internationalisation, particularly in Africa.	Internationalisation has been an upward trend for the past few years. Increased informal exporting, organisation and managerial resource factors played a vital role in the African firm's expansion process. It is to be recommended that more studies are conducted in an African market context.
<b>Ibeh, Ibrahim and Ezepeue (2007)</b> Factors Stimulating Initial Export Activity: Any Difference for Nigerian Firms?	This study examined the key aspects that stimulate preliminary exports among firms in Nigeria.	The findings supported the understanding that proactive stimuli help to initiate firms into beginning to export, especially in the African continent.
<b>Rankin, Söderbom, and Teal (2006)</b> Exporting from Manufacturing Firms in sub-Saharan Africa.	The study analysed issues regarding market barriers in relation to firms opting to internationalise their operations outside South Africa.	The size of a firm is a solid determinant in building commitment to exporting. The study also revealed that low performance of the SSA economies was due to the low proportion of export manufacturing.
<b>Matanda (2012)</b> Internationalisation of Established Small Manufacturers in a Developing Economy: A Case Study of Kenyan SMEs.	Based on a case study, the article addressed the internationalisation of small firms in Kenya.	From the findings, SMEs with a solid establishment tended to pursue incremental approaches while embracing the process of foreign expansion. Internationalisation was impacted by managerial attitude, reputation, and improving the share of the market. Environmental factors (e.g. market similarity, volatility, and market saturation) also played a part.
<b>Ciravegna, Lopez &amp; Kundu (2014)</b> Country of Origin and Network effects on Internationalisation: A Comparative Study of SMEs from an Emerging and Developed Economy.	This study explored how SMEs build network relationships and their impact in internationalisation development.	Network relationships are significant in internationalisation, especially in regard to speed and intensity. The study suggests that the size and institutional development of an economy influence SMEs internationalisation path. Internationalisation through buyer-supplier networks is more reactive, whereas internationalisation through personal networks is more likely to be strategically and actively pursued.



Author, Year, Title	Title/Key issues	Findings/recommendations
<b>Calof &amp; Viviers (1995)</b> Internationalisation Behaviour of Small Medium-Sized South African Enterprises.	Explored the export activities and behaviour of South African SMEs.	The study revealed that the case firms preferred a gradual approach to learning by committing to low risk markets and those psychologically close to home market before advancing – and committing to foreign markets – perceived as high risks – as their knowledge of internationalisation deepens.
<b>Ibeh &amp; Young (2001)</b> Exporting as an Entrepreneurial Act: An Empirical Study on Nigerian Firms.	The study explored the reasons for the low export involvement of Nigerian manufacturing firms.	The study found that a high entrepreneurial orientation is necessary for Nigerian manufacturing firms to overcome export barriers and adapt to market dynamics.
<b>Medinets, Muchai &amp; Odiyo (2009)</b> The Effect of Psychic Distance on Kenya's Export Destination.	Examined the impact of psychic distance in export internationalisation among Kenyan exporters.	Internationalisation of Kenyan SMEs is influenced by psychic distance. The study suggested that knowledge of the constituents of the psychic distance factors could ease and assist managers of Kenyan exporting firms in their selection of foreign markets.
<b>Rutashobya &amp; Jaensson (2004)</b> Small Firms' Internationalisation for Development in Tanzania: Exploring the Network Phenomenon.	Explored the influence of networks in the internationalisation of SMEs in Tanzania.	Small firms considered networking with suppliers, close associates, clients, family members and other trade organisations in an attempt to ease export market choices as well as the selection of the mode of entry into foreign markets. The study recommends that key leaders and governmental institutions in Africa should continuously provide an enabling platform that will stimulate internationalisation of SMEs.
<b>Das, M. (1994)</b> Successful and Unsuccessful Exporters from Developing Countries: Some Preliminary Findings.	This study analyses the processes and influential aspects that create an impact in the internationalisation of exporters in India.	An industry's characteristics, product, export location, and management aspects played a vital role in SMEs internationalisation in developing nations.
<b>Mtigwe (2005)</b> The Entrepreneurial Firm Internationalisation Process in the Southern African Context: A Comparative Approach.	The study evaluated options that firms utilize in the implementation of internationalisation practices.	The study identified four essential processes influencing the pace of internationalisation in the African context. These included accelerators, barriers to exports, the choice of intra-stage international market operations and outcomes of the foreign markets.



Author, Year, Title	Title/Key issues	Findings/recommendations
<b>Ghauri , Lutz &amp; Tesform (2003)</b> Using Networks to Solve Export Marketing Problems of Small- and Medium-sized Firms from Developing Countries.	The study reviewed a wide range of literature and assessed the utilisation of networks in overcoming challenges related to exporting in developing economies.	The findings revealed that networks could provide practical solutions in solving problems that emerge from export marketing. Additionally trust is critical for the network development and maintenance.
<b>Zain &amp; Ng (2006).</b> The Impacts of Network Relationships on SMEs' Internationalisation Process.	This research looked at indigenous SMEs in Malaysia and how they utilised networks to enable internationalisation.	The findings revealed that networks can trigger small firms to internationalise. They can also impact which markets they choose and how they enter those markets, as well as helping them establish credibility and gain access to additional relationships.
<b>Senik, Isa, Scott-Ladd, and Entrekina (2010)</b> Influential Factors for SME Internationalisation: Evidence from Malaysia.	This study explored factors that influence Malaysian SMEs internationalisation.	The article provides insight into the SME internationalisation process. The study revealed that a firm's internationalisation is influenced by industry characteristics and networks.
<b>Adama, Jouali, and Arwata (2013)</b> Identifying Factors Influencing Moroccan SMEs Internationalization.	The study assessed and provided an understanding of the factors influencing Moroccan SMEs internationalisation.	It is revealed that, networking had a particularly positive influence on internationalisation. Other factors including pressures from the external environment, government's involvement, managerial impetus, industry, and geographic proximity influence Moroccan SMEs internationalisation process.
<b>Abor, (2010)</b> Do Export Status and Export Intensity Increase Firm Performance?	This study explored the effects export intensity and export status have on the performance of firms in Ghana.	Both export status and export intensity have a positive impact on a firm's productivity. Thus, confirming the learning-by-exporting hypothesis. Additionally, international competition brings new technologies to firms and the potential for continued growth and productivity.
<b>Kuada (2007)</b> "Internationalisation, Regionalisation and African Economic growth".	The study developed a model for understanding internationalisation of developing market firms and the significance of African firms in the global market.	The findings suggested that the process of internationalisation in Africa should incorporate both "upstream and downstream" value-creation" activities. This is possible through connections between African firms and those from other developing and developed market economies.



### **2.3.1. Drivers, Barriers, Relationships and Networks**

Several studies have focused on exporting from developing countries. Akomea, Sørensen and Amponsah-Efah (2014) studied the drivers and barriers of exporting from Ghana in an exploratory study on the pharmaceutical industry. The study revealed that only a very small percentage of the firms are involved in exporting. The authors suggested that the Ghanaian government should provide more incentives to allow for expansion of export activities. The key factors explaining initial export activity among firms in Nigeria were explored by Ibeh, Ibrahim and Ezepue (2007). Their study revealed that the major triggers for export activity were proactive reasons and not due to an unsolicited order, as is often the case among SMEs from developed economies. Matenge (2011) found, in the case of small firm internationalisation in Botswana that factors such as commitment, innovative products, networking with government, and market knowledge were major factors in determining their international market involvement.

The impact of barriers with respect to the export behaviour of Tanzanian firms is identified in the study by Milanzi (2012). The results reveal that lack of export information and knowledge, financial constraints, as well as export capacity and supply are significant factors that affect export behaviour. It is further revealed that firms that take advantage and use network relationships are faced with fewer export challenges. In particular, institutional ties and business networks were found to influence exports and improve a firm's capabilities. Matthee and Krugell (2012) found that resource barriers negatively impact the productivity of South African organizations and that size, finance, and productivity are the most important factors for their export success. In an investigation of reasons for poor exporting performance in five African nations (Kenya, Ghana, Nigeria, Tanzania, and South Africa), Rankin, Söderbom, and Teal (2006) showed that a firm's size is a major determining factor in the decision to export goods. The study also revealed that the low performance of the Sub Sahara African (SSA) economies was due to the low proportion of export manufacturing.

Kuada and Sorenson, (2000) conducted a survey among 20 exporters in Ghana's manufacturing sector and processed food industry and indicated that internationalisation theories are inadequate in guiding or explaining the internationalisation of firms in Ghana and other developing nations. According to the authors, the decisions of Kenyan, Ghanaian, and other firms



in Africa that sell fresh pineapples or similar products to consumers in Europe has been mainly determined by the fact that the European countries are the leading import markets in the world for fresh produce. Thus, these firms started their exporting directly to European markets that were further away than other African markets due to the size and attractiveness of the European markets. The research challenges traditional claims that firms from developing countries start their internationalisation process by exporting their products to culturally similar markets or nearby markets.

The effect of psychic distance on the export destinations of Kenyan firms was studied by Medinets et al. (2009). The study affirms that the export patterns of Kenyan organizations can be examined using the concept of psychic distance. The authors stress the importance of exports and the right choice of entry location as a growth strategy for firms from a developing economy.

Other researchers have revealed the role of networks in studies of internationalisation of firms from emerging markets. Ciravegna, Lopez and Kundu (2014) in their comparison of how Costa Rican and Italian SMEs used networks to enter their first foreign market, found no difference and concluded that the fact that they are from a developing and developed country respectively, was less important than their structure and resources as SMEs. In their research, Ibeh and Kasem (2011) studied the role that networks play in the process of internationalisation especially with small and medium-sized firms dealing in software in Syria. Their findings revealed a significant influence of both social and business networks in the SMEs' internationalisation. However, at the initial phase, social ties were more influential and business networks increasingly dictated the internationalisation process in later phases. Senik et al. (2011) determined that three forms of networks assisted Asian SMEs to enter international markets, namely social networks (friends, colleagues, etc.), business networks (SME owners, managers and Asian multinational enterprises), and intermediaries (government agencies). For their part, Zain and Ng (2006) found that network relations increasingly motivated firms in Malaysia influencing the choice of market or decision for mode of entry. Additionally, this would assist firms in gaining preliminary credibility and permitting accessibility to more networks. Ghauri et al., (2003) confirmed the use of networks in overcoming the challenges of marketing for export with regard to manufacturing companies in developing countries. Through their study of Tanzanian SMEs, Rutashobya and Jaensson (2004) found that the owners and entrepreneurs established several business relationships and



networks. Apart from linkages with export houses and producers, many of the networks were of an informal character.

The research conducted by Mtigwe (2005) focused on the internationalisation of entrepreneurial firms in Southern African. The study proposed a new internationalisation model in which personal networks and entrepreneurial capabilities are the main motivational factors for internationalisation and for obtaining information on international opportunities. Kuada (2007), for his part, suggests that in order to strengthen the position of African firms in the global economy, the process of internationalisation of African firms should incorporate both “upstream and downstream” value creation activities (Kuada, 2007, p. 107). According to the author, this can be achieved through connections between firms in Africa as well as relationship development with firms from both developing and developed market economies.

Osei-Bonsu (2014) explored the manner in which firm-specific resources such as managerial capabilities and networking capabilities impact the internationalisation of SMEs in the manufacturing sector in developing countries based on longitudinal data collected from 114 registered companies originating from Malaysia, Mexico, Ghana, India, and Venezuela. The findings indicate that entrepreneurial characteristics, networking abilities, production capabilities and domestic market conditions, were significant in international expansion.

Another stream of research focuses on the influences of the business context and the role of other actors (including institutional and political) in an emerging market in facilitating business activities there (see e.g. Meyer, Estrin, Bhaumik, & Peng, 2009; Elg, Schaumann & Ghauri, 2012). For instance, based on in-depth case studies of two Swedish firms and their activities in India, Elg et al. (2012) demonstrated how firms can collaborate with partners in emerging markets in order to influence political actors proactively as well as to actively reduce harmful effects of political decisions. Along the same lines, Owusu (2002) revealed that political and institutional actors from both Finland and Ghana were effectively involved as purchasers of infrastructural projects and supporting the project marketer, IVO of Finland to supply the purchased facilities in Ghana. Furthermore, Owusu and Habiyakare (2011) showed how the evolution of the political, economic, and social environment and policies of the South African government, as well as policies of foreign governments towards South Africa, impacted the internationalisation decisions



of foreign companies in the country before and after 1984. Thus, the political environment in emerging markets influences both indigenous and foreign firms both positively and negatively (Awuah, 1997). Nevertheless, firms can create a strategic advantage through their interactions with these institutional actors from emerging markets (see also, Hadjikhani, Lee and Ghauri, 2008; Elg, Ghauri & Tarnovskaya, 2008).

### **2.3.2. Studies on textile and garment exporters**

Many attempts have been made to approach the drivers and barriers that are associated with the textile industry in developing markets (Tatoglu, Demirbag, and Kaplan, 2003). Visser (1996) researched Peruvian exports of textiles and found that the existence of cooperative links among the producers was critical to their success. Visser (1996) observed that in the Peruvian textile industry, family ties and personal relationships were the key factors for network development and internationalisation success.

Ibeh (2003) classified Nigerian firms based on their export entrepreneurial orientation level. He determined that fashion companies that belonged to the high export entrepreneurial cluster developed their market in the US by relationship-building with merchandisers and agents and through attending fashion exhibitions and shows. Grosse et al. (2013) affirmed that the Uruguayan textile and garment industry was extensively engaged in exporting once they had accumulated experiences and knowledge. They tailored their products to international markets and when their export development to the foreign country reached a certain level, the focus shifted to customer service.

Eren-Erdogms, Cobanoglu, Yalcin, and Ghauri (2010) studied the internationalisation of Turkish textile retailers using a multiple case study approach. The study revealed the significance of domestic and host market factors in influencing the internationalisation of textile retailers from emerging market economies.

Based on empirical evidence, Ciravegna et al. (2014) studied the inception of internationalisation of textile industry SMEs based on the information gathered from the interviews of 109 textile manufacturers in China. The study explored how exporters commence internationalisation activities. It revealed the view of internationalisation as an entrepreneurial process and the influence that the networks have on internationalisation.



### 2.3.3. Summary Comments

The preceding review shows that there is scant but growing research on internationalisation of African SMEs. This makes it difficult to find an adequate mass of extant research dealing with specific questions researchers might be studying. This confirms the call made by several researchers for more research on business in Africa.

On the other hand, as this review shows, there is a varied range of research on SMEs from emerging markets in general. Relatively relevant extant research is available if researchers widen their search beyond the focused question that they are studying as I have done. This means that the literature reviewed could include studies in different empirical situations, e.g. different industries or country environments that may differ in certain aspects. However, there are justified theoretical and methodological grounds for the review in this chapter. The non-African countries, in which some of the empirical research has been done, have similarities as emerging markets with similar business and institutional environments to Africa, in comparison with developed countries like the United States. The review has, in those cases, been done within the textile industry or other manufacturing industries. Empirical research from other industries that have been reviewed in this chapter have been concerned with relevant issues like triggers, obstacles, networking, success and failure factors in an African or emerging market context, which are related to the subject of this study.

The studies show that there is a desire to internationalise among emerging market SMEs. The drivers are, firstly, due to the desire of the firms to expand their markets not just in neighbouring countries, but even more so in the larger and richer developed markets that are farther-away. Depending on the nature of their product, the African firms may be targeting markets in the developed countries without following a gradual internationalisation path of starting first in neighbouring countries. While the efforts of governments and export support organisations, as the second major driver are important, they are not the foundation of the internationalisation drive of the firms. The desire of the firms emanating from management and personnel resources as well as market-seeking motives, are more important drivers.

Export success is impacted by both firm-specific factors and market environmental factors. Firm-specific factors include various types of firm resources like management, staff, and marketing capabilities. The market



environmental factors are national the economic factors such as government policy, government support, and national economic conditions. Changes in government policies as well as political and economic instabilities can be critical. In addition, the conditions of the international market impact the success of these firms. These barriers dampen the drivers of the emerging market SMEs to internationalise.

To neutralise the barriers and succeed, the firms build on their relationships and networks with both local and international actors. These are established with a wide range of business actors, as well as public support organisations in order to enhance their resources and access knowledge and acquire connections with new relationships in the foreign markets.

It is informative that the export and garment industry is one of the most internationalised emerging market industries. The industry is, however, very small in Africa. Thus, most of the research lessons come from firms outside Africa. While knowledge from these studies is useful from a conceptual point of view, it does not necessarily reflect the empirical reality of African textile SMEs. Asian and South American textile SMEs have already established strong market positions in the developed economies. With the exception of a few African countries like Egypt (cotton and textiles), Madagascar (textile exports) and a small number of other nascent textile export bases like Lesotho, Kenya, and Ethiopia, African countries are quite a long way away from the successes of textile exporting giants like China, India, and Bangladesh. The industry is, however, growing with new investments including those by established Asian manufacturers. Therefore, the considerable knowledge gap concerning textile exporting from Africa requires research which can be aided by the lessons of research done in other emerging markets.

### ***The need for process perspective in internationalisation studies.***

In addition to the preceding comments, a methodological gap in the literature indicates the lack of a process-based approach to internationalisation in SME research.

Several researchers (see e.g. Welch & Paavilainen-Mäntymäki, 2014; McCauley, 2010; Coviello & McCauley, 1999; Jones & Khanna, 2006; Andersen, 1993; Meyer & Gelbuda, 2006) stress that process studies that take into account dynamics, historical, time perspective and longitudinal views are scarce in international business research. According to the authors, this limitation causes a major



obstruction to the adequate understanding of a firm's internationalisation process. Consequently, SME-focused researchers (e.g. McAuley 2010; Coviello & McAuley, 1999) call for more process-based approaches in the area of SME internationalisation studies. This also applies to research concerning emerging market firms (Zoogah, 2008). In relation to emerging African markets, longitudinal processual case research that takes into account historical reconstruction of events<sup>10</sup> and time dimensions are particularly scarce. The literature review shows that most studies have been based on survey data and the "variance approach"<sup>11</sup> (Welch and Paavilainen-Mäntymäki, 2014, p. 4), whereby the data are mostly cross sectional, involve static depiction and, as a result, do not capture the dynamic processes during internationalisation.

Indeed, taking into account the challenges<sup>12</sup> involved in process-based studies, particularly regarding emerging markets, it is not surprising that so few studies exist in this research field. Nonetheless, the increasing consideration for longitudinal process research<sup>13</sup> in internationalisation is of significant importance in understanding '*how issues emerge, develop, grow or terminate over time and allow for complex, non-linear explanations as to how and why sequences of events occur*' (Welch and Paavilainen-Mäntymäki, 2014, p. 4). In fact, it is posited that in many cases "certain truth" (Blazejewski, 2011, p. 251) in international business research can mostly be revealed through longitudinal studies (Blazejewski, 2011). Accordingly, such studies enable a rich and context-specific exploration and understanding of the internationalisation development of a firm (Coviello and McAuley, 1999).

Consequently, in line with the above discussion, the present study responds to the call for researchers to point out the need for a "process view" in internationalisation research. To gain detailed insight and knowledge regarding the internationalisation of an SME from such a challenging and culturally distinct context as the emerging market, a longitudinal processual analysis is deemed appropriate. Again, not only is it vital to consider how such firms develop relationships over time, but it is also essential to understand the dynamics of network and critical events embedded in internationalisation development. Therefore, from this perspective, this thesis also aims to

<sup>10</sup> See example Hedaa and Törnroos, (1997; 2008; Halinen et al., 2013) for a discussion on the event and time concept

<sup>11</sup> See Welch and Paavilainen-Mäntymäki (2014), on the differences between variance and process approaches.

<sup>12</sup> See Chapters 1, 3, and 4 for a discussion on challenges of longitudinal process research.

<sup>13</sup> Refer to Chapter 3 for a thorough discussion on advantages of process based studies.



contribute methodologically to SME internationalisation research and to fill the gaps in the research that have been identified, specifically concerning the SME internationalisation from emerging African economies.

The methodological and empirical chapters (3 and 4) of this thesis provide further discussion on the longitudinal process based approach and its application in the emerging market (Ghanaian SME) context.

2.4. Conceptual model of internationalisation from an emerging market perspective.

With the objective ‘to develop an understanding of SME internationalisation in an emerging African market context using a business network approach’, this section summarises the conceptual framework of the present study. The summary is a synthesis of the literature review presented in the previous sections. The key concepts which provide the theoretical framework of the study and their inter-relationships are shown in Figure 2.4 and discussed below.

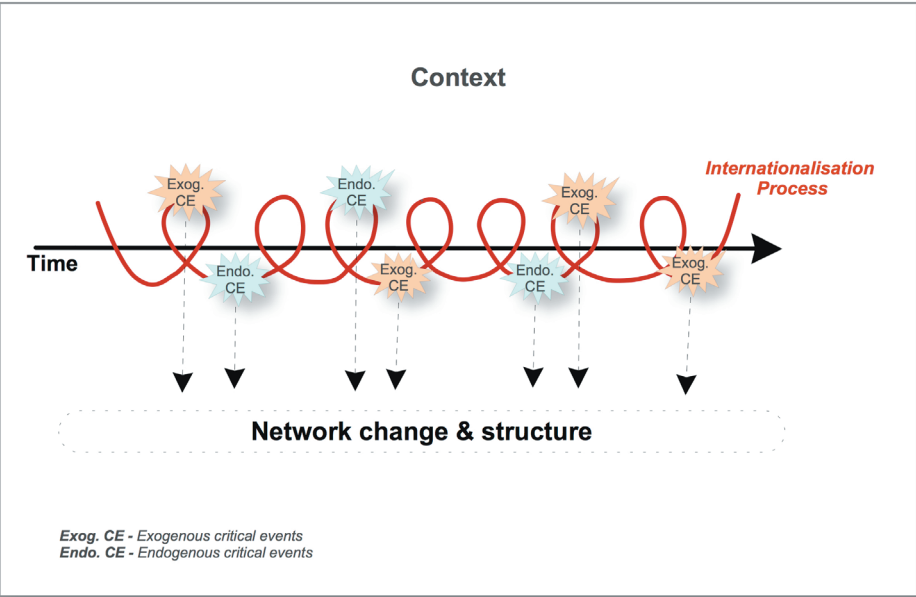


Figure 2.4. A model for analysing SME internationalisation from emerging markets



### 2.4.1. Context

Context in this study consists of the external business environment in which the firm's business operations take place. As the literature review notes, a firm is embedded in a particular context, which incorporates its business network and the broader external environment (consisting of the business, legal and institutional environments). The external environment creates the overall setting in which the network functions (see e.g. Halinen and Törnroos, 1998). In particular, in emerging markets, the overall context and characteristics of such a market may contribute significantly to defining the network structure in terms of the actors' resources, activities, events, the potentials and challenges they face. Thus, the context may provide advantages or disadvantages for the internationalising firm in gaining access into significant networks and utilising the resources needed for successful internationalisation into the foreign market.

The external environment also consists of actors, their resources, activities, and events that are beyond the control of the firm; however, the firm has to interact with these factors and even try to influence them. There exists a national environment within the country of the firm, as well as an extended international environment outside the country of the firm, which also has an impact. The actors in the external environment consist of national, political, and institutional actors. The international environment also contains political and institutional actors that can impact in their own way. According to the model, the international environment could have a greater impact from the perspective of the SME from an emerging market. This is because actors in an emerging market are likely to have more knowledge, relationships, and influence in the national environment than the international. As SMEs in emerging markets are relatively resource-poor, their knowledge and financial resources are limited, which makes it more difficult for them to gain knowledge and impact the external environment.

In this study, context in terms of the external business environment is viewed as an important aspect of the internationalisation process in emerging markets. It is essential to emphasise this in order to explore what role the national and international business environments play in shaping business network development of the SME from emerging markets. Therefore, this study considers network relationships to be rooted in the market environment and to be impacted by activities and events emerging from the specific geographic environment and internationally.



It further suggests that in today's dynamic business atmosphere, a successful internationalisation decision obliges any involved firm to be alert and have a succinct ability to realign strategies in line with the ever-changing external environmental challenges.

To summarise this section, this study concentrates on contextual environmental factors related to the national and global business environment, such as market and industry related factors, as well as influences from the external environment factors such as the social, economic, and political factors in the home country environment, and the foreign/host market.

### **2.4.2. Network Structure and Change**

First, according to the theoretical review, when analysing business networks, the INA focuses on the content of business relationships as analysed by the actors, resources, and activities (ARA). The actors perform and assume control by utilising the available resources. Consequently, in the exchange processes, the actors are in a position to develop and sustain relationships. Therefore, one can conclude that the main concept or content of business networks - ARA, creates the dynamics of the network and hence determines the network's structure and its development. In this manner, the internationalisation of an enterprise from emerging markets and change in the business network are analysed in relation to actors who manage the activities and control the resources. The legally independent actors are inter-dependent in terms of accessing each other's resources through business interactions.

In this model, the actors in the business network are both national and foreign business actors. In addition, national and foreign political and institutional actors impact the business network in various ways. The literature review also shows that their main resources and activities of these actors are to create enabling or disabling environments, which are relatively critical for SMEs from emerging markets.

In summary, a firm's internationalisation process from a network perspective is understood through the creation of network relationships. Thus, whilst a firm can take advantage of internationalisation opportunities by means of its motivation and capabilities, these alone are insufficient, especially when considering a firm in an emerging market economy. If a firm seeks to improve its access to particular resources in its network relationships, this could



facilitate the internationalisation process. The internationalisation process of a firm from an emerging market is therefore considered to be part of a process that is extremely interconnected; it is influenced by the network structure as well as facilitated or inhibited by external national and international actors and the activities and environment they create.

### **2.4.3. Critical Events, Time and the Internationalisation Process**

Since processes are implicitly characterised by events and time, it is posited that the structure of the network, as well as the dynamics of the ARA will change over time. Consequently, the internationalisation process and business network change is impacted by a multitude of both endogenous and exogenous events. Some events are caused by business, political, and institutional actors, but endogenous events are caused by the focal SME or actors within its network while exogenous events are caused by actors outside the network. As discussed previously, the importance of both the national and foreign environment in the context of the emerging market SME means that the exploration of both endogenous and exogenous events is conceptually useful.

The “spiral” (Figure 2.4.), implies that the process and development is not linear. This study incorporates a time perspective based on the longitudinal study and an analysis of the process and network dynamics. Thus, time is studied through the dynamics of the inter-actor relationships and networks through the results of the activities and resources as well as the impact of events. Chapter 3 provides a thorough discussion of the methodology, including how critical events are explored in the present study.

It is postulated here that there exist clear links between these dimensions in the conceptual model. For instance, the business environment exerts an influence on the adopted internationalisation strategies. However, as the operations develop over time and as different events take place, the business environment may change. These changes in the external business environment will have a strong influence on the business network and internationalisation strategies. There is a clear theoretical link between the event concept and the ARA. Events influence the configuration of a business network, and as they take place, they have a significant impact on the actors’ strategic responses. An actor may change activities in the network due to events influencing the operations. Business and market events, natural events, and socio-political events may exert a strong influence on the reconfiguration of the network



development process. In addition, events may either be detrimental to the business network or may actually serve as a catalyst for a reconfiguration of the network. For example, previous actors may disappear, new actors may appear, and actors may reconfigure their network. In addition, these events may create opportunities for actors involved in interaction and networking. Different events have different impacts on network development, depending on their origin and intensity as well as the actors' perceptions.

In summary, it is assumed that the key elements in comprehending and analysing the internationalisation of a firm from an emerging market should incorporate its overall network relationships, the processual and dynamic aspects that have a bearing on the business network structure, and the embedded context and environment of the firm's operations. In addition the endogenous and exogenous critical events in the development should be considered. Time is also methodologically important when processes are studied.

The developed framework was used as a guide in the data collection. It was also used to guide the analysis in drawing and arriving at theoretical conclusion of the study. In other words, it served as a lens through which the specifics of the case and the collected data were viewed. By collecting longitudinal data pertaining to a particular time period, the researcher is able to investigate the development and dynamics of the business network through scrutinising the ARA.

In addition, it is also possible to study and question the underlying factor influencing the process. These factors may include the impact of network structures in the internationalisation process, the critical events and influences behind these developments and the impact of the external environment. The model can also assist in clarifying the typology of critical events, whether they stem from exogenous or endogenous sources.

Finally, by placing emphasis on the significance of the concept in the developed framework, the core process involved in the internationalisation of a firm from an emerging market can be studied in detail, particularly for managerial implications. The research strategies will be discussed in the next chapter.



# 3

## RESEARCH APPROACH AND METHODS

The chapter commences with the research paradigm together with the researcher's scientific positioning. The chapter then presents the design and strategies used in the data collection. The analysis method used in the study is addressed, and finally, the trustworthiness of the study is evaluated.

### 3.1. Research Paradigm

Paradigms constitute the fundamental beliefs that an individual has of the world. As argued by Guba and Lincoln (1994), it is a view that informs the individual of his/her situation in a given context. Additionally, paradigms are a diverse way in which an individual can relate to aspects of the world beyond him/herself. Within the social sciences, four paradigms (Denzin & Lincoln, 1994) are noted:

1. **Positivist:** This paradigm considers the unbiased relationship between a researcher and the real world. A researcher can examine a real-world context free from being influenced or influencing it.
2. **Post-Positivism:** This paradigm acknowledges that reality and its existence are imperfectly apprehended and subjectively understood.
3. **The Critical Theory:** This involves the belief that reality is complex, as it is constructed from historical and situational characteristics. Therefore, a researcher is likely to influence or be influenced by this construct when engaged in an interactive relationship.
4. **Constructivism:** This paradigm perceives knowledge as the result of the researcher's engagement with the explored context.



To distinguish the research paradigm, it is important to respond to three vital questions:

1. Ontological Question: What is the form and nature of reality and what can be known about it?
2. Epistemological Question: What is the nature of the relationship between the knower or would-be knower and what can be known?
3. Methodological Question: How can the inquirer (would-be knower) determine what he or she believes can be known? (Guba and Lincoln, 1994, p. 108).

The current study adopts a constructivist worldview application, suggesting that realities are products of human thoughts and are susceptible to change. Constructivist research recognises that the process of exploring reality is comprised of subjective understandings (Denzin and Lincoln, 1994). I aim to provide an in-depth understanding of a real-life phenomenon in order to derive comprehensive and valuable information and generate an abstract model from the construction.

Relativism is an ontological position that has been used in this study. This outlook adheres to the belief that many local and specifically constructed realities exist, due to the embeddedness of realities in particular contexts or people. Thus, relativist ontology tends to disregard prospects of a construction that are 'true.' "There are only more or less informed or sophisticated constructions" (Guba & Lincoln, 1998, p. 206). In light of this perspective, things tend to be relative and are a construction of social creatures, implying that there is neither truth that is objective nor an objective world. Furthermore, this paradigm stipulates a subjectivist or interpretivist epistemological position. According to this viewpoint, understanding during the research process is jointly formed by the informants and researcher and the latter comprehends the subjective meaning of social action. Thus, using this paradigm, an understanding of human action is determined from the viewpoint of the actor (Denzin & Lincoln, 2000). Therefore, I construct (through interpretation), the understanding of the narration or the story told. The research purpose is not intended to seek objective truth; instead, it seeks to establish a clear understanding of the events being studied under a particular set of conditions (Denzin & Lincoln, 1994).

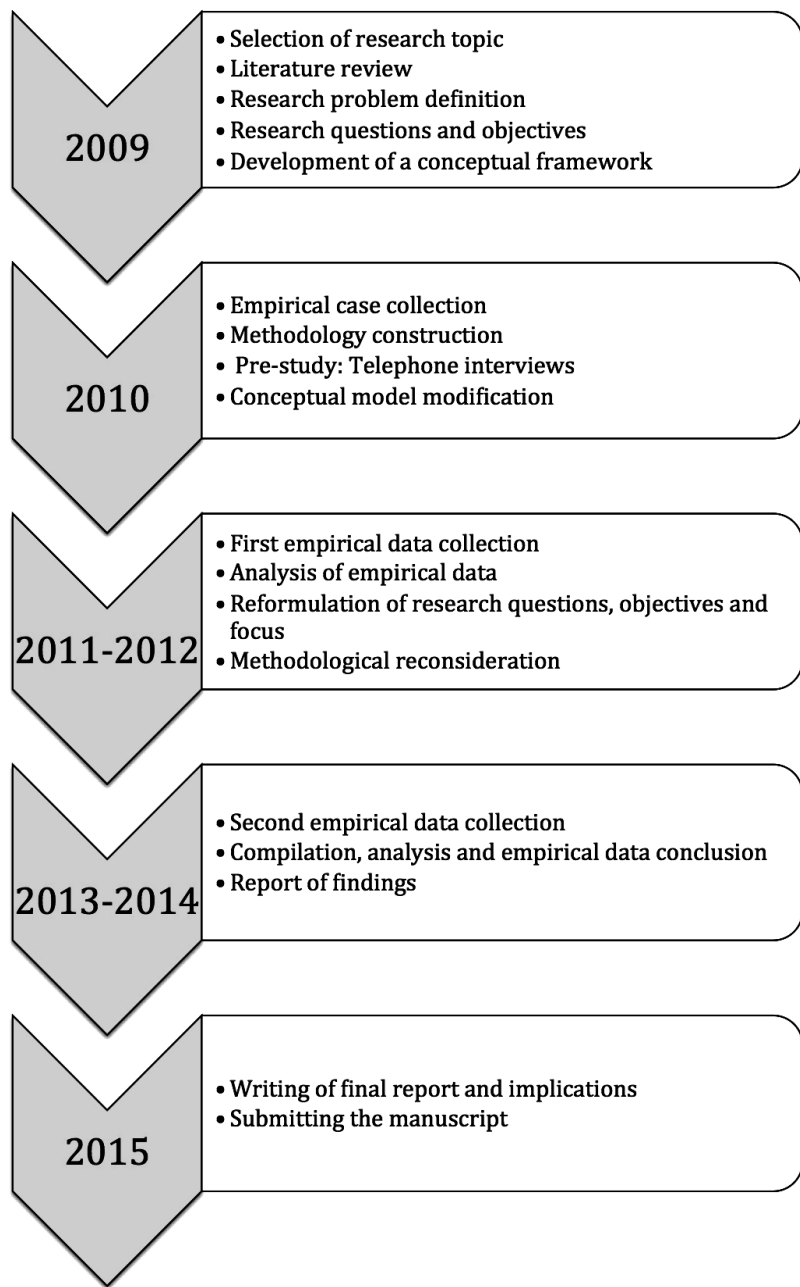


### 3.2. Abductive Research Approach

A common approach to designing research is based on differentiating between the inductive and deductive elements. An inductive study relies on empirical findings to develop a conceptual and theoretical understanding. In contrast, a deductive approach is applied in research projects that test a set theory based on empirical data (Saunders, Lewis & Thornhill, 2009). The present study can be described as an abductive research process (a mix of inductive and deductive research approaches); its conceptual exploration and empirical findings have gradually developed throughout the study (Locke, 2010). This approach can also be categorised as iterative. When used in a case study approach, Eisenhardt (1989) describes it as follows: “The accumulation of knowledge involves a continual cycling between theory and data” (p. 549). Dubois and Gadde (2002) further describe the approach as: “[...] a successive refining of concepts” and refer to it as “systematic combining” (p. 558).

The iterative aspect of the present research allows for the combining of empirical findings and the well-established theoretical background on the selected research topic. Figure 3.1. presents the adopted research process.





*Figure 3.1. The research process of the study*



### 3.3. A Longitudinal Processual Research

This research applies a longitudinal processual approach (e.g. Pettigrew 1997; Van de Ven 1992). It follows the sequence of activities, actions, and events that happen within a specific time span in a particular context. Halinen et al. (2012) propose different methods for unfolding processes in business network research. In the ensuing section, three approaches for conducting research are briefly discussed as well as their suitability for this study.

- *Flow mapping* is a “strong processual approach” (Halinen et al., 2012, p. 219) which intends to provide a depiction of the study processes as “events in time flow” (Halinen et al., *ibid*). Consequently, it requires close examination, in-depth knowledge, and an ongoing real time involvement in the process. This implies the researcher’s continuous involvement or participation in the study process and sensing of events as they unfold.
- *Point mapping* typically involves data from different points in time and suits processual studies in which the researcher interacts with the informants to aid the comprehension of events. Consequently, identifying the “emergence of events” (Halinen et al., 2012, p. 219), after it has taken place and relying retrospectively on informants’ stories of the past or possible future events forms the main data, supported by secondary data sources. Additionally, in a point mapping study, the dynamics of the network structure can be analysed during the studied period.
- *Sequential mapping* emphasizes events and activities of point and flow mapping through time. In the process, an individual adopts one or more sequences and undertakes the investigation retrospectively and in real time. According to the authors, the process allows for various combinations. To help gain a valid interpretation of events over time, close involvement is important. However, when trying to analyse information from absent periods, one can reconstruct past occurrences or story narratives from informants.

The *point mapping* technique has been applied in the current study. The processes are shaped by my construction and interpretations of events through stories told by relevant informants and secondary data. The stories elaborate on the activities and track what has taken place and why (Halinen et al., 2012). In this study it has been necessary to rely heavily on retrospective data. The interviews<sup>14</sup> were conducted at three points in time: 2010, 2011 and 2013. Thus,

<sup>14</sup> Additional information regarding interviews is provided in Section 3.3.3.1.



retrospective interviewing and secondary data<sup>15</sup> form the data for analysis. In addition, interviewees comment on the latest developments in their interviews. As this study is interested in the internationalisation process, the primary period of analysis naturally begins from the establishment of the case firm (2002); however, some analysis is also needed from the prior period (1980-2001)<sup>16</sup>.

There are justifications for the selected period of analysis. As a result of information from informants through pre-study telephone interviews (2010),<sup>17</sup> an initial decision was made to study a specific time period from when the case firm was established in 2002, through to the interview period in 2011. However, during the 2011 interviews, I determined that some key events had occurred prior to the establishment of the case firm, (SGEL). Moreover, the combined collected data from 2010 and in 2011 was not rich enough due to the challenges in obtaining it.<sup>18</sup>

Furthermore, new leads were obtained from secondary data following the interviews that needed clarification from informants. A decision was then made to conduct further interviews in 2013, enabling me to unfold the internationalisation development over time based on thick and rich data. Accordingly, the interpretation was based on the uniqueness of the case and assessed using the time period in question. This was a necessary approach, since it contributed to setting research boundaries, which limited the focus and made the exploration process more manageable and convenient for the researcher.

To capture business network changes and critical events over time, the process was analysed by dividing it into phases and by using the ARA framework. This division helped to clarify the evolution of SGEL's internationalisation and added analytical value to the description of the business network and events. It is important to stress that the adopted phases were constructed based on a modification of Ford's (1980) relationship development framework.<sup>19</sup> This approach has been criticised as being deterministic by attempting to code or divide a process into distinct stages (Halinen, 1998). I concur with other proponents of the framework and assert that a phase analysis does not claim

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<sup>15</sup> Refer to section 3.5.3. for details on secondary data sources used in the study

<sup>16</sup> Additional information regarding the analysis period is provided in Chapter 5.

<sup>17</sup> Additional information regarding pre - telephone interview is provided in Section 3.3.3.2.

<sup>18</sup> Additional information on challenges regarding data collection is provided in Section 3.3.2.1.

<sup>19</sup> Refer to Chapter 2.



specific beginnings and endings of distinct phases, but is rather an attempt to describe and analyse the process, actors, events, their impacts and the subsequent dynamics that moved the process forward. It naturally implies time and dynamism, which the researcher tries to structure into meaningful parts. Further, the method used embeds different aspects of the framework within the relevant contexts to produce more narrative and analytical empirical results. Further justification for the use of the longitudinal process method is provided in the following section.

As it involves a time aspect, a longitudinal study has been identified as an essential requirement in process-based research (Halinen et al., 2013). Additionally, in order to understand what really takes place during a firm's internationalisation process and to provide managerial implications, a longitudinal study is advisable, as it can provide an opportunity for obtaining very rich descriptions of the firm's internationalisation process (Saunders et al., 2009). Nevertheless, the disadvantages associated with longitudinal studies should be noted. These disadvantages include the complex and challenging issues of funding, time, access to data collection, case selection, and analysis (Piekkari & Welch, 2011). From my experience, the main challenge has been access to data, which will be discussed in detail in subsequent sections.

### **3.3.1. Investigating Critical Events during the Process**

As mentioned previously, the role of events and time is crucial to this study. Similarly to Hedaa and Törnroos (2008), critical events in the current study are defined as outcomes that arise from acts undertaken or changes from both exogenous and endogenous events that are caused either by humans or nature; these events can be positive or negative. Endogenous events are those events that arise from within the firm. For instance, endogenous events can include changes in the firm's structure, knowledge acquisition, experiences, and the utilisation of business networks. Exogenous events are caused by other actors and arise from the external business environment. Thus, these events are usually outside the control or influence of the firm (see also Hedaa and Törnroos, 1997; Halinen et al., 2013). They can be due for example to a confluence of economic, political, and social factors that impact the business environment. When applying events to the analysis of the development process, it is important to isolate the causes and forces of the occurrences (Halinen et al., 2013). This study first focuses on identifying the critical events (CE) and how and why they happened, i.e., the influencing



factors that triggered the event. Additionally, changes created by CEs and their subsequent influence on the business network and internationalisation process will be highlighted. I adopt the analytical scheme of Halinen et al. (2013) for processual research (see Figure 3.2), which cautions researchers that “*influencing factors generally work in complex constellations rather than in isolation, and that critical events often manifest themselves as series or conjunctions of events*” (Halinen et al., 2013, p. 1219).

Halinen et al. (2013) advise that the most important aspect is to clarify the events, the influencing factors and the impact. Each researcher should use the concepts and frameworks that are most suitable for the complexity of the case at hand.



**Figure 3.2.** *An analytical scheme for process analysis. Source: Halinen et al., 2013.*

### 3.4. Research Design

“Research designs always address certain key issues, such as who will be studied, how these people will be selected, and what information will be gathered from or about them” (Monette, Sullivan & DeJong, 2013, p. 9). Accordingly, the design refers to how the strategy of the researcher will be carried out for approaching and obtaining data. Thus, it outlines the particular ways in which a researcher will collect, apprehend and analyse data by using specific methods and procedures as part of a plan for achieving the objectives of the research. The following section presents a descriptive assessment of the research strategy, the qualitative case study, and the selection method.

#### 3.4.1. Qualitative Research

A qualitative approach allows for a deep perspective and an extensive understanding of a given phenomenon within a particular context. This type



of approach is useful for comprehending and interpreting individuals' stories (Silverman, 2011). Qualitative research focuses on answering the questions of "how", "what is going on" and "why" (Silverman 2011) questions which are applicable to this study. Furthermore, the present study is of a descriptive and explorative nature, due to the lack of previous research on the specific subject and context. An exploratory study explores deeper into a context to achieve its research findings (Saunders et al., 2009). According to Halinen and Törnroos (2005), a qualitative approach and a case study strategy are generally appropriate for studying business networks. Thus, the chosen approach suits the research purpose. Finally, the qualitative approach used in the study fits a constructivist viewpoint (Eriksson & Kovalainen, 2008).

### 3.4.2. The Case Study Method

Yin (2009) defines a case study as "..... an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (p. 18).

A case study was also chosen due to the descriptive nature of the studied process. Yin (2012) posits that the method helps in gaining an understanding of the research problem at hand by means of describing it in the context of existing theories. A case study often begins from a set of theoretical assumptions, which is argued to be the primary advantage of this approach. This puts the research in a specific context and allows the researcher to more easily explore the empirical findings (Halinen & Törnroos, 2005). Furthermore, a case study has the potential to lead to a number of very specific and actionable research findings that can be implemented by business practitioners (Saunders et al., 2009).

For research that particularly focuses on identifying the dynamic change of network relationships, case studies are useful (Halinen & Törnroos, 2005). Consequently, the case study is the predominant method utilised in research within industrial marketing (e.g. Piekkari, Plakoyiannaki, & Welch, 2010; Poulis, Poulis, & Plakoyiannaki, 2013).

Although the case study approach has multiple benefits, certain challenges are also evident. According to Halinen & Törnroos (2005), one of the most challenging aspects of the case study approach particularly in network research relates to problem of "network boundaries" (p. 1287). This imply how the researcher should define the limits of the study without deviating from its focus.



Another challenge with the case study method has to do with its complexity and the number of cases to focus on. There is a significant advantage of using a case study approach in that the researcher can use a single-or multiple-case focus (Halinen & Törnroos, 2005; Yin, 1989). Both single and multiple case studies have their own merits depending on the context in which they are used and the particular topic explored. Moreover, the circumstances of the researcher and the ability to gain access to resources can also influence the choice of a case study. For example, a multi-case focus provides opportunity to compare cases and thus more possibility to generalise research findings. However, multiple case comparisons can be challenging and laborious. A single case study may afford a greater opportunity to focus deeply on the research (Saunders et al., 2009). The current study is a single case study. As stated by Halinen and Törnroos (2005, p.1291), *“The objective of providing holistic descriptions of contemporary business networks to learn about their nature and evolution is such a demanding task that a single-case study is often the only option.”* This implies that a single case is not only appropriate but often obligatory for certain studies (see also Easton, 1995). The following section presents the case selection process and further justification for the single case study method.

### 3.4.2.1. Case Selection and Data Collection Process

#### ***Initial Case Selection - A Multiple Case Study***

The original idea was to study four firms and apply a multiple case study. The four firms were selected initially based on the industry in which they operated, i.e., the Ghanaian textile and apparel industry, and second, their internationalisation success and eagerness to share information. Thus, the case firms chosen satisfied the following criteria: (a) focus on manufacturing SMEs, (b) SMEs in the process of internationalisation at least since 2000, (c) SMEs that were able to internationalise into developed market economies, and (d) SMEs with a maximum of 99 employees based on the World Bank’s definition of an SME in Ghana.

Suitable firms for this study were identified from the websites of the Ministry of Trade and Industry in Ghana, as well as from a list of textile firms on the website, “The West African Trade Hub” (<http://www.watradehub.com>). Cases were then selected according to the criteria above. Additionally, confirmations from an expert via telephone conversation for about 30minutes with the West



African Trade Hubs office in Ghana ensured that the firms identified were still in operation and met the criteria. These firms were contacted via telephone in June 2010 to request their involvement in the study. After explaining the research aim and purpose, all four firms responded and expressed interest in sharing their experience with internationalisation operations. The firms also agreed to have an exploratory pre-study informal interview via telephone in August 2010, before the main data collection phase began. After this informal interview, I managed to arrange face-to-face interviews with all four companies in January 2011.

### ***Final Case Selection - A Single Case Study***

Again initially, the aim was to conduct a multiple case study. However, this changed to an in-depth, single case study, as it became clear during the data collection interviews in 2011 that the desired approach would not bring the value expected in terms of the results. This was partially due to difficulties experienced in obtaining data.

During the first round of face-to-face interviews in 2011, it appeared that most of the firms that had been selected earlier did not fulfil the initial selection criteria. For example, two textile-manufacturing firms had made a one-off sale to the UK and additional sales to the German market through some informal contacts they had developed from 2002 to 2008. However, since 2009, they had not had any operations abroad since there was not much demand for their products in these overseas markets. Hence, they decided to concentrate on domestic sales, where there seemed to be a greater demand for their product. Thus, these firms were no longer actively involved in the markets of developed countries. In addition, during the interviews conducted, these firms made it clear that they had no intention of offering detailed information regarding their internationalisation activities due to confidentiality and trust issues.

Another firm had declared bankruptcy and closed in December 2010, just prior to the scheduled interview. I discovered this during my visit to Ghana to conduct the interviews, and it was also confirmed by a competitor firm and the Ministry of Trade and Industry in Ghana.

The case firm (SGEL) was, in fact, the only firm that fulfilled all the initially set criteria. During the face-to-face interview, I was assured that they would provide me with information regarding their internationalisation process. Hence, ease of access and the richness of the data guided the choice of the final case. The case study findings, which will be discussed later in the study,



therefore, represent an SME textile firm that was able to penetrate a developed market economy, unlike most other SMEs in Ghana.

### ***Challenges with data collection***

However, there were still challenges in obtaining the needed information from the selected case firm. For example respondents from the selected case study firm did not want the interviews to be tape recorded due to their desire for confidentiality. Additionally, they were not willing to provide documentation related to their internationalisation development. Initially, they wished to remain anonymous and asked that their names not be used in the final report. It was a challenge especially in the early stage to establish trust and persuade the respondents to share detailed information on the subject. I contacted the interviewees on several occasions to assure them that my research was only for academic purposes. At the onset of this research and prior to the interviews, I was under the impression that I would gain easy access to data due to my Ghanaian roots. It was not anticipated that confidentiality would be so important to them. Apparently, there was a suspicion that I might be gathering information from their firm to use in an unfavourable way. In addition, a common saying that I repeatedly heard during interview period from local people was, *"It's not what you know, and it's who you know."* In other words, you can only trust people in your inner circle. Hence, as I was not known among the group of respondents, and because I had come a long way away, I had to work extremely hard to gain their trust before the interviewees were willing to disclose information. Besides, the respondents were very busy managing their newly internationalising SME.

Furthermore, power shortages, transportation and logistical problems was a major obstacle, as one could get caught up for many hours in traffic jams resulting in delays and in some cases interviews had to be cancelled. This created challenges in accessing data, thus delaying the research process.

The case company was quite careful about what they revealed, as they received considerable support from government departments. In fact political connections are quite important, and they did not want to harm their image in any way. The fear that I would use the information publicly or negatively was a common concern among respondents. However, after multiple contacts with the case firm, trust was established to some extent and finally they provided me with relevant information needed to achieve the present study's objective.



In summary, there are significant difficulties when going to collect primary and secondary data in Ghana. Limited infrastructural and logistical challenges, combined with uncertainty and confidentiality demands of business respondents may make it difficult to speedily get data. One simply has to be patient and allocate time to building trust in order to access necessary information.

To be fair to my respondents, it is to some extent understandable that they did not want to reveal their confidential information, as the company was a newly internationalising SME that received considerable support from institutional and political actors. As the questions I was asking related partly to the nature of their relationships with the institutional and political actors, it is understandable that they were cautious about what they said. I also found out that there is a suspicion of investigative journalists in Ghana as the country's press freedom has created a large number of private newspapers and radio and television stations that actively pursue stories involving institutional and political actors. Many Officials and Managers are, therefore, afraid to give confidential information or to be recorded.

### **3.4.3. Data Collection: Rationale, Administration, and Sources**

Data collection is dependent on a variety of information sources in case studies. Denzin and Lincoln (1994) discuss seven methods: interviews, direct observations, artefacts, documents, experiences, visual materials, and cultural records. According to Marshall and Rossman (1999), there are four important sources of information that one can utilise: active participation in the context, in-depth interviews, direct observation, and examining the available documents. There is no consensus on the specific approaches that are most appropriate. This is the reason why Yin (2012) suggests using as many sources as possible to enrich the research. The two common sources that could prove valuable are interviews and documentation. Even though this research has a strong emphasis on interviews as the core of data collection, I also used secondary data sources such as documents and information collected from the news on the focal firm and other actors; articles from the Internet and the companies' websites, etc. as complementary sources for data collection.

#### ***Interviews***

Interviews take varied forms depending on the kind of questions that are posed. Essentially, three kinds of interviews are commonly used in case



studies' research, namely structured, unstructured, and semi-structured (Saunders et al., 2009). According to the authors, structured interviews employ questionnaires with predetermined questions for the interviewees. Semi-structured interviews, also referred to as qualitative research interviews, accord the researcher the option of having his or her own list of topical themes and queries. Unstructured interviews tend to be informal with no predefined format, which provides respondents with freedom to express their opinions on a specific issue. Kvale (1996) provides the following criteria for undertaking qualitative interviews:

- “The extent of spontaneous, rich, specific, and relevant answers from the interviewee.”
- “The shorter the interviewer’s questions and the longer the interviewer’s answers, the better.”
- “The degree to which the interviewer follows up and clarifies the meanings of the relevant aspects of the answers.”
- “The ideal interview is to a large extent interpreted throughout the interview.”
- “Verification of interviewer’s interpretations of the subject’s answers in the course of the interview is needed.
- The interview needs to be “self-communicating”– it is a story contained in itself that hardly requires much extra descriptions and explanations” (Kvale 1996, p. 145).

Consequently, in addition to choosing the interview guide design for the study, I adopted a similar interview style and the checklist recommended by Kvale (1996). In order to meet the set research objectives, I conducted a series of interviews with the owners/managers from the case firm, including one unstructured informal qualitative telephone interview, eight semi-structured face-to-face qualitative interviews, and three feedback and follow-up meetings. The interviewees were chosen because of their particular roles in the company and their involvement in the internationalisation process. Each interview presented a different view and picture of the studied phenomenon and contributed immensely to an understanding of the firm’s internationalisation process. The content of each interview phase is detailed below.



### ***Pre-Study Phase 1– Unstructured Interviews***

Pre-study data consisted of unstructured interviews via telephone in the English language<sup>20</sup> with the export manager of the case studied firm. The goals of the pre-study were to investigate the respondents' perspectives on the issues of this research. I further aimed to earn the confidence of the respondents as well as to convince them of the significance and value of their collaboration. At this time I assured the respondents of confidentiality and the relevance of the study to the Ghanaian economy and practitioners in the industry. This methodology created a good opportunity to further assess the suitability of the chosen context and helped build some background knowledge of the textile industry in Ghana and the sector characteristics. This process is highly important for the development of a robust research framework and boundaries. Thus, in an informal, unstructured 30-minute telephone interview on August 10, 2010, I sought to explain the study's purpose to the informants. Second, I asked informants to tell me briefly about the company's international operations, the countries in which they operated and their experiences of penetrating into these markets. As discussed earlier, this interview led to confirmation of the first face-to-face interview (Phase 2).

### ***Phase 2- Face-to-face, semi-structured interview***

The interviews conducted at this phase represented conversations that allowed respondents to openly answer questions. The interviews concentrated on pre-determined discussion topics; therefore I used the interview guide approach (see Appendix 1). This approach outlines areas of the research focus and enabled me to competently discuss a particular subject. A number of aspects influenced the development of the interview guide, such as the theoretical focus, the set research questions and objectives, and background knowledge. It should, however, be noted that I had one face-to-face meeting lasting for an hour, in Accra, Ghana with each respondent, i.e. the export manager and the owner/managing director prior to the start of the interviews in this phase.

During these meetings, I reviewed my research aim and objectives, and used the opportunity to establish mutual trust. Building trust before the main interviews was a means to encourage the respondents to share a greater depth of information about their company. This discussion was accompanied by an explanation of how the data provided would be used and protected. The respondents were requested to provide further documentation as necessary.

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<sup>20</sup> English is the official language in Ghana and fluently spoken and understood by most of the Ghanaian population



I requested permission to record the main interviews and if they would like their names and the names of their firms to be disclosed in my final report. As mentioned in previous sections, the respondents made it clear that they were not willing to provide documentation related to their firms' internationalisation development. Furthermore, they did not grant permission to tape record the interview and to reveal their names due to their desire for confidentiality. As a result, tape recordings were not used and real names were not revealed. Respondents have the right to request this type of protection from a qualitative research and ethical perspective (Sinkovics, Penz, & Ghauri, 2008), and their actual names can be replaced with fictitious names.

It was agreed that feedback meetings<sup>21</sup> would take place after each phase of the face-to-face interview collection in order to provide the respondents with feedback on the information gathered and to confirm the accuracy of data collected, particularly because the interviews would not be recorded. Another agreement pertained to the fact that the interviews would be conducted in English. This stipulation was not only convenient, since English is the official language in Ghana, but also due to the fact that the empirical data, if quoted, can be accessed and understood by a wider international audience, which further enhances the credibility of the research.

During the main face-to-face interviews, the interviewer provided a concise description of the background and the study in general in addition to a review of the pre-study telephone interview. Questions were then asked according to the themes in the interview guide. Each interview took about 120 minutes. I conducted a total of two interviews in this phase (Table 3.1). These interviews were carefully recorded in a notebook, since they were not recorded. Later, after all the interviews were complete, I read through the written interview notes carefully and compared the collected face-to-face interview with other sources, such as the firm's website and Internet documents. This process allowed me to make sense of these documents and compile written reports, which were handed to the respondents and discussed during our agreed-upon feedback meetings to authenticate the collected data. During feedback meetings, the respondents read the compiled report and asked me to return later the same day so that we could discuss any inaccuracies or points of discussion. Whenever inaccuracies were determined, I corrected these accordingly. Finally, I thanked the interviewees for their cooperation and we agreed that I could contact them via phone if I needed

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<sup>21</sup> Feedback meeting lasted for about an hour with each respondent.



additional clarification on issues that might arise after I returned to Finland. Table 3.1 represents a summary of this phase of the interviews, including the interviewee's names, positions, and the date and place of the interview.

**Table 3.1.** *List of case involved, interviewees, positions, and dates and places - Phase 2*

	Firm	Respondent	Position	Date
Pre-interview meeting	SCEL	Mrs. N.B.	Managing Director	January 3, 2011
		Mrs. N.K.	Export Manager	
Face-to-face interviews		Mrs. N.B.	Managing Director	January 5, 2011
		Mrs N.K.	Export Manager	January 6, 2011
Feedback meeting		Mrs. N.B.	Managing Director	January 10, 2011
		Mrs N.K.	Export Manager	January 11, 2011

### **Phase 3: Additional interviews**

The aim of this phase was to 1) enrich the acquired data and obtain clarification on information received from previous interviews, and 2) to clarify other issues arising from the secondary data and documentation, such as news articles from the Internet and the firm's website. Prior to this interview phase, I had a meeting also lasting for an hour, in Accra, Ghana with the export manager and the managing director, similar to that done in interview Phase 2. I briefed these individuals about the purpose of the interview and what to expect. I asked again if the interviews could be recorded and their names and company name can be included in the final report. Again, respondents made it clear that they did not want interviews to be recorded. However, they agreed that names can be revealed in the final report.

It was decided to have feedback meetings after this interview phase, and the same reasons were given as in Phase 2. I indicated that a non-participant would accompany me to take additional notes. I explained this fact to respondents as an important approach, one which would provide an opportunity for comparing notes and thereby enriching the data. Moreover, I emphasised that these were the final face-to-face interviews, and I did not want to omit any information, especially since the interviews would not be recorded. Finally, we agreed on the time and place for both the face-to-face interviews and the feedback meetings

The face-to-face interviews were conducted with both respondents in February 2013. Again, these were conducted in English in the firm's offices in Ghana using a



semi-structured interview guide. The interviews were based on common themes following similar interview guidelines to those in Phase 2. Two interviews, lasting for about two hours, were conducted in this phase. During the interviews, the respondents and I first provided a summary of the meeting conducted in 2011, and other secondary data that was obtained, especially during 2012. I typically started a new theme by asking a series of questions on the topic (see Appendix 2). After the respondent's response, I requested clarification as necessary and continued onto the next theme. The interviews were carefully written manually in English by the non-participant and me. After the interviews were complete, I read and compared the notes from the non-participant and myself. This data was compared with other sources, such as the firm's websites and Internet documents. Further, the compiled written reports were again returned to the respondents to authenticate during our agreed-upon feedback meetings. When interviewees determined inaccuracies in the text, they were corrected accordingly. Finally, I thanked the interviewees for their cooperation during the interviews, and we agreed that I could call if I needed additional clarification on issues that might arise after I returned to Finland. Table 3.2 presents the information on the interviews and meetings held during this phase of the interviews.

**Table 3.2.** *List of case involved, interviewees, positions, and dates and places - Phase 3*

	Firm	Respondent	Position	Date
Pre-interview meeting	SGLT	Mrs. N.B.	Managing Director	February 18, 2013
		Mrs. N.K.	Export Manager	
Face-to-face interviews		Mrs. N.B.	Managing Director	February 21, 2013
		Mrs N.K.	Export Manager	February 22, 2013
Feedback meeting		Mrs. N.B.	Managing Director	February 25, 2013
		Mrs N.K.	Export Manager	February 26, 2013

### 3.5. Data analysis

The previous sections focused on the main elements in the data-gathering process. This section will address the process of reducing and analysing the data, which is a major challenge when using qualitative methods.

Qualitative methods often result in a significant amount of data that needs to be reduced and structured to make the analysis possible. Furthermore, when using a qualitative method, it is not possible to systemise the information before the data-gathering process. To decrease the risk of complicating the process, it is



important to predetermine a strategy for reducing and analysing the data before starting the case study (Yin, 2003). In this study, Miles and Huberman's (1994) framework is applied for undertaking data analysis. This consist of the following.

*Data reduction* necessitates selecting, focusing, simplifying, abstracting, and transforming interview transcripts and raw data. *Data display* refers to the information that is needed to draw conclusions in a well-organised, compact form (a piece of text, figure, diagrams, chart, etc.). *Conclusion development* requires a review to consider the meaning of the analysed data and its implications for the study's aim and research questions. Thus, revisiting the collected data as often as possible authenticates that the conclusions have evolved (see Miles and Huberman, 1994).

Since the first pre-study provided preparatory insights into the context of the research, the data reduction can be said to have occurred earlier. This process resulted in the creation of the theoretical framework and the later interviews. Part of the data reduction work in this study consisted of interpreting the interviews, as well as summarising and integrating information and knowledge.

The following procedures were employed. First, after each interview, I re-read the written material and documented all of the answers according to the themes of the interview guide, summarising the main ideas in a case study protocol for the case company. The same procedure was followed with the written responses recorded by the non-participant during interviews. This process encouraged critical reflection on the relevance of the data and, accordingly, the credibility of the research. This documentation process was very time-consuming, but was essential to the data reduction process. Furthermore, having all the answers documented fully in text provided accurate, word-for-word quotations. Next, I carefully read through the case study protocol and systematically structured and categorised the findings according to the different themes. The interviewees' responses were structured according to the themes in the interview guide, the structure set out in the research question, and the framework that was developed for the study. Furthermore, the primary data and secondary data<sup>22</sup> were combined. This enabled an overview of the findings and also the identification of patterns, similarities, and/or differences in the interviewees' opinions. In order to structure and analyse the combined findings, I applied the theoretical concepts developed for the study and drew the conclusions concerning the case study firm.

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<sup>22</sup> Refer to section 3.5.3 on primary and secondary data used



In presenting the data (see Chapter 5), different forms of qualitative data display were used, including extended text, tables and figures (Miles & Huberman, 1994) to enable rich and dense descriptions. My aim was to clearly connect data findings with the study's context, research questions, and framework. The study analysis continued by drawing the final conclusions. A primary characteristic of the abductive mode of research is the continuous comparison between both theory and previous research, and the knowledge gained from the empirical study.

Finally, as mentioned earlier, the interview information was supported by available documentary information (secondary data), thus achieving a level of verification (Miles & Huberman, 1994). I also have presented and discussed the study and its findings at seminars, workshops, and conferences, which adds to the credibility of the research. It should be noted that the data analysis for the study was done manually using Microsoft Word, which enabled me to manage and arrange the raw data and the analysed data into folders. The in-depth level of analysis was possible due to focusing on a single case study. Chapter 5 provides a detailed description of the empirical data analysis.

### 3.6. Trustworthiness of the Qualitative Research

Several options are available for evaluating qualitative research. Through the approach presented by Lincoln and Guba (1985), the study's trustworthiness was appraised in order to arrive at a rather sound justification for choosing the methodology as well as limiting interpretation biases. In particular, trustworthiness renders outcomes from a given research study is being an aspect that is "*worth paying attention to*" (Lincoln & Guba, 1985, p. 290). The authors describe four criteria that constitute trustworthiness: *confirmability*, *credibility*, *dependability* and *transferability*. The definitions of these criteria and how they are applied in the study are presented below.

*Credibility* describes an appraisal on the research findings to determine if it accurately characterises a "credible" theoretical analysis of the participant data (Lincoln & Guba, 1985). I applied the qualitative in-depth interview technique, which allows the respondents to better explain themselves, and thus, enhance the credibility of the findings. Furthermore, in order to be credible, the research must follow good practices, in particular, the findings must be confirmed and accepted through respondent validation; the research should apply triangulation (Bryman & Bell, 2007, p. 411).



Respondent validation maintains that while conducting research, the investigator should present the tentative report to the subjects and then attempt to polish it, in line with their observed reaction. Such a process is a mechanism for checking and testing the ‘correctness’ with which the empirical materials have been inferred and interpreted. The assumption is that the respondents are in a better position to make the determination (Silverman, 2011). Therefore, again I shared my initial interpretations with the respondents in the form of compiled reports and also sent interview transcripts to them for verification during our feedback meetings. Further the final report, which included the findings from each phase of the study, was submitted to each respondent.

Triangulation involves a study design whereby the researcher utilises multiple cases, informants or methods of gathering data (Marshall & Rossman, 1999). The key principles of triangulation, i.e. different sources were employed in the process of collecting data and in the analysis.

An exploratory pre-study was conducted in the early stages before the main data collection phase to confirm the feasibility of the study. Secondary data, such as online information on the studied firm, other focal actors, and past literature on the context was taken into account and compared to the primary data. The interview guide was developed in conformity with the theoretical framework and the research questions. The interview guide was cross-checked by an experienced professor in the field and checked by the managing director of a small-to-medium company so as to give assurance that the questions were posed in a proper and clear manner.

Further, Lincoln and Guba (1985) recommend other methods to enhance credibility, which include peer debriefing and prolonged engagement. Peer debriefing aids in promoting the inquirer’s “honesty” through exposure to questions from an experienced protagonist, who plays the “devil’s advocate” and undertakes rigorous tests on the hypotheses (Lincoln & Guba, 1985, p. 308). Impartial peers inspect the transcripts prepared by the researcher, the final report, and the study’s methodology, thus providing feedback to enrich the research credibility and trustworthiness. Continuous review and elucidation assure credibility of the findings in the current study. In particular, various mini-debriefings were conducted in this study via conferences, seminars, and workshops in which I presented the research and received constructive comments and feedback from other researchers.



For prolonged engagement to occur, one needs to invest a sufficient amount of time in order to achieve certain specified purposes that include cultural learning, challenging any construed misinformation, and creating solid trust among individuals (Lincoln and Guba, 1985, p. 301). However, information regarding the culture and the study's context was not necessary as the researcher is originally from Ghana and has first-hand knowledge of the Ghanaian culture. Techniques for ensuring trust and rapport building were applied during data collection and interviews with the respondents.

*Transferability* involves providing the reader with a “thick description” of the findings and their context, which can allow the readers to judge the fit of the findings to the focus of the study (Lincoln & Guba 1985). Accordingly, this aspect describes the scope to which the realised outcomes or results from the qualitative study could be applied or generalised in different settings or contexts (Lincoln & Guba, 1985).

In undertaking the study, the research was limited to a focal firm perspective involving a single qualitative case study of a Ghanaian firm. The results are both industry and SME specific with a focus on the textile industry and the business context of Ghana. Although my aim is not to generalise the results of this study to all emerging markets, in relation to the applied methodology, the study permits the possibility for analytical generalisation as opposed to statistical generalisation <sup>23</sup>(see e.g. Yin 2009; 2010; 2015; Kvale 1996). Thus, the results can be compared or applied to other emerging market SMEs, with similar contexts, situations, and resources.

*Dependability* describes an evaluation of the accuracy in regard to the collection of data, analysis thereof, and the generation of the theory (Lincoln & Guba, 1985). It indicates that the use of a similar method and technique by a different number of researchers at a different point in time should create similar research outcomes (Lincoln & Guba, 1985).

Consequently, a researcher must keep complete records for all phases of the research process, which will serve as a confirmation that proper research has been conducted (Guba & Lincoln, 1989, p. 242). In order to attain dependability, I have explained all the techniques applied and followed

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<sup>23</sup> The difference between analytic generalisation and statistical generalisation is that in the first case, case study's findings are compared to prior theory or transferred to other situations. In the latter, generalisation is made in relation to a distinct, larger population sample. See e.g. (Yin 2003; 2009; 2010; 2015; Kvale, 1996) for further discussion.

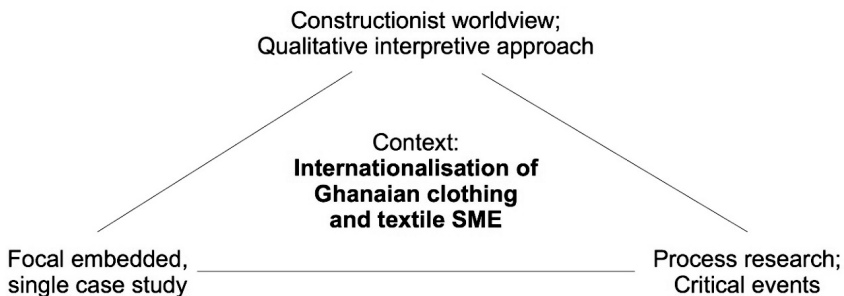


throughout the study. Moreover, I have added the interview guide in Appendix 1 and 2 to facilitate an understanding of the questions for the reader. The results are dependent on the collected data and analysis. The analysis has been conducted in accordance with the theoretical framework. Finally, to confirm dependability, all phases of the research process have been carefully described for the readers. The study documentation, such as selection of the topic, thesis proposal, notes, and interview transcripts have been organised and saved in MS Word and Excel.

*Confirmability* is an evaluation of the extent to which data supports the study's findings (Lincoln & Guba, 1985). Thus, in undertaking research, one should not allow personal values and theoretical preferences to affect the research and findings (Guba & Lincoln, 1989, p. 243). In choosing theories and analysing findings, I did not let pre- conceptions guide the direction of the research. I acted neutrally by excluding my opinions, which could have affected the research. In the interview guideline, I did not ask any questions that could steer a respondent's answers.

Further, dependability and confirmability are predominantly attained by using audit trails (see e.g. Lincoln & Guba, 1985; Shenton, 2004). Application of audit trail in qualitative studies, enables a reader or an external reviewer, (particularly with knowledge in the field and methods implemented in the study) to evaluate the trustworthiness and findings of the study (Lincoln and Guba, 1985). Consequently, the final report and the results will be made available for review by impartial reviewers. Chapter 7 provides a more detailed discussion on the critical evaluation and the limitations of this study.

In summary, Figure. 3.3 below present the methodology adopted in the study.



**Figure 3.3.** Summary of Research Approach and Method



As shown in the figure, the present research applies a constructivist paradigm and a qualitative interpretive approach to study a single embedded case study. Thus, it explores the internationalisation process of a Ghanaian SME in the clothing and textile industry. A process approach was adopted to explore the development process longitudinally over a specific time period. Events embedded in the process and their influence on the firm's internationalisation development have also been analysed.



# 4

## THE STUDY'S CONTEXT

Chapter 4 presents the study's context. First the background knowledge of the Ghanaian economy, business environment, characteristics of Ghanaian SMEs and the Clothing and Textile Manufacturing Industry is presented. This is followed by a description of the international business environment, in terms of the host market (US market), the global textile industry and challenges and third party rules and laws governing textile internationalisation in general (e.g. WTO, AGOA).

### 4.1. A Brief History of Ghana

Formerly a British colony, Ghana gained her independence in 1957, becoming the first independent African country south of the Sahara (Agbodeka, 1992). Since that time, the country has had a political and economic influence in Africa beyond its size. The first leader, Kwame Nkrumah, was a charismatic proponent of African unity and the emancipation of Africans, as well as those considered to be of African descent living in Europe and America. After enjoying economic improvement during the first few years following independence, the economic decline, which began in the mid-1960s, led to political and social instability. After the country became a republic in 1960, the president used his executive powers to crush the opposition and imprison its leaders, some of whom were leaders during the struggle for independence. The military reacted by staging its first coup in 1966. Ghana has since experienced over ten military coups, with the successful ones leading to short-term improvements and decline over the medium-term (Oquaye, 1980). Furthermore, ambitious but failed economic schemes, policy mistakes, and the negative impacts of the international economic order led to economic decline and severe economic problems from 1970 to 2000. One result of inadequate policy initiatives has been the extremely fast population growth. The country's population has grown from 6,726,815 in 1960 to 24,658,823 in 2010, a growth of three and half-times within fifty years.<sup>24</sup> The population was 25.90 million in 2013.<sup>25</sup>

<sup>24</sup> <http://www.statsghana.gov.gh>.

<sup>25</sup> <http://www.ghanaweb.com>; <https://www.cia.gov>.



## 4.2. Economic and Socio-political Environment

Ghana has established a successful multi-party democracy during the last 20 years, bringing political stability to support economic growth. The country's political stability is seen as a beacon for the rest of Africa. The disagreement among the political parties regarding the 2012 election has shown the country's political maturity. Opposition complaints of rigging were heard and decided by the Supreme Court, and all parties accepted the court's decision. The violence and gridlock that have characterised politics and elections in many developing countries have been absent in Ghana.<sup>26</sup> In 2013, several high-level cases of corruption were reported, and the problem remains a major challenge in the country's developmental progress (UNDP, 2014).

The declining economic situation beginning in the 1970s led to social and political unrest. Several military coups succeeded, leading to human rights abuses and reduction of direct foreign investments. All sectors of the economy suffered. The military governments since 1972 have instituted price controls, import controls, and market regulations, which further worsened both the business and consumer market. Much of this period was characterised by queues for basic commodities, shortages of many products, and hyper-inflation (Ocquaye, 1980). By the end of the 1980s, the ruling military government (the People's National Defence Council (PNDC)) agreed to implement liberal economic reforms with the support of the International Monetary Fund (IMF) and major Western European and North American countries (Kapur, Hadjimichael, Hilbers, Schiff, & Szymczak, 1991).

Ghana has been called an economic "test-case" for Africa because it was one of the first to move away from the failed socialist ideas and central economic planning that characterised the newly-independent African countries after the 1960s (Kapur et al., 1991). The economic liberalisation policies had a varied impact on the economy. After the first decade, Ghana became over-indebted due to loans taken from foreign banks, multilateral agencies like the World Bank, governments of developed countries and private banks. Thus, from the early 2000s, Ghana's economy again experienced difficulties, which impacted private companies negatively (World Bank, 2004). However, over recent years, Ghana has been ranked among the world's fastest growing economies.

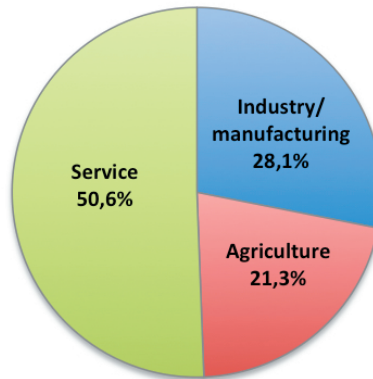
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<sup>26</sup> <https://www.cia.gov>.



The main divisions (see Figure 4.1) within the Ghanaian economy are the service sector, which contributes 50.6% to the country's GDP; the agricultural sector, contributing 21.3%; and the industry/manufacturing sector, which contributes 28.1% to the GDP (GSS, 2013).

**Percentage shares of the Ghanaian economy sectors and their percentage of the GDP 2013**



**Figure 4.1.** Main Sectors of the Ghanaian Economy Percent of GDP. Source: Ghana Statistical Service, (2013)

The country, over the last decades, has garnered some impressive economic successes, and as a result gained the acknowledgment as a “*star performer*” in the Sub-Saharan region (Coulombe & Wodon, 2007). These economic successes have come about as a consequence of several economic reforms attempting to boost both local and foreign investments as well as improve the livelihood of the ordinary Ghanaian. Some of these reforms include the elimination of price controls, privatisation of some sectors of the economy as well as the provision of tax incentives for investors (Sandefur, 2010). The adaptation of these reforms has, to a large extent, contributed to the remarkable economic growth.

According to the World Bank, Ghana's GDP amounted to 40.71 billion US dollars in 2013. In addition, the Ghanaian economy has, for the last five years, sustained a laudable growth path. The annual growth rate averaged 6.0% ending in 2010, and in the year 2011, attained the highest score of 15%. Arguably, these developments came after the country joined the League of Oil-Producing Countries.



Nevertheless, in 2012, the growth and development<sup>27</sup> had been reduced to 7.9% and in 2013, the figure further dropped to a value under 5%, an aspect attributed to the weak performance in two major economic sectors - the agricultural and industrial segments. The continuing plunge in gold prices led to the decline in the mining sector, and oil production also remained below the targeted levels. Thus, the country's economic growth is seemingly broad-based, enjoying an immense contribution from the service-oriented segments of the economy (<http://www.africaneconomicoutlook.org>).

**Table 4.1.** *Ghana's Macro Economic Indicators (Source: African Economic Outlook (AfDB) - 2014, Statistics Department AEO. Estimates (e); Projections (p).)*

	2012e	2013e	2014(p)	2015(p)
Real GDP Growth	7.9	4.4	7.7	8
Real GDP per Capita Growth	5.8	2.3	5.7	6
CPI Inflation	9.2	11.7	9.9	8.6
Budget Balance % GDP	-5.8	-7.8	-8.7	-6.9
Current Account Balance % GDP	-12.4	-12.3	-12.5	-16.9

In terms of foreign direct investments (FDI), Ghana has become an increasingly popular destination for foreign investors due to its wealth of resources, stable democratic political system, and dynamic economy (<http://www.gipcghana.com>). In 2011-2012, Ghana became the third highest beneficiary of FDI in Africa, (UNCTAD, 2013). In 2010, Ghana was ranked the fourth safest FDI destination country in Africa (UNCTAD, 2011). In the 2015 report on “*Ease of Doing Business*” by the World Bank Group, Ghana ranked as 70th of the 189 countries studied, and one of the highest in Africa, and even above some EU member states (World Bank Group, 2015).<sup>28</sup>

Table 4.2 below presents the amount of FDI accumulated from 2010 to 2013. In 2010, the total FDI amounted to US \$1.1 billion in comparison to US \$6.8 billion in 2011. A decline to US \$4.9 billion was noted in 2012. However, the sudden increase in FDI between 2010 and 2011 was attributed to the increase in oil and gold in Ghana during this period. The Ghana Investment Promotion Centre (GIPC) aimed for a 20% growth in FDI in 2014.

<sup>27</sup> See Table 4.1.

<sup>28</sup> <http://www.doingbusiness.org/data/exploreeconomies/ghana/>



**Table 4.2.** *Total Foreign Direct Investment (FDI) attained in Ghana 2010-2013 (US \$/Millions) (Source: Ghana Investment Promotion Centre Quarterly Reports)*

QUARTERS	2010	2011	2012	2013
Q1	161.3	351.7	979.7	285.2
Q2	599.3	552.2	1540	562.0
Q3	216.7	3220	1860	2680.6
Q4	131	2690	524.7	
<i>TOTAL</i>	<i>1108.3</i>	<i>6813.9</i>	<i>4904.9</i>	<i>3527.8</i>

### 4.3. Small and Medium-sized Enterprises in Ghana

SME definitions tend to differ among sources. In Ghana, the trends are seemingly the same as in other parts of the world. Different individuals or organisational entities ascribe different characterisations to SMEs. According to the Ghana Statistical Service (GSS), an SME is a business undertaken on a small-scale, mostly having a workforce of nine or fewer (Abor & Quartey, 2010). Thus, a firm with ten or more workers is seen as a medium or large entity.

The National Board for Small Scale Industries (NBSSI) seems to take a different approach as it utilises both employee numbers and the amount of the company's fixed assets to determine the category. According to the NBSSI, a small business is a firm that has nine or fewer employees, plant and machinery (exclusive of land, motor vehicles and buildings) that does not exceed GHC 10,000,000. However, in the 1998 revised definition, the NBSSI sought to separate micro firms from small scale business ventures. The revised description defines a micro firm as a business that has five or fewer workers and fixed assets less than US \$10,000. A firm is considered a small business with 6 to 29 employees and fixed assets of less than US \$100,000 (Puplampu, 2005).

For research purposes, some scholars tend to operationalise the definition of the term SME in relation to the objectives of their research on Ghana. For instance, Steel & Webster (1991) used a small scale business venture to include entities with 30 or fewer workers and without any clear distinction between small and medium-sized firms. Osei, Baah-Nuakoh, Tutu, and Sowa (1993) divided firms into three distinct categories: (1) micro firms with six or fewer workers; (2) very small firms with seven to nine workers; and small firms, 10 – 29 workers.

As discussed in Chapter 1, scholars (such as Adjasi, 2006; Abor & Quartey, 2010) seemed to adopt the definition carried out by the World Bank, termed



the Regional Project on Enterprise Development (RPED). In the RPED classification, in Ghana, SMEs are divided into three classes: (1) micro firms – companies with five or fewer employees; (2) small firms - from 6 to 29 people; and (3) medium-sized firms - from 30 to 99 workers. The present study adopts the World Bank's definition for SMEs, as stated in Chapter 1, for the following reasons. First, the World Bank definition has been widely cited by researchers with regard to SME studies in Ghana. Further, the World Bank's definition enables consistency and is comparable to the definition of SMEs in similar countries in the sub-Saharan African region.

SMEs are a major growth area of the Ghanaian economy, constituting about 70% of the country's GDP and providing 85% of occupations in the manufacturing sector. In addition, approximately 92% of thriving commercial ventures in Ghana are SMEs (Abor & Quartey, 2010). Research has shown that Ghanaian SMEs have grown and succeeded in many areas including exports (Osei-Bonsu, 2014). The fast growth in the “non-traditional” sector of the economy, i.e. new products and exports that have given a big boost to the economy at large, are, in essence, traceable to SMEs. They are very critical in the value chain, as many farming, transport and trading companies in Ghana are SMEs. However, Fjose, Grunfeld and Green (2010) argue that the lack of finances is an impediment to SME growth in the sub-Saharan African region. Consequently, Ghanaian SMEs face many difficulties that constrain their development, among which are management problems and access to formal financing (Owusu-Frimpong & Martins, 2010).

SMEs in Ghana are typically family-owned and led by a dominant founder who personifies and runs the business according to his or her motivation and professional background. They are entrepreneurial companies with informal management and accounting systems, which brings both advantages and challenges to the areas of governance, strategic capabilities and performance (Boohene, 2009).

### ***Promoting SME Development***

Over the past decade, a number of government and non-government institutions, agencies and programmes have sought to encourage sustained growth of SMEs within Ghana. These institutions were established to endorse SMEs success in varied ways, which include the promotion of access to finance, training and technological advancement (Ahiawodzi & Adade, 2012). A good example of such programmes is the 1985 establishment of the National Board for Small



Scale Industries (NBSSI) that works together with numerous NGOs and foreign network organisations, such as the UNDP and the World Bank. They have a loan system targeted at extending credit to enterprises for both working capital and fixed asset acquisition (Okine, 2011). The Ghanaian authorities seemingly appreciate the substantial role that these SMEs play towards economic growth and thus, introduced a number of micro-financing arrangements like the Micro Finance and Small Loan Centre (MASLOC) and the Export Development and Investment Fund (EDIF). The Venture Capital Trust Fund was established in order to enable these enterprises to develop and thrive financially (Mensah, 2004).

Support from non-governmental organisations (NGOs) includes, for example, the USAID's establishment of a trade and investment programme, which provides credit facilities and other forms of business aid to SMEs in a non-customary export sector. The UNDP funded African Management Services Company provides business training for SME ventures (Mensah, 2004).

#### **4.4. Garment and Textile Manufacturing Industry**

With a specific focus on the textile industry, Ghana's textile exports mainly include cotton yarn, cotton and printed fabrics, polyester fabrics and blankets (MOTI, 2014). The textile sector is an important source of employment for many Ghanaians as well as a major source of revenue, thus contributing significantly to the country's GDP (Breisinger, Diao, Kolavalli, Al-Hassan, & Thurlow, 2011). Textile manufacturing exhibits positive signs of sustained growth. The industry continues to promote high-grade design fabrics that are "made in Ghana" for certain niche markets. The main export destinations for Ghanaian textiles are EU countries, the United States, the Economic Community of West African States (ECOWAS), and other ECOWAS African states.<sup>29</sup>

##### **4.4.1. National and international economic policies towards promoting the growth of textile and clothing industry**

An important development was Ghana's qualification for the African Growth and Opportunities Act (AGOA), on October 2, 2000. Additionally, the country was declared eligible for apparel provisions on March 2, 2002 (U.S. International Trade Administration, 2014). AGOA is aimed at boosting the exports of textile products from Africa to the US. The textile sector is one of

<sup>29</sup> <http://www.ghanaweb.com>.



the central priority areas of the government of Ghana, due to its benefits to the economy. Efforts to attract foreign investors into the sector have been made in the economic liberalisation programmes and investor attraction schemes (Abor and Harvey, 2008). Further, the government of Ghana has implemented many programmes to facilitate the development of the industry by encouraging exports and offering external support schemes like the AGOA (Quartey, 2006).

Other programmes and strategies implemented by the government of Ghana to support the sector include the establishment of a textile/garment cluster network together with the United Nations International Development Organization (UNIDO); the establishment of a textile/garment laboratory and training centre together with UNIDO; support for vocational education in the sector; the use of anti-dumping measures and measures against smuggling textiles and garments into the country; administrative and financial support measures; and the President's Special Initiative (PSI) programme. Specific programmes that have impacted the textile industry and particularly the internationalisation of the study's case company are discussed in detail below.

### ***The Africa Growth Opportunity Act***

The AGOA is a US federal government legislation that has significantly liberalised market access to the US for 40 designated sub-Saharan African countries. In 1995, US legislation was introduced that would support African growth and development and expand US-African trade. In 2000, the then US President, Bill Clinton, signed the first AGOA Act into law. As instituted, AGOA aimed to move US-Africa economic relations from disaster aid, sporadic aid, and raw material exports from Africa to a trade relationship that would support widespread African business and growth, and, consequently, positively impact trade benefits for both sides. The AGOA is unique in that it currently provides non-reciprocal trade benefits to Africa. Under the AGOA, tariffs and duties on about 6,400 African products have been completely removed. The current legislation will expire in 2015, but there have been calls from all involved parties to extend it for a longer term. The prospects for extensions are positive, as US President Barack Obama recently visited Africa in June 2013 and proposed expanded US-Africa economic cooperation with larger benefits for both sides.

In August 2014, a US-Africa Leader's Summit was held in Washington, D.C., and it proposed to extend the AGOA preferences (<http://trade.gov/agoa>). The provisions on the African export of textiles and apparel are the core of the AGOA



regulations, because their fundamental aim is to support industrialisation and development in Africa. Textile and garment production is widely recognised as one of the most important bases for industrial development, as evidenced by Asian countries. The relatively large demand for labour and the good likelihood of localising the value chain has been seen in other parts of the world. Among the vital necessities that warrant development in Africa is the “third country fabric rule of origin.” As African countries do not currently have strong yarn and fabric production, the AGOA allows for the use of imported yarn and fabric. Several amendments to the legislation have been made since 2000, which are primarily aimed at improving the conditions for textile and apparel production and imports (<http://trade.gov/agoa>). The “third country fabric rule of origin” has recently been extended, as most African countries do not yet have their own yarn and fabric production (Schneidman & Lewis, 2011). There is also a “visa” requirement for apparel, which strives to avoid unlawful transshipment of apparel produced in other countries to be exported under the AGOA. A related legislation that was passed to augment the AGOA and investments in various industries is the Africa Investment Incentive Act of 2006. This provides incentives for US companies investing in African countries (Schneidman & Lewis, 2011). AGOA-related exports for 2013 totalled \$26.8 billion, constituting 76% of total sub-Saharan African exports to the US in 2013.

Even though oil and natural resources represent a large portion, non-energy exports increased threefold during this period (Office of the U.S. Trade Representative, 2014). While textile and apparel exports declined from \$1.6 billion in 2004 to \$850 million in 2011, the 2004 figure was still double that of 2001. The decline was due to the expiration of the Multi-Fibre Arrangement (MFA) in 2005 (a worldwide agreement approved by the World Trade Organization), which had placed temporary restrictions on imports of textiles and fabrics from China. This expiration increased competition, particularly from China. However, as a result of the AGOA, many leading American retailers are sourcing from Africa, including Walmart, the GAP, Victoria's Secret, Target, and Levi's, among others (Schneidman & Lewis, 2011).

In 2002, Ghana's qualification for the AGOA Act made Ghana, one of the then 34 countries in the sub-Saharan Africa (now 40) that received eligibility to access thousands of products in the US market duty and tariff-free. Ghana is one of ten African countries that have exported the most AGOA textiles and fabrics to the US. These 10 countries are among 12 whose apparel visa systems have been approved (Schneidman & Lewis, 2011).



### ***The President's Special Initiative (PSI)-MOTIPSI***

As a result of Ghana qualifying for the AGOA, the Ghanaian government developed the PSI to tap the increasing benefits from the AGOA and to encourage public-private sector partnerships, investments, new businesses, and job creation. Implementation of the PSI was under the Ministry of Trade and Industry (MoTI), which was renamed the Ministry of Trade, Industry and Presidential Special Initiatives (MOTIPSI). Moreover, an inter-ministerial facilitation team of six ministries has been instituted to coordinate activities and ensure the success of the PSI (<http://trade.gov/agoa>).

The PSI was originally intended to cover accelerated development for many local products. However, the government quickly realised the enormous task involved and decided to focus on developing four products: textiles and garments, salt mining, oil palm, and cassava starch production. The PSI scheme offers incentives for investors in the earmarked sectors. In essence, this enables stakeholders to fully exploit the potential offered by the export market and the opportunities within the AGOA framework. In achieving these objectives, the PSI secretariat adopted a strategy for aiding textiles firms within Ghana. The government released about 178 acres under the Tema Export Free Zone towards the establishment of an apparel village.

In the plan, 112 factories would be established in three phases. All of these factories, fully equipped with the necessary machinery and resources, would be owned by the Ghanaian population and investors for producing finished apparel for export. In the second stage, about 25 high-performing producers would be selected annually for a period of four years and given a comprehensive service range that would enable them to produce garments meeting the quality established for exports. These producers will also be provided significant access to the US market. Ghana hosted the sixth AGOA conference in Accra in 2007. This event confirmed Ghana's high rating in AGOA performance and commitment to benefit from the programme.<sup>30</sup>

The various policies and events undertaken by the government of Ghana in relation to the AGOA and support of the textile and apparel industry can be summarised as follows:

- a. Government efforts have been made to expand and improve the supply of skilled human resources, including technical and vocational

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<sup>30</sup> <http://www.moti.gov.gh>.



training apprenticeship opportunities within the textile and apparel sectors.

- b. An investment and export development fund has been established for the selected sectors including textiles.
- c. A development programme for small-scale enterprises to assist small- and medium-sized firms. A Rural Enterprise Development Project has been initiated to improve entrepreneurial skills. Business opportunities and training courses have also been arranged that benefit the apparel and textile firms.
- d. The confidence of investors in the economy of Ghana has grown from the wide-ranging initiatives adopted by the government, and these have brought some foreign investments into the textile and apparel industry.
- e. As a part of the reforms, substantial legislative measures have been taken, particularly to eliminate the susceptibility of exporters to external foreign exchange shocks. A collaborative culture is being created among Ghana's government, industry, and the human resource base. For instance, the government funded the construction of factory structures in the textiles and apparel sector.
- f. Financial support and loans have been furnished from private sector banks for the purchase of machinery, raw materials and equipment for manufacturing. Furthermore, fairs and tradeshow have been frequently arranged to facilitate market access.

To facilitate a merchandising unit in the PSI, Ghana's government also arranged the Gold Coast Collection to gain business from the foreign markets. Similarly, the capacity building and training at the Clothing Technology and Training Centre is also funded by the government of Ghana (Breisinger et al., 2011).

#### **4.4.2. Challenges in the textile and apparel industry in Ghana**

Challenges in the Ghana textile industry include a lack of motivation, inadequate infrastructure, and internal technical and management problems (Interview, Export Manager, 2011; 2013; Quarcoo, Gavor, & Tetteh-Coffie, 2013). The textile industry in Ghana imports most of its raw materials from India, the Netherlands, the US, China, the EU, Nigeria and Thailand. Raw material inputs primarily consist of calico, chemicals, dye, and khaki fabrics



(Schneidman and Lewis, 2012). Internationally, the import of African prints from Nigeria, the Ivory Coast, Southeast Asia and China has adversely affected local manufacturing. Some of the imports are discarded and copy traditional designs and clothing like “kente” and “adinkra” designs. There is rampant smuggling into Ghana of both new and used textiles and garments made in neighbouring countries and the rest of the world. These goods are often cheap, since the traders evade taxation. These practices jeopardised the local textile and apparel industry (Interview, Owner Manager, 2011).

### 4.5. The International Business Environment

As discussed in Chapter 2, several factors influence a firm’s decision to consider internationalisation, aspects that could also contribute to the global and international business environment. Thus, it is important to evaluate these issues, since they are likely to have an impact on decision-making, adaptability, and operations of the firm. In addition to assessing the macro environment, factors in the host environment and industry-related considerations are crucial to successful internationalisation.

#### 4.5.1. The Host market Characteristics- U.S. Business Environment

Previous research shows that depending on the growth and size of the host country market, the future demand and prospects of the country can be determined (Eren-Erdogmus, Cobanoglu, Yalcin, & Ghauri, 2010).

Compared to other economies, the U.S. has the largest GDP, estimated at US \$17.71 trillion as of 2015 (U.S. Economic Outlook, 2014). Over the years, the economy has sustained a stabilised growth rate, improved capital investments, and maintained a modest rate of unemployment. As of 2013, detailed insight into the U.S. economy revealed that consumer spending comprised approximately 71% of the GDP, an increase in spending from 62% in 1960 (PCE/GDP). In 2013, the cumulative household net worth stood at US \$80.664 trillion, an increase of \$9.8 trillion from the previous year (U.S. Economic Outlook, 2014). In 2013 the average net worth of an adult was about US \$301,140, of which much of the wealth was in the form of financial assets. On a global scale, the average income for households in the U.S. is the highest among OECD countries (OECD Report, 2014). Notwithstanding, increased levels of inequality are still a problem, as the top 1% represents 95% of the country’s wealth (OECD Report, 2014).



U.S. industrialisation dates back to European settlements from the sixteenth to eighteenth centuries, as the country shifted from farming to an industrialised economy (The U.S. International Trade in Goods and Services, 2015). In the U.S., the manufacturing sector is essentially the largest in the world with an output of US \$2.4 trillion, surpassing countries with significant industrial potential, such as Germany, India, France and Brazil. In 2014 the U.S. imported goods worth \$2.37 trillion, which consisted of capital goods, industrial supplies, consumer goods, vehicles and related components and foodstuffs (The U.S. International Trade in Goods and Services, 2015). The private sector enjoys tremendous freedom in making economic decisions, as there is little government intervention, which in turn encourages private investments. Foreign direct investments totalled US \$2.4 trillion in 2012 and investments by firms and individuals from the U.S totalled \$3.3 trillion in the same year (The U.S. International Trade in Goods and Services, 2015). Also, according to a 2013 survey, the World Bank ranks the U.S. seventh on the Ease of Doing Business Index.

The United States Census Bureau indicates that 154.4 million Americans are employed, of which 22 million work for the government. The largest segment, about 53%, is employed by small businesses while 38% work in large corporations (U.S. Economic Outlook, 2014). According to the U.S. Economic Outlook, most international dealings are conducted using U.S. currency, about 60% (U.S. Economic Outlook, 2014). Manufactured goods from the U.S. account for about 18% of goods produced in the industrial sector. However, with developed nations improving their competitive advantage, the U.S. has begun to show decline in the global marketplace. Since 2004, the economy has been faced with high unemployment rates, particularly in the industrial sector as a result of decreased foreign wages and union pressure (Trade Union Density OECD, 2013).

The textile industry in the U.S. is a significant sector of manufacturing, accounting for over 2% of the workforce (Select USA, 2015). With reduced tariffs, quotas and trade barriers, the U.S. textile industry faces increasing challenges as cheaper imports from other countries enter the market. Morrison (2011) contends that the U.S. market has a substantial purchasing power per capita, making it a desirable market for firms in developing countries, especially those in Africa, which are considering selling their commodities in foreign markets (Morrison, 2011). According to the 2014 statistics from the U.S. Census Bureau, the U.S. had a population of about 318.9 million people within the 50 states,



an increase from the 2013 estimates of 316.5 million. Primarily, this offers a substantive and an expanding market for apparel products, as domiciled firms cannot fully satisfy the existing demand (United States Census Bureau). Cheaper Chinese imports continue to pose some threat to U.S. companies and those in developing countries as they have to compete on the same platform (Phelan, 2015, p. 69). According to the World Trade Organization (WTO), if nothing is done to introduce trade quotas, China could achieve a “near-monopoly,” thereby threatening other manufacturers.

Uncertainties concerning nations within the Eurozone and the “fiscal cliff” continue to affect U.S. dealings in international trade. However, these fears of instability are continually circumvented through economic reforms and improved trade agreements. In 2011, the 9/11 terrorist attack had a direct negative impact on the textile trade, as the U.S. authorities sought to implement more stringent regulations with other countries to protect national security (Amankwah-Amoah, 2015, p. 21). Additionally, past experiences such as the 2007 financial crisis and the 2008/2009 Great Recession largely affected the textile industry in the United States. According to the Ghana Chamber of Commerce and Industry (GCCI), trade volumes in textiles within the said period deteriorated primarily for exports.

Good relations between Ghana and the U.S. have increasingly spurred business partnerships and improved economic ties. Ghana’s private sector continues to benefit immensely from the engagements and investments from U.S. firms. As of 2013, Ghanaian apparel exports to the U.S. rose from US \$1,271,000 in 2011 to US \$2,636,000 within the three-year period ([www.ghanachamber.org](http://www.ghanachamber.org)).

### **4.5.2. U.S. Government – the AGOA Policy**

AGOA policies have previously been discussed as an important part of textile internationalisation in Ghana. Other third party rules and tariffs that impact the global textile industry are presented in the following sections.

### **4.5.3. The World Trade Organization’s (WTO) Rules on Tariffs**

Since its establishment in 1995, the WTO has sought to increase export policies and improve export subsidies among countries. From the numerous macroeconomic restructurings and trade reforms, many countries eliminated importing from countries charging taxes on exports. WTO provisions allow



member countries to adopt procedures that affect exporting both positively or negatively with measures on export subsidies, dumping, and restrictions on exports (www.wto.org). Additionally, WTO established counter measures that include regulations on countervailing, anti-dumping duties, safeguard standards, and contingency protection (www.wto.org). From the Uruguay Round, countries are bound to “bind” customs duty as well as cut tariffs for fair trade. In regard to textile internationalisation, WTO provides that countries can remove restrictions to encourage firms with the financial capacity and innovativeness to expand for greater economies of scale. As a result, firms from emerging markets have increased opportunities for internationalisation due to the decreased bureaucratic obstacles. Thus, if foreign firms can produce large volumes of goods meeting the set standards, then those firms would benefit from the increased market opportunities for their commodities within the U.S. marketplace.

From 1974 to 2004, the Multi-Fibre Arrangement (MFA) oversaw international textile trading, imposing quotas on the volumes that developing countries exported to developed nations (Fosu, 2011, p.124). Despite the perceived adverse effects that this system had on developing nations, some emerging countries, in particular, Bangladesh still experienced textile industry expansion due to her cheap labour force. Ghanaian firms could learn valuable lessons from Bangladesh’s success in the textile sector amid the ever-increasing challenges within the industry (Amankwah-Amoah, 2015, 34).

#### **4.5.4. The Global Textile Industry (General Information)**

On the international front, the textile industry continues to experience a myriad of challenges necessitating structural changes. With China joining the WTO in 2011, its population of about 1.3 billion gained easier access to outside markets influencing the global textile trade. The abolition of the quota system created new challenges as countries with low-cost labour produced cheap apparel, thereby posing a threat to their sustainability. The 2008/2009 Great Recession had an adverse impact on the world economy, and, in particular, the global textile industry. As a result, cotton prices rose to record levels by 2010 before receding in 2013 (Fosu, 2011, p. 119). These issues pose real challenges to textile industries in developing countries, particularly those in the sub-Saharan region, as they seek to become flexible, innovative, and efficient in their operations (Amankwah-Amoah, 2015).



Currently, textile companies, especially those from developing countries, still struggle from direct and indirect consequences of the global crisis from which they have not fully recovered. From the International Monetary Fund's (IMF) World Economic Outlook (2014), the stability of the textile industry is, perhaps, held back by several risk factors, such as the debt crisis in advanced economies, deflation and disinflation, tapered expansionary policies, unstable oil prices, and capital flow reversals (International Monetary Fund, 2014). Similarly, international trends on fundamentalism, ethnic nationalism, ecologic movements, and feminism have had a direct influence on the textile industry and the opportunities for firms to internationalise.

Within the Asian landscape, countries with a low-cost base are increasingly engaging in textile and apparels, with most firms going international. Despite China having an integrated fabric industry that is more diverse, countries such as Pakistan, Sri Lanka, Bangladesh, Cambodia, Vietnam, Indonesia, and India have increased their success in the market (Ahmed, 2009, p. 601). Most industries in these emerging countries continue to produce increasing quantities of fabrics for the global market, as low production costs spur increased production. Thus, there has been remarkable economic growth, reducing poverty levels in the regions that produce apparel and fabrics, a clear indication that investments in the industry could aid in sustaining economic growth and development. In contrast, countries within the sub-Saharan Africa, such as Ghana, are heavily reliant on official development assistance given by developed nations to develop their textile industries (Amankwah-Amoah, 2015, p. 26; Fosu, 2011, p. 119). The problem worsens as cheaper textile imports from the developed countries and the Asian continent flood the global marketplace. In essence, this creates an unfair competitive advantage for textile products from Africa given the high production costs.

### 4.6. Chapter Summary

After years of growth and development, Ghana's post-independence economy was overwhelmed by internal and external forces and faced decline from the early 1970s until the mid-1990s. The implementation of economic liberalisation measures encouraged by the World Bank and Western governments led to both positive and negative consequences. Ghana is rated among the five best places to conduct business in Africa. However, the economy faces many deep-seated structural and managerial problems from



the central economic planning, both at the management level and the firm level.

The manufacturing industry is relatively large by African standards. The textile and garment industry is an important constituent of the manufacturing segment and the Ghanaian economy at large. It provides tax revenue and jobs for the economy. In spite of various policies, both the manufacturing industry as a whole and the textile industry in particular, have faced problems and decline. Foreign manufactured products, textiles and garments have flooded the market after the removal of import barriers, and local industry has not been able to compete. Used textiles and garments are a particular problem, as large portions of them are donated items, which sell at very low prices. The situation has been worsened by smuggling, which brings very low-priced products into the market.

Within the context of enacting, implementing, and monitoring social development policies, the Ghanaian government seeks to promote private enterprises along with stakeholder participatory development. In this regard, it is clear that SMEs enhance the national economic development. The SMEs are a vital component in Ghana's economy, and, in addition, they bring sustained growth within the economy, dynamism, and flexibility in national development. Similarly, SMEs play an important role in creating jobs, thereby, reducing unemployment rates within the country. Presently, these organisations are the dominant enterprises conducting business in the region.

For most of these enterprises, inadequate capital disposal seems to be the major hurdle. As such, without adequate support, the economy of Ghana and perhaps the surrounding region would not prosper. Thus, there is need to institute measures, policies, and frameworks that permit these enterprises to flourish and grow, especially the financial backing accessible from financial institutions. In view of this concern, Ghana's government and policy makers should continue to make available more support in order to encourage internationalisation in the textile industry. Encouraging relations and network development with other organisations and firms both locally and internationally is significant in supporting and promoting SMEs internationalisation success. An important question that should be asked is why the textile industry, given Ghana's relatively low wage rate, could not build an export profile in the mould of Asia and other developing countries. Being a labour-intensive industry, textile production and exportation have



become a take-off industry for developing countries. The inability of Ghana to establish this industry is due to national policy as well as the failure of the local companies to manage, innovate, and compete. Therefore, this study provides an interesting case in this respect.



# 5

## INTERNATIONALISATION OF SGEL AND BUSINESS NETWORK DEVELOPMENT

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This chapter presents the internationalisation process of the case firm (SGEL) in regard to its market entry and development in the US market.

The first part of this chapter describes the process, while the second section analyses the process using the conceptual framework. First, a brief history of the firm is provided followed by a narrative description of the internationalisation process including the context in terms of the external business environment. The process is then analysed from a network and critical event perspective using the ARA model. This analysis applies the framework of stages of relationships (see Chapter 2) as well as the analytical scheme for process analysis (see Fig. 3.2.) Thus, identifying endogenous and exogenous critical events. The case presentation and analysis in subsequent sections are based on my interpretation of primary and secondary data, which have been validated by the interviewees.

As mentioned in Chapter 3, I decided at the beginning of the study to concentrate on primary data from the focal firm and secondary data from the other actors as far as it provided me adequate information that is, data saturation. This was a deliberate decision based on reasoning that the case firm as the focal actor in the internationalisation, would be able to provide me all the necessary primary information about the process. Secondary data, on the other hand, was collected from all the actors. In the process, the case firm became very wary of providing all the information I wanted. It is understandable that they were in a very critical and sensitive internationalisation process in which they were interacting with very critical and new political, institutional and business relationships and did not want to jeopardize their prospects by revealing their business strategies and confidential information. They were operating in a very competitive business and, thus, it seems logical that they did not want to discuss ongoing strategies in that situation. Therefore, the case information narrated and analysed in this section is not as extensive as would be possible



if I had interviewed all the other actors. Furthermore, the narration in this chapter is made concisely, in order not to repeat case information in Chapter 6, where the research questions are specifically answered. In spite of the initial difficulties in getting the case firm to provide me with rich information and answers to my questions, I still obtained enough primary data to reveal the process and dynamics of the network as it unfolded overtime (see Chapter 3 for a description of the data collection process and challenges).

### 5.1. Brief History of the Firm

SGEL is a family-owned company founded in 2002. It is a subsidiary of Sleek Fashion Ghana, which was originally founded in 1980. The parent company focuses on traditional Ghanaian and African-inspired designs and serves the Ghanaian market, as well as exporting to a number of African countries, including South Africa and Nigeria. The owner, Mrs. N. B., established SGEL to capitalise on the opportunities and benefits provided by the AGOA (Interview, Owner Manager 2011, 2013).

SGEL focuses on mass production of its exports. In 2002, the company became the first garment manufacturer located in the capital city of Ghana (Accra) under AGOA and the President's Special Initiative (PSI) programme.<sup>31</sup> After undergoing a thorough audit assessment, SGEL was confirmed to be ready for internationalisation ([www.sleekgarment.com](http://www.sleekgarment.com)). The firm is currently equipped with one of the best, fully automated plants in the garment industry in Ghana. Most of the employees are well educated in the relevant areas and technically trained in the industry. As of 2013, the company produced various kinds of woven and knitted garments, men's and women's clothing, professional uniforms, bed linens, curtains, furniture covers, and bags. The owner of SGEL has a strong business background, having worked in her father's company prior to the 1980s and thereafter as an independent entrepreneur. She had previously lived abroad in the United Kingdom and the U.S and has experience in the business environments of these countries. The company's annual sales are approximately US \$500,000.

SGEL's mission is *“to become a world-class manufacturer of garments, producing high-quality garments at competitive prices using a skilled workforce and superior raw materials while complying with corporate social responsibility*

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<sup>31</sup> Refer to Chapter 4 for a description of AGOA and PSI.



*standards*" ([www.sleekgarment.com](http://www.sleekgarment.com)). Furthermore, the company is committed to ensuring that the expressed needs of clients are successfully met (Interview, Owner Manager, Export Manager, 2011, 2013).

## 5.2. SGEL and Its Internationalisation into the U.S.

Soon after its establishment in 2002, SGEL began its collaboration with a local financial institution (Eco Bank)<sup>32</sup> Ghana, Ghana's Ministry of Trade and Industry's Presidential Special Initiative (MOTIPSI), and the foreign office of the United State Agency for International Development (USAID) funded West African Trade Hub (WATH)<sup>33</sup> to develop business relations. SGEL was able to acquire financial support and machinery funded by the Eco Bank in Ghana in 2002, and MOTIPSI and WATH facilitated access to the U.S. and international markets. Several workshops organised by MOTIPSI after the launch of SGEL also facilitated internationalisation. WATH provided technical assistance to SGEL in 2002 in the areas of implementing AGOA and PSI policies, AGOA training and support information, staff hiring and recruitment and preparation for trade shows in the U.S including training relating to interaction strategies. In addition, WATH funded SGEL's participation in the global trade shows organised by the Apparel Sourcing Association Pavilion (ASAP).<sup>34</sup> According to the owner manager:

*"My management team and I got the chance to educate ourselves well as a result of training and information provided by WATH in order to prepare our firm for international activities"* (Interview, Owner Manager, 2011).

During a trade show in Las Vegas in May 2002, the company had the chance to meet other international suppliers and agents and exhibit their products. A contact made in 2002 with a buying agent for Roytess, a garment retailer in the U.S., was significant and enabled entry into the US market. The buying agent had informed the firm that the prices of Chinese exports had been raised and quality had fallen, and, thus, duty-free exports through the AGOA had become competitive. Hence, during the meeting at the show, negotiations and arrangements were made for the buying agent to visit Ghana in November

<sup>32</sup> Refer to subsequent sections for further discussion regarding the role/activities of ECO Bank in the internationalisation process.

<sup>33</sup> Refer to subsequent sections for further discussion regarding the role/activities of (WATH) in the internationalisation process.

<sup>34</sup> The ASAP show was launched in 2002 in Las Vegas. It is a major textile and apparel manufacturing show.



2002 to inspect the factory and discuss details of the offer. After this visit, the first trial order under the AGOA's duty-free regime was made with the buying agent. SGEL wanted to find a supply partnership that would fit with its internationalisation and provide strategic advantages for its development. Roytess, wanted a supplier that could supply various types of textiles and garments (Interviews, Export Manager; Owner Manager: 2011, 2013).

In December 2002, the export manager visited a supplier in China, after which negotiations were made to source the necessary raw materials for production from the Chinese supplier. The first delivery of raw material from the supplier was made in January 2003. As a result, SGEL produced and supplied Roytess with the order in March 2003. Furthermore, a long-term contract and further orders were made by Roytess in August 2003. Following the initial production, SGEL improved its productivity and began producing shirts for Roytess at a low price.

Seeking to be competitive, in 2003, SGEL contacted WATH for technical support in gaining new buyers and improving the effectiveness of their operations. A technical advisor with specific knowledge of the textile industry was provided by WATH to assist SGEL improve their processes (Interviews, Export Manager; Owner Manager 2011, 2013). Through that assistance, SGEL improved its production capacity and continued to successfully supply Roytess. A trail order contract with Walmart was obtained in 2004 through buying agents from Walmart's to produce shirts valued at US \$100,000. After meeting the deadlines and satisfying Walmart buyers, SGEL executives attended the ASAP show in May 2014 where they received three additional orders totalling US \$246,000. The export manager believes that attendance at the ASAP show strengthened their Walmart orders.

*"There is no doubt, direct contact is important. More trust was developed as we got the chance to clarify what we do and the benefits received from AGOA"*  
(Interview, Export Manager, 2011).

In 2005, SGEL produced and exported additional shirts for Walmart. Moreover, during SGEL's attendance at the ASAP textile show in 2006, the firm made a new agreement with Walmart buyers. During the same year (2006), a new raw material supply contract with a supplier from India was made to enable SGEL to meet the new orders, particularly from Walmart. In early 2007, both American buyers (Roytess and Walmart) made long-term contracts until 2012 for new and larger orders. This contract ushered in a period of relative economic stability for the company. As stated by the owner manager:



*“We worked so hard and proved to buyers that we can be trusted. However, the long term contract from both buyers at the same time was also as a result of talks and negotiations between WATH and the buyers” (Interview, Export Manager, 2011).*

Both the export manager and the owner manager confirmed in 2013 that SGEL's future plans focused on continually maintaining and building a relationship based on trust with their agents and buyers in the U.S. market, since most of their international sales came from this market. The interviewees also highlighted the importance of maintaining the same level of trust and the relationship with their suppliers who had been reliable since the beginning of their internationalisation process. Accordingly, SGEL is committed to continually providing products marked by quality, innovation, and diversity.

They further stated that they were committed to a timely delivery to the buyers. SGEL has continued to meet with their suppliers during the annual trade shows in Las Vegas, where discussions of potential products development and exchanges of ideas are made. A number of further visits have also been made to Indian and Chinese suppliers, and these visits have helped develop and maintain relationships over the years. Furthermore, it is important to focus on maintaining their relationship with WATH, which is an important information and funding source. As stated by interviewee in 2011,

*“A high level of trust developed soon after the negotiations with our foreign suppliers as well as the buying agents due to the facilitation and support from WATH. The support and strong presence of this public organization has led to our success in the U.S. market, and hence we will continue to be committed to maintaining a good relationship and work along with them” (Interview, Owner Manager, 2011).*

As of 2013, USAID (WATH) still provides SGEL with information about trade shows, news about the U.S. market and potential buyer information. In addition to trade shows each year, WATH sponsors a number of more targeted market events, including business to business (B2B) and sector-specific conferences. SGEL plans to strengthen and maintain its relationships with MOTIPSI and Eco Bank Ghana, who have continuously provided resources and support throughout their internationalisation.

The export manager further explained that SGEL has gradually learned how to interact with agents, especially their buying agents. He reported that as they came to know each other, they learned the cultural expectations, similarities,



and differences and how to best manage these processes. Respondents also expressed SGEL's desire to diversify and expand to other developed markets in the future as evident in the following quotations:

*"Our dream is to expand and see more brands coming out of SGEL, I believe everything is possible in this industry"* (Interview, Owner Manager, 2013).

*"There is no substitute for the knowledge and experience we have gained throughout the years in expanding to the U.S. We have made new contacts. Hopefully the knowledge gained and contacts can be used in the future to expand to other developed markets; perhaps the United Kingdom will be our next target"* (Interview, Export Manager, 2011).

### ***The Context and the Internationalisation Process***

In chapter 4, a description was presented of the context in terms of the domestic business environment (Ghana), the textile industry, PSI, MOTPSI policies and the international business environment such as the host market (USA), AGOA policies, global textile industry/market structural characteristics, and third parties (e.g. WTO) . The impact of these factors on Ghanaian SMEs and the textile industry in general was also discussed in Chapter 4. In this following section, the positive and negative aspects of the business environment, specifically on SGEL's internationalisation is presented.

During interviews, respondents were asked to discuss their perspective regarding their business environment and its influence on internationalisation. Regarding the domestic environment, the respondents indicated that the period leading up to the Ghanaian elections in 2008 was rife with uncertainty. It was unclear who would take power and if policies might change. A new party and President were elected in 2008 and took power at the beginning of 2009. The new government did, in fact, change some of the policies related to MOTIPSI, resulting in less support to the garment and textile industry. According to the interviewees, even though political factors and relationships with decision makers initially worked in their favour, these factors and relationships turned sour with the change in government. Among other factors, some support for the training of industry staff and some fiscal incentives were removed, even though basic support for the AGOA and the textile industry remained (Interviews, Owner Manager; Export Manager 2011, 2013).

In 2012, the sudden death of the Ghanaian President led to concerns in the business community about the policies of the presidential successor. This



situation led to a decrease in orders in 2013 as buyers (Roytess and Walmart) were unsure about the stability of the Ghanaian economy. Since the new government took power in 2013, the external value of the local currency, the cedi, dropped by 57%, making imports more expensive. However, this should have decreased the cost of exports for the foreign importers, thus positively impacting their willingness to buy from Ghanaian suppliers (Interview, Export Manager; Owner Manager 2011, 2013). The following statement illustrates the respondents' concerns regarding the domestic environment:

*“Well, with the new President sworn-in, opposition parties are unhappy, and there is fear that opponents will rebel. The socio-political environment can be challenging, and the prospects are a bit blurred as a result”* (Interview: Owner Manager, 2013).

Furthermore, difficulties in hiring skilled personnel in the textile industry negatively affected internationalisation over the years. For instance, due to the lack of skilled labour, the firm had to hire skilled expatriate workers from India and Sri Lanka for professional positions. Hence, labour costs have been quite high, leading to price increases for foreign buyers. One major economic event that continued to affect the company's production was “killer utility rates” (Interview, Export Manager 2011, 2013). These rates, according to the interviewees, were marked by an 80% increase in utilities and a fuel price rise of 30% compared to 2010 costs. There was a further increase in fuel prices in 2013, which negatively impacted the cost of production. SGEL could not pass on the increase in costs to foreign clients, which, thus, affected their margins. There are also challenges in the economy and infrastructure like frequent power shortages. Although generators are used, this, of course, means extra fuel and production costs.

It became evident during the interviews that involvement with the institutional actors had sometimes put a strain on SGEL. The owner manager admitted that when internationalisation was initiated, involvement with MOTPSI placed pressure on them. This is evident in the owner manager's statement, “*We always had to be on our guard*” (Interview, Owner Manager, 2011). She further indicated that this was due to the existence of a closed community of decision makers in the government (MOTIPSI) who are dominant and had developed strong ties with each other during the introduction of the AGOA.

*“You know these are people in government, and you know how they are highly treated in Ghana. It was very difficult in the beginning for a small firm like us*



*to imagine being in that circle, but once you get access to that circle and can be trusted, then you get connections”* (Interview, Owner Manager 2011).

Interviewees indicated that the international business environment was impacted by the U.S. government’s AGOA policy, third-party trade and import visa rules, e.g. the World Trade Organization’s rules on tariffs. Moreover, in the host environment, institutional factors (socio-political policies) affected the way business operations were conducted. The following quote illustrates the export manager’s thoughts about these host market factors, which also influenced their decision to expand their operations into the U.S.:

*“The first motive we had regarding internationalisation was to go to a country where we could make money. There is a huge industry potential in the U.S., compared to most developed markets. In general, the U.S. has a stable political situation, which was a good mark of growth in business assurance that there is a lot of potential”* (Interview, Export manager, 2011).

Initially, respondents admitted that they had the perception and fear that the U.S. would be a difficult place to conduct business, and they had doubts that they would be able to survive in such a market.

*“Due to the size of the U.S. market, it was very difficult for a firm coming from Africa like us to enter such a big market and to be acknowledged as a reliable textile supplier”* (Interview, Owner Manager, 2011).

The owner manager (2011) acknowledged that having connections with MOTSPI and WATH and relying on information from these actors helped to reduce these uncertainties as internationalisation progressed.

The interviewees believed that the U.S. financial crisis and recession beginning in late 2007, negatively impacted retail sales in the U.S., reducing the firm’s prospects of obtaining orders from new buyers. They believed that their success in supplying Roytess and Walmart and their visit to trade fairs would otherwise have won them new contracts with new buyers.

Government policies in the U.S. and AGOA import and visa rules also placed pressure on SGEL as seen in the following quote:

*“Even though overall AGOA policies have been in our favour, appropriate third-party trade and import visa rules and requirements need to be in place”* (Interview, Export Manager, 2013).



According to the AGOA, a textile exporter needs knowledge of the custom laws relating to the specific product before gaining permission to export. In the early stages, this was time consuming and required vast amounts of documentation as well as linking with appropriate connections, hence placing pressure on the company. These rules are also subject to change and expiration, which adds pressure on the small exporter to constantly keep pace with the new changes and laws (Interview, Export Manager; Owner Manager, 2011, 2013).

The World Trade Organization (WTO) rules also created challenges for SGEL's internationalisation. The Multi-Fibre Agreement (MFA), which governs foreign trading in the apparel industry, places further limitations on textile exportation from developing economies. Agreement on Textile and Clothing (ATC) rules have over the years been subject to changes ([www.wto.org](http://www.wto.org); <http://trade.gov/agoa>) and continuously create uncertainties and impede strategisation.

*"The World Trade Organization rules can be viewed as either a positive or negative influence on internationalisation. It is of important for us to be constantly aware of these changes in our bid to internationalise and develop appropriate strategies to cope"* (Interview, Owner Manager, 2013).

When asked about the influence of market and global textile industry structures, respondents mentioned that there are many issues that need to be tackled in this industry. According to the respondents, as the textile industry is highly complex and industrialised, it is subject to influence from the socio-political environment. The textile market has grown and competition has become more robust.

*"The number of suppliers and buyers and products differ. Labour costs and competition from other textile supplies needs to be taken into account"* (Owner Manager, 2011).

Respondents stressed that most of the large Asian competitors have internationalised and globalised. This implies that they also had access to resources, capabilities, and experiences as well as the information needed to play in the global arena. Compared to the Asian competitors, the textile industry in Ghana is small and most SMEs possess limited resources to be able to internationalise by themselves without support (Interview Owner Manager; Export Manager, 2011, 2013).

Another international factor is the competition from Chinese, Bangladesh, and Cambodian producers who quote cheaper textile prices for developed



markets, including the U.S. SGEL is accordingly in a constant battle to be profitable and keep up with its competition and challenges (Interview, Export Manager; Owner Manager 2011, 2013). The export manager expressed her concern regarding competition as follows:

*“Of course the issue of competition put a lot of pressure on us. There is tough competition, and then we have customers like Walmart and Roytess who are very well informed. They expect first world standard in terms of products and deadlines, and in some way our customers are big names. I think that puts one under pressure to perform to the first world standard”* (Interview, Export Manager, 2013).

The export manager continued, *“We fear that if we price our goods cheaply to remain competitive with Chinese imports, we may lose revenue”* (Interview, Export Manager, 2013).

According to respondents, the high competition from actors in the aforementioned markets has been an added pressure on SGEL to constantly reconsider their strategic approach. Accordingly, a combination of high technology and knowledge of the market enables SGEL to be competitive by relying on the quality, innovation and diversity of its products. In addition, SGEL's key driving force is its relationship with customers and their quest to satisfy the global demand for their product, which respondents believe will continue to direct the firm's future operations and keep them competitive. The following quote emphasises the desire to give a high level of customer service (Interview, Owner Manager; Export Manager, 2011, 2013).

During the above discussions, questions arose about how they have coped with this challenging business environment.

*“Over the years we have learnt to “adjust and adapt” to all these challenges. In fact it requires a lot of pain and patience for one to get things done well in Ghana. Of course, change in economic and governmental regulations also changes things for us, so there is a lot of pressure on us to survive. For future growth we know we just have to revise our strategies when these things happen in order to survive under these conditions* (Interview, Owner Manager, 2013).

The export manager expressed her views as follows:

*“The good news is that we had worked with our mother company over the years and dealt with the Ghanaian economy challenges and also with the surrounding countries. We have learnt how to handle and cope, so even*



*though it was tough at times and we don't know what to expect in the external environment, our past experiences always prepared us. With all the challenges we have been through as a firm from Ghana, we have developed ways to cope"* (Interview, Export Manager, 2013).

Respondents indicated that they had developed unique mechanisms in order to cope with the existing challenges. They specified that they trusted and relied upon key actors and sustained good relationships, which were important for their business. The following statement shows how they have developed procedures.

*"We are always ready to talk about things with business partners. Coping with the challenges has sometimes been easy, because we can rely on information source like WATH to provide us with up-to-date, trustworthy information, especially in the international market, the U.S. and what is happening in the textile industry"* (Interview, Export Manager, 2013).

*"The support from our collaborators has made it easy to handle challenges and act quickly to negative conditions in the market. In fact this has also strengthened the trust and commitment and is the reason for our long term business relationships"* (Interview Owner Manager, 2011).

When asked to summarise their perception of SGEL's internationalisation over the years and the business environment in which they operate, the interviewees offered the following statements during the final meeting:

*"Well every now and then we are in constant battle with our thoughts wondering about the future of our international business regarding what might happen with the U.S. market and our economy, the future of AGOA policies, activities and regulations of third parties like the World Trade Organization and impact of major exporters in Asia and South America"* (Interview, Export Manager 2013).

*"You know AGOA policies especially are subject to deadlines and changes over time and how this will affect SGEL, only time will tell"* (Interview, Owner Manager, 2013).

The discussion continued with the owner manager expressing the statement below:

*"However, we strongly believe with increased globalisation, the Ghana market now offers good potential. With the discussions in the World Trade Organization and with different agreements on trade and tariffs, there is hope that SGEL will play an even greater role outside the U.S."* (Interview, Owner Manager, 2013).



Respondents added these comments regarding the company's decision to internationalise:

*"Looking back at where we started and where we are presently, we have no regrets regardless of all the challenges faced. The timing to set up SGEL and to make such decisions to enter the U.S. market was perfect. The timing when AGOA and MOTPSI policies were introduced was also perfect, as our mother company had always had faith and dreamt of an opportunity to enter a developed market"* (Interview, Export Manager, 2013).

*"I have to say we are grateful to AGOA, MOTPSI and USAID-WATH who have helped us to internationalise. These people made decisions, provided support and activities, which involved time constraints. Well, we have also worked hard even before SGEL was set up. In fact what happened with introduction of AGOA, MOTPSI and USAID-WATH has greatly influenced where we are now"* (Interview, Owner Manager, 2013).

### 5.3. The Focal Network and Phases of Development.

In this section, the network will first be analysed using the actors, resources, and activities (ARA) framework. The analysis will continue by using the framework of stages of relationships as well as critical events and their impact factors.

In Figures 5.1, 5.2, and 5.3, the dynamics/change in the network structure and the actors' inter-relationships are summarised. The analysis in this chapter is done concisely using the tables and figures to portray the concepts. The explanation of the tables and figures is limited in order not to repeat the narration in Chapters 5.1 and 5.2 as well as in Chapter 6.

#### 5.3.1. Summary of focal actors

As per Table 5.2., the focal actors studied are as follows:

***The Institutional Actors (Foreign and Local)<sup>35</sup> -The MOTIPSI Secretariat (The Ministry of Trade and Industry (MoTI)) and the President's Special Initiative (PSI) Secretariat).***

MoTI was the ministry in charge of implementing governmental policy on local and foreign trade, as well as manufacturing and industrial development.

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<sup>35</sup> see more in chapter 4



It was charged with administering the PSI policy and a secretariat was formed to directly manage the programme. The original PSI programme, launched in 2001 by President Kuffuor, was speedily implemented as the President's party had a majority in Parliament through 2008. The new government of President Mills took power in early 2009 and reduced support for the PSI, even though they supported the AGOA and export expansion in the programme.

***OThe American Institutional Actors: (United States Agency for International Development (USAID)'s West African Trade Hub (WATH).***

The AGOA policies were made by the American Congress and the President. Implementation was passed to a host of American governmental institutions. USAID - WATH was the institution in direct contact with SGEL and AGOA-related activities in Ghana to support West African companies and institutions and to improve their export marketing and management overall. It was designed to help West African companies to achieve the aims of the AGOA and was headquartered in the Ghanaian capital, Accra. WATH provided expertise in technical manufacturing, standards, and export requirements, as well managerial and marketing consulting and training in negotiations, marketing, and management. It worked with MOTIPSI, the Ghanaian government, and companies such as SGEL in implementing the AGOA policy. Together, the institutional actors provided training and various types of support for the internationalisation process. They implemented the PSI and AGOA initiatives. They possessed technical, financial, educational, market knowledge and informational resources useful for SGEL.

***Financial Actor - Ghanaian Financial Institution***

Eco Bank Ghana is a Ghanaian commercial bank and a subsidiary of the Bank of Ghana. SGEL built a new manufacturing plant in the textile village, which was funded by Eco Bank Ghana. The decision of the bank was influenced by the positive environment for the textile sector that was created by the AGOA and the MOTIPSI. Additionally, throughout the period of internationalisation, the Eco Bank has provided loans and financial assistance to SGEL.

***Intermediary Actors- Export Buying Agents***

Export buying agents are intermediaries and representatives of the foreign buyers (for Roytess and Walmart) located in the U.S. SGEL met them at Trade Fairs. They visited Ghana and expanded the relationship after an initial trial



import period. They brought with them informational and relational resources and performed information provision and relationship-building activities to the benefit of SGEL.

***Supplier Firms -Foreign Suppliers: from other emerging countries***

As there were no local suppliers of cotton yarn and synthetic fibres, they were imported from Chinese and Indian suppliers. They performed manufacturing, sales and supply activities and brought technological and manufacturing expertise to the benefit of SGEL.

**Table 5.2.** *Actors involved in the case firm's network, activities, and resources*

Actors	Activities	Resources
SGEL (Seller/Focal Actor)	Garment manufacture and trading	<ul style="list-style-type: none"> <li>- Physical: Infrastructure, machinery, material, production and manufacturing capacity</li> <li>- Human : labour, professional skills, know-how, knowledge, experience and expertise, established relationships</li> </ul>
Intermediary actors (export buying agents)	<p>The export buying agent is located in the US market and represents the international buyer.</p> <ul style="list-style-type: none"> <li>- Connects seller (SGEL) and buyers.</li> <li>- Provide service according to buyers will such as finding potential, price negotiation and discussions.</li> </ul>	Information resource base and relationships
Supply firms	Manufacture, sales and suppliers of textile and garment, raw materials to SGEL	Supplier-related resources
Institutional Actors: (MOTIPSI, USAID-WATH)	Training and supporting the internationalisation process; implementing PSI and AGOA initiatives	<ul style="list-style-type: none"> <li>- Technical and financial resources</li> <li>- Education, market knowledge and informational related resource base for SGEL,</li> <li>- Relational (connections to opportunities, relationship to third parties)</li> </ul>
Financial actor: Eco Bank, Ghana	Providing financial assistance to SGEL	Financial resource

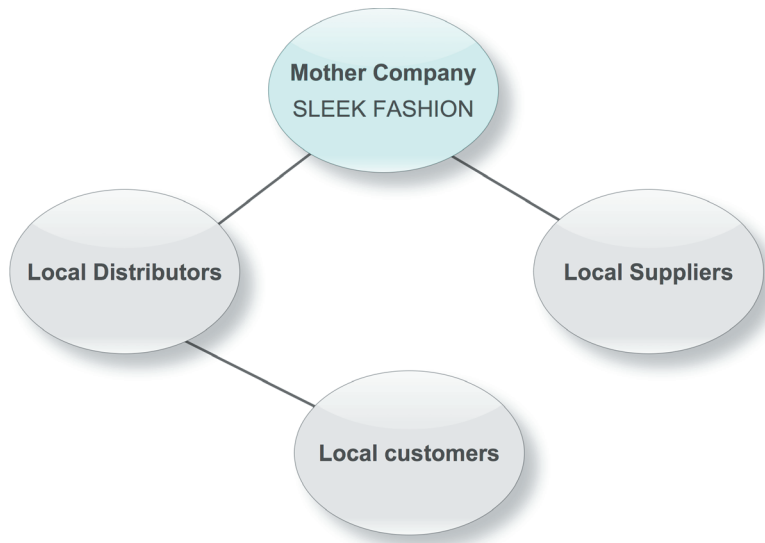


### 5.3.2. Network structure and change

In this section, the internationalisation and network dynamics are analysed using the relationship development approach (see section 2.3.3).

#### *Pre-Relationship Phase (1980-2001)*

The pre-entry phase is defined as the phase before SGEL was established. This phase is intended to illustrate the pre-entry background in order to better clarify the subsequent relationships, activities, resources and events that created the ensuing network. The only actors in SGEL's network at the pre-entry phase were Ghanaian firms and organizations. Between 1980 and 2001, the parent firm, SLEEK FASHION, operated in the Ghanaian market and developed experience in the sector, including gaining knowledge of the local business environment and the Ghanaian institutional actors. Exporting to neighbouring African countries contributed to the firm's experience. The parent firm and the owner manager had a desire to expand to developed markets; however, a lack of resources, competitive ability, and necessary relationships, made this transition impossible. Thus, at this phase, SGEL's owners and parent company, SLEEK FASHION, was linked only to local actors, who can be summarised as local distributors, local customers, and local suppliers as Figure 5.1 shows.



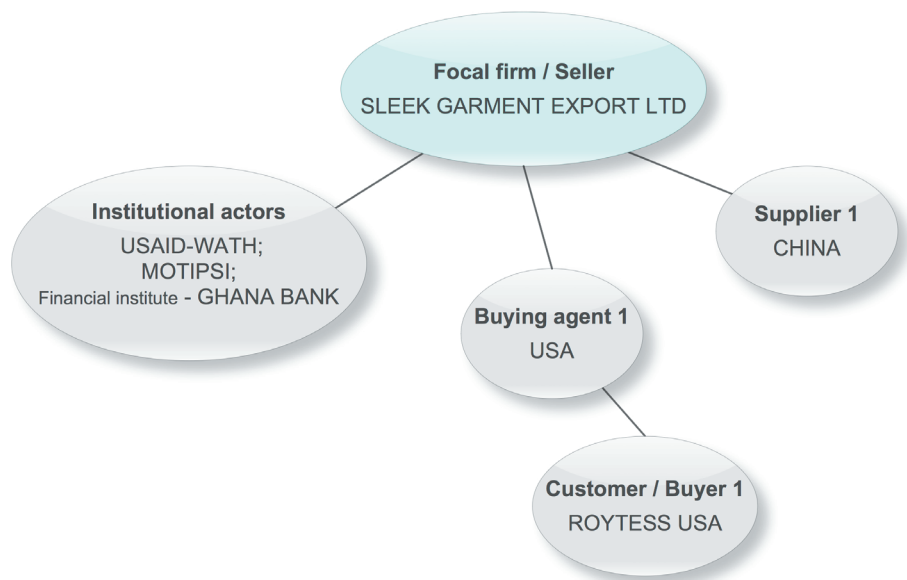
*Figure 5.1. Actors' structure in the pre-relationship phase*



***The Early Phase (2002-2003)***

The early phase started with the founding of SGEL by the owners of Sleek Fashion Limited.

SGEL was founded after the establishment of the AGOA and the MOTIPSI. The AGOA created a foundation for the opening up of the US market to exporters from some African countries including Ghana. As explained in Chapter 4.4.1, the government of Ghana then followed up with a series of support measures supervised by MOTIPSI. Within the AGOA programme, the WATH was established to provide support together with USAID and the American Embassy (see Chapter 5.3.1). SGEL contacted and worked with the Ghanaian and American institutional and business actors leading to the building of a new factory at the textile village. Relationships with the USAID-WATH, the agent in the U.S., the purchasers, and Roytess were established and developed positively. Relationships with a supplier of raw materials from China were also established. As Figure 5.2 shows, the network at this stage expanded with a varied range located in Ghana, the USA, and China.

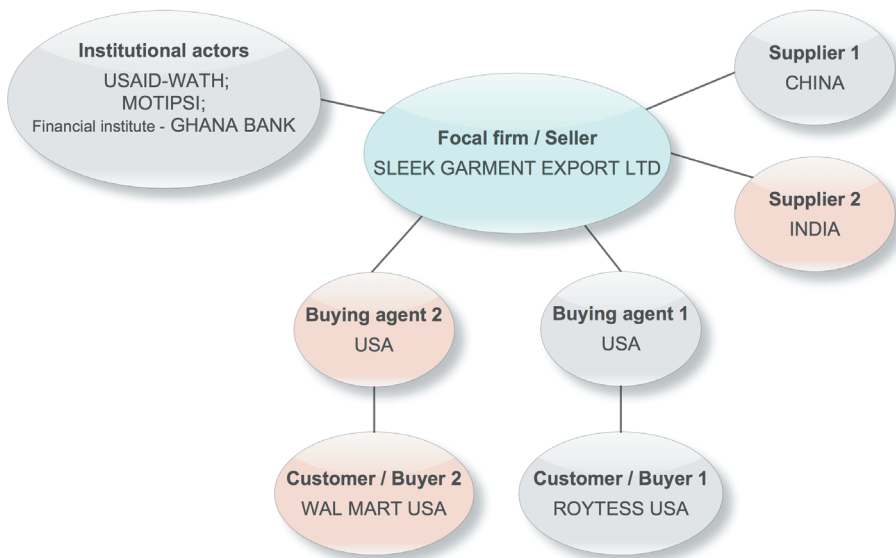


***Figure 5.2. Focal business network in the early phase***



### ***The Development Phase (2004-2013)***

Relationships were strengthened with the suppliers, the American agent and the purchasers. The trial order by Walmart was met and they expressed satisfaction by placing additional, larger orders. As a result, a relationship with the Walmart buying agent was established and developed. New relationships were established with a supplier of raw material from India. The quality of relationships with the Ghanaian institutional actors changed from early 2009 as the new government changed the content of MOTIPSI. However, basic support from the government remained. In both 2004 and 2011, the key provisions of the AGOA expired and were renewed by the American authorities.



***Figure 5.3. Focal business network in the development phase***

Figure 5.3 shows that the network had expanded even further from the early phase and become complex with new actors from the USA and a new supplier from India.

## **5.4. Critical events and the internationalisation process**

Critical events (CEs) as identified during SGELs internationalisation are analysed in this section. Different parts of the analysis framework (see Figure 3.2.) will be used to describe and analyse the events. Table 5.3 summarises the exogenous events while Table 5.4 summarises the endogenous events



identified with their respective influencing factors and impacts. Figure 5.4 provides a summary of the CEs and changes in the business network during the different phases of the internationalisation process. As defined in Chapter 3, the influence factors (triggers) are the actors and the activities that created the events as well as the reasons why the actors started or implemented the events. Impacts are the consequences or changes that arise from the events. Endogenous events are those events that arise from within the firm. For instance, endogenous events can include changes in the firm's structure, knowledge acquisition, experiences, and the utilisation of business networks. Exogenous events are caused by other actors and arises from the external business environment. Thus, these events are usually outside the control or influence of the firm and can be due to such factors as a confluence of economic, political, and social factors that impact the business environment.

As can be seen from Tables 5.3 and 5.4, each event is classified under the phase to which it belongs. Each event has had its own impact on the internationalisation process throughout the phases. As Table 5.3 and Figure 5.4 show, exogenous events occurred during all three phases, while Table 5.4 and Figure 5.4 show that the endogenous events occurred only during the early and development phases. As in Table 5.3, the U.S government, as an influencing factor, had the aim of promoting U.S-African business relations and the development of African exports to the U.S. Thus, it undertook the exogenous event of implementing the AGOA through which tariffs and duties were removed on exports of some products to the U.S. This event had the impact of providing resources and leading to activities to help African companies to internationalise to the U.S. Similarly, the Ghana government had the influencing factor of aiming to support Ghanaian companies to benefit from AGOA resources and activities. Thus, it undertook the exogenous event of establishing the PSI and MOTIPSI in 2000-2001. These events created the impact of providing resources and activities to help Ghanaian companies to internationalise to the U.S. They also provided initial motivation for the owners of SGEL to consider future internationalisation.

Many of the events resulted from the external business environment and external actors. Aspects of the business environment in both Ghana and the foreign market, particularly the role of institutional factors, played a significant role in shaping the internationalisation process into the US market. Events caused by political actors and their activities in the pre-entry phase were particularly significant in accelerating market entry to the U.S. Other significant events could be associated with relationships which took place continuously over time.



**Table 5.3.** *Influence Factors, Exogenous Events and Impacts*

Influence Factors (Triggers)	Events (Exogenous)	Impacts (Changes)
<b>PRE-ENTRY PHASE (1980-2001)</b>		
U.S. government: (Promote U.S.-African business relations and the development of African exports to the U.S.)	2000: The AGOA implemented by U.S. Congress and U.S. President; Tariffs and duties removed on exports to the U.S.	Provided resources and activities to help African companies to internationalise to the U.S. Provided initial motivation for SGEL owner to consider future internationalisation
Ghana government: Support Ghanaian companies to benefit from AGOA resources and activities	2000-2001: PSI and MOTIPSI setup	Provided resources and activities to help Ghanaian companies to internationalise to the U.S. Provided initial motivation for SGEL owner to consider future internationalisation
<b>EARLY PHASE (2002-2003)</b>		
U.S. government: Support Ghanaian companies to benefit from AGOA	2002: Ghana declared eligible for apparel and textile provision under the AGOA	Provided resources and activities to help Ghanaian companies to internationalise to the U.S. SGEL established Provided initial motivation for SGEL owner to consider future internationalisation to USA market
U.S. government: Support African companies to benefit from AGOA	2002-2003: Establishment of WATH	Worked with MOTIPSI to implement AGOA policy; technical support for SGEL; help to find buyers SGEL entered USA market
<b>DEVELOPMENT PHASE (2004- 2013)</b>		
U.S. government: Promote U.S.-African economic relations.	2004: Expiration and renewal of key provisions of the AGOA by American authorities. Further tariffs and duties removed on export to the U.S.	Provided resources and activities to help African companies to internationalise to the U.S. Provided further motivation for SGEL to continue and further develop their internationalisation in the USA
WTO: Liberalise and expand world trade for all exporters Confluence of world-wide economic and political forces	2004: Expiration of the WTO multi-fibre agreement 2007-2008: U.S. recession	Increased competition for SGEL from Asian competitors Recession in U.S. leading to lower level of imports



Influence Factors (Triggers)	Events (Exogenous)	Impacts (Changes)
U.S. government: Promote U.S.-African economic relations	2011: Expiration and renewal of key provisions of the AGOA by American authorities. Further tariffs and duties removed on exports to the U.S.	Provided resources and activities to help African companies to internationalise to the U.S. Provided further motivation for SGEL to continue to develop their internationalisation in the USA
Ghana hosted the AGOA Conference, improving their image and exposing Ghanaian companies within AGOA; showing commitment to support Ghanaian companies within AGOA	AGOA conference in Accra confirmed Ghana's high rating in AGOA performance and commitment the programme.	Provided further motivation for SGEL to continue to develop their internationalisation in the USA
Confluence of political, social, and economic forces in Ghana.	2008-2013: Worsened political, economic, and business environment in Ghana 2008-2009: Changes in government (new President) 2009: Change in MOTIPSI policies negatively impacting earlier support to the textile sector 2009-2013: Change in relationship with MOTIPSI (less support, less training, removal of incentives) 2010-2013: Increases in utility bills and fuel prices leading to increased production costs 2012: Sudden death of the President leads to fear of economic/political instability 2012-2013: New President elected 2013: Decrease in orders from Roytess and Walmart 2013: Drop in the external value of the local currency making imports more expensive 2009-2013: Core support for the AGOA and textile industry from the new government remained	Increased production costs. Reduced level of Ghanaian support. Foreign buyers unsure of stability of Ghanaian economy and supplies. MOTIPSI content changed due to new governmental focus and economic instability. Change in relationship quality with MOTIPSI as a result of limited support; hence less contact



**Table 5.4.** *Influence Factors, Endogenous Events and Impacts*

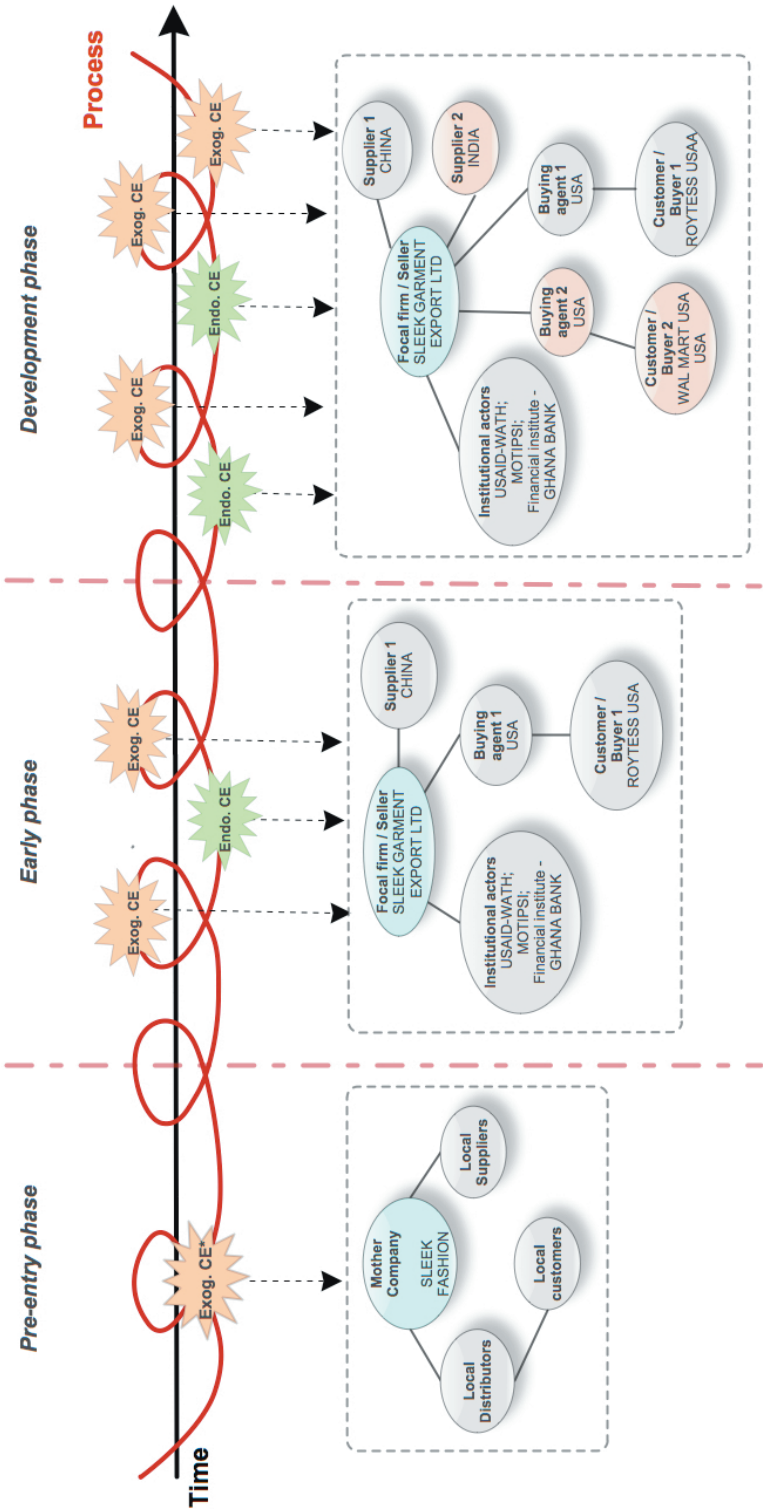
Influence Factors (Triggers)	Endogenous Events	Impact (Change)
	EARLY PHASE (2002 – 2003)	
SGEL's mother company and owner/entrepreneurs wanted to reap the benefits available through AGOA.	2002: Establishment of SGEL	SGEL entry to USA market
	2002: Focal firms contact with institutional actors (MOTIPSI, WATH etc., and business actors: (Eco Bank, Chinese suppliers, Roytess buying agents, etc.) 2002: Eco Bank Ghana funded machinery for SGEL 2002: Specialisation and product development to suit U.S. buyers and the AGOA special rule for apparel export 2002-2003: SGEL streamlined its workforce; expatriates hired. 2003: Market entry/ internationalisation to U.S. market; import of raw material from Chinese; start of production, planning and business activities to establish competitive production and exports.	
	DEVELOPMENT PHASE (2004 – 2013)	
SGEL wanted to accelerate internationalisation to the U.S.	2004-ASAP show attended, 2004- SGEL accepts trail trial order from Walmart 2005-Walmart orders shipped 2006-Relationship established with a supplier of raw material from India (at the ASAP show)	Achievement of competitive production  Secured orders from large U.S. buyers Secured increased orders from large U.S. buyers
SGEL improved production capability	2003-2013 Continued exporting to Roytess 2003-2013: Continuous import of raw material from India 2004-2013 Continued export to Walmart 2006-2013 Continued import of raw material from India 2010-2013: More expatriates hired	Secured competent staff



As seen in Figure 5.4, although network relationships were present in all phases, the intensity of the relationships varied from phase to phase according to the purpose for which the relationship was established. Thus, over time, the network became larger with new actors bringing in resources and activities that were useful for SGEL. Figure 5.4 also analyses the internationalisation process over time based on the critical events. It shows that the exogenous events were more numerous and occurred throughout all phases, whereas the endogenous events occurred only during the early and development phases.

While the analysis of the process as shown in Figure 5.4 isolates the network at the different phases, there is no intention to claim that the phases were empirically separated. In reality the actors were, through their influencing factors, undertaking activities which led to endogenous and exogenous events that impacted and created change in the business relationships and network in various ways. Therefore, the upper part of Figure 5.4 shows the chronological time through a non-linear process and event structure. The specified endogenous and exogenous events represent the significant events whose impacts were remarkable.





\* Exog. CE - Exogenous critical events  
Endo. CE - Endogenous critical events

Figure 5. 4. Summary of the CEs and changes in the emergent and developing business network







# 6

## DISCUSSION OF FINDINGS

This chapter discusses the findings presented in the previous chapter in relation to the research questions and the theoretical framework that form the bases of the study.

### 6.1. Discussion of Research Questions

This chapter begins with a discussion regarding the findings and answers to research question 1 (RQ1). This is followed by research question 2 (RQ2) and research question 3 (RQ3). RQ3 and research question 4 (RQ4) partly deal with implications. The answers to those questions will be discussed in Chapter 7 which summarises the implications and concludes this study.

***Research Question 1: How can a business network approach be used for developing a conceptual framework for SME-internationalisation from emerging African markets?***

The present study has investigated the SME internationalisation process by reviewing frameworks and propositions that have been emphasised by industrial network and internationalisation researchers. The starting point in approaching the above theoretical research question was the understanding of how an SME firm from an emerging market internationalises from a business network internationalisation perspective.

The findings of the case study illustrate the significance of business networks in understanding the internationalisation process of SMEs from emerging markets. The case firm provides a good example of a network-focused firm. As shown in Chapter 5, the firm's internationalisation was strongly based on its relationships with other actors and developments in the business environment, as well as the impact of critical events. Based on Johanson and Mattsson's (1993) model, a firm's activities and resources in a network should be upheld and developed by the firm in order to meet its goals. The cooperation and interaction that takes place within the business network can result in relationships, learning, exchange of activities



and resources, commitment, trust, and gaining a network position as discussed in Chapter 2, and as evident in previous network and internationalisation studies (e.g. Håkansson & Johanson, 1992; Johanson & Vahlne, 2009; Johanson & Mattsson, 1988; Coviello & Munro, 1997).

Johanson and Mattsson (1993) suggest that to study the internationalisation of a firm, it is critical to comprehend its operating context, which involves the relationships and environmental factors of the SME. Business networks are, therefore, influenced by the embedded business environment, as identified in the study by Halinen and Törnroos (1998). This fact was evident in the case findings of SGEL, whose business networks and relationships were embedded in the business environments of Ghana and the USA. It was also evident from the findings that these networks and relationships were influenced by the institutional settings. The political actors and the activities and resources they provide strongly influence the firm's networking and internationalisation in the foreign market particularly at the initial and start-up phase. SGEL has combined its strengths with various actors in order to aid its internationalisation success and growth. Although the nature and role of institutional, political and non-business actors in networks has been minimally studied, it has been emphasised in some business network internationalisation research (Hadjikhani & Thilenius, 2005).

In addition, the analysis of events as an integral part of the network dynamics, as suggested by Hedaa and Törnroos (2008), has shown how various events have impacted the process of internationalisation. Some of these events were deliberately set in motion by actors to enable the establishment of African textile exporting SMEs like SGEL. Other events emanated from changes in the business environment. These events impacted SGEL and other actors and led to subsequent events, all of which impacted the process of internationalisation.

A processual perspective indicating the role of time (Halinen et al., 2013) is evident from the case analysis. The process did not occur as just a natural flow of time, but was a deliberate process that resulted from the development and changes in the network and the events as summarised above in chapter 5. The role of SGEL and various other actors was critical to the internationalisation process. As described and analysed in Chapter 5, SGEL and the other actors in the network, through their influence factors, created endogenous and exogenous events that impacted the network development. Some of these events were critical, which led to dramatic developments of the relationships



and the network. There were a few other events that emanated from the general national and international context and, thus, were not due to the influence factors of any of the network actors. Those events were acted on by SGEL and the other network actors. Thus, the process of the network was mainly due to the strategic application of the resources and activities of SGEL and the other actors. This justifies the use of the business network approach which provides frameworks for describing and analysing actors, activities, resources, and events, and how together they interacted with the business context to create a process. In other words, the framework fits the case situation of a deliberate process rather than a passive evolution.

In summary, the case study demonstrates an internationalisation process firmly based on business networks built through relationship development and impacted by the business environment and critical events, as stressed by network theories (e.g. Johanson & Vahlne, 2009; Halinen & Törnroos, 1998; Hedaa & Törnroos, 2008; Johanson & Mattsson, 1988; Coviello & Munro, 1997).

The network perspective has provided concepts of inter-actor relationships involving both business and institutional actors and allows for the development of relationships that can lead to the achievement of goals using the joint resources and activities of several actors. Therefore, the initial framework has enabled an analysis of the process of internationalisation, the sources and impacts of events, and the content of relationships and networks in the internationalisation of the case firm. However, there are some facets revealed by the empirical findings of the study that indicate potential improvements to the initial theoretical model. The revised conceptual model is presented and discussed in Chapter 7.

***Research Question 2: How has the internationalisation process of SMEs in the Ghanaian clothing and textile manufacturing industry unfolded over time?***

### ***Network Structure and Change***

The findings suggest that various actors, activities and resources played an important role during different phases of the internationalisation process. The case firm used its business network relationships for market penetration built on interaction and cooperation with both local and international network actors that influenced the processes in different ways. The interactions with the network actors assisted the case firm to use activities and resources enabling



internationalisation entry and development. The evidence provided by the case firm supports the claim that internationalisation depends on a web of actors potentially available to the firm. Thus, the findings are consistent with those of Johanson and Mattsson, (1988), Coviello (2006), Fletcher (2008), Johanson and Vahlne (2009). The study also revealed that the case firm relied on a network of actors to acquire information and resources in order to compensate for its lack of reputation in potential foreign markets. Hence, both domestic and foreign relationships of the firm were a significant knowledge source that assisted in the internationalisation process.

The findings support other internationalisation studies on firms from emerging countries that acknowledge the extensive use of relationships and the increasing importance of networks. For example, the study by Zain et al. (2006) confirms the use of relationships in network in assisting Malaysian SMEs to internationalise, particularly assisting in gaining trust, influencing their entry mode and market selection and enabling subsequent relationships. Further, the findings of Ibeh (2003) indicate the extensive use of relationships by Nigerian fashion designers. In addition, Ibeh and Kasem, (2011) in their study on the network approach and internationalisation of Syrian SMEs, acknowledged the importance of the relational perspective in understanding initial internationalisation, market selection and internationalisation speed of SMEs. Furthermore, Senik et al. (2010) revealed networking as an influential factor of SME internationalisation from Malaysia. The textile case firm relied heavily on business relationships particularly in the early entry phase to the foreign market and also in later developments. This can be argued to be attributed to the SMEs limitations in terms of resources and other specific skills required for successful internationalisation (Coviello & Munro, 1997).

Taking into account the negative stigma and perception associated with developing country economies, it can be argued that based on the study's findings an SME from such markets can gain credibility and easily enter a competitive country market with the aid of relationships and network connections. Thus, successful entry and access to a foreign market can result in a higher possibility to expand the business of SMEs into other markets by relying on the established relationships and network of actors.

An important group of actors in SGEL's network are institutional actors (the United States government (AGOA policy) and WATH, the Ghana government (PSI policy) and MOTIPSI. The AGOA laid the foundation for competitive



apparel exportation from Ghana to the United States. The springboard was a result of opportunities provided by American institutional actors through AGOA, and Ghanaian institutional actors. The institutional actors chose the market to enter and provided connections through various networks and buyers, thereby determining the mode of market entry.

The role played by institutional actors as information facilitators was apparent and significant. The WATH in addition to its mother organization USAID as well as the US Embassy have provided information and training support that is unusual of foreign institutional actors. The WATH was established by the US government deliberately to provide free consulting advice and still works with the aim of providing information and training for all West African firms to improve their internationalization to the US and other developed markets. They have provided resources and enabled the case firm to gain access to foreign trade shows, important clients, and knowledge regarding the target market. Furthermore, the Ghanaian and US institutional actors have provided financial and fixed assets to SGEL. It is evident from the findings that it would have been extremely difficult for the parent firm of SGEL to build such a modern factory and compete with Asian and South American textile firms without the network support of institutional actors. This fact clearly supports previous studies, which have emphasised the impact of institutional actors on firms' internationalisation in an emerging market context (see e.g. Senik et al., 2010; 2011; Owusu, 2002). Thus, institutional actors can be a driving force in the dynamics of a business network in an emerging market.

Possible negative impacts of the business network can restrict the focal firm/actor from carrying on other foreign activities with either co-manufactures, selected other partners, or from expanding to other markets. However, SGEL has not been restricted from exporting to other markets. While the AGOA provides support specifically for the U.S. market, the policy aims, in the long term, to see African apparel and textile firms grow stronger by internationalising to other markets too. In the same vein, the PSI aims at supporting the internationalising of Ghanaian firms into many international markets. Therefore, in this case the role of institutional actors is not restrictive, but mainly supportive. It can be concluded that for successful international development, it is important to cooperate and utilise resources with the prevailing networks including both local and international institutional actors. A broader range and more active roles of institutional actors is revealed from this study, an issue which I will discuss further in Chapter 7.



This study further reveals that another important actor in the internationalisation process is the focal firm's owner manager. Mrs. N. B. founded the parent company, Sleek Fashion, which had exported to neighbouring countries before the establishment of SGEL. SGEL was established as a separate company with the aim of internationalising by taking advantage of the owner's experience and changes in the national and international business environment created by the US government AGOA policies and the PSI policies of the Ghana government. Therefore, it can be argued that the establishment of SGEL and its internationalisation success can be attributed to the entrepreneurial and managerial traits of the owner manager.

The capabilities of the entrepreneur/owner manager as an individual actor in making challenging decisions and coping with the pressures from the external business environment were evident throughout the development process. Her interactive capability of utilising existing networks and establishing new ones at different phases of the internationalisation, as well as her ability to take advantage of activities and resources greatly influenced the internationalisation and business network development.

The characteristics of the management and the entrepreneur, together with activities and events that enabled the continuation of the process of successful internationalisation are similar to those found in the studies of international entrepreneurship theory (Mtigwe, 2005; Oviatt and McDougal, 1994), as well as the born globals (Gabrielsson et al., 2008). Thus, this finding is in line with the arguments of the international entrepreneurship literature that internationalisation of SMEs is an entrepreneurial act involving people whose skills and experiences influence the result of the process (e.g. Mtigwe 2005; Oviatt & McDougall, 2005). It also provides evidence that entrepreneurs tend to exploit opportunities and rely on networks for internationalisation (Coviello, 2006; Slotte-Kock & Coviello, 2010; Evers & O'Gorman, 2011).

Furthermore, the particular mind-set and the orientation of the entrepreneur/owner manager influenced SGEL's speed of internationalisation. The speed of relationship-building with the focal actors has, on the one hand, been aided by the knowledge and experience of the owner manager's ability to recognise and exploit opportunities. On the other hand, the speed was aided by the knowledge acquired through the network actors over time. This confirms past studies (by e.g. McDougall and Oviatt, 2000, p. 903) that indicate "risk-taking attitude, innovative and proactive behaviour" and entrepreneurial mind-set



combined with power of network relationship and knowledge, jointly impacts on internationalisation speed (Oviatt & McDougall, 2005; Casillas et. al., 2014). Moreover, the findings show that an entrepreneur's ability to recognise opportunities leads to the establishment of new and subsequent network relationships, thereby facilitating internationalisation.

Another important outcome relates to the role of intermediary network actors in influencing the internationalisation of the firm. The findings indicate that Roytess and Walmart's buying agents as well as WATH and MOTIPSI who represented and implemented the AGOA policies, played a role as intermediaries in facilitating internationalisation, both in the early phase and in the development phase. SGEL used foreign intermediaries as an entry mode to exporting in the foreign market. This finding is consistent with e.g. O'Gorman and Evers (2011), Kontinen and Ojala (2011), as well as Senik et al. (2011) who argue that intermediary relationships and their resources are useful in gaining access to potential international clients and in recognising potential opportunities internationally.

Another finding that should be emphasised is the role of suppliers from other emerging countries. The main competitors of internationalising SMEs from emerging markets are other emerging market firms. However, this case confirms the industrial network proposition that relationships can be established with the competitors' suppliers in order to compete better. Thus, in order to be competitive with Asian and other emerging market exporters, SGEL imported yarn from Asian suppliers. This raises the importance of networking with relevant actors who provide crucial resources. Such relationship building and networking should not be limited solely to actors from the same country.

Consequently, it is apparent that changes in relation to the actors, their resources, and activities (ARA) (Håkansson & Snehota, 1995; Håkansson, & Johanson, 1992) occurred over time. Many of the actors have maintained stable roles, even when new actors enter the scene. Mostly, the focal firm has maintained steady relationships with the other actors during the development process. As SGEL has internationalised, the quality of the relationships between various parts of the business network has mostly improved. Changes related to the activities and resources were also varied. For example, SGEL has seen a noticeable change in its resources of experience and knowledge. Thus, through networking with various actors, the focal firm has made great strides by developing capabilities and resources in terms of knowledge acquired through



training and incentives provided by some network partners. Each relationship has its own importance and role for the business network development, in the form of activities and the ability to control or possess resources. This critical role of relationship building and networking as a way to access resources of other actors is the core proposition of the network internationalisation approach (Johanson & Vahlne 2009; Håkansson & Ford, 2002).

The importance of experiential knowledge of the owner manager and other managers of SGEL gained over the years of managing Sleek Fashion and through the internationalisation process of SGEL was evident. During the period of managing Sleek Fashion, they gained experience in the textile and fashion industry as well as exporting to the neighbouring West African region. They had ambitions to internationalise to the developed countries and seized the opportunity provided by AGOA and PSI. The above-mentioned provided a start, but the learning process continued through the relationships and resources provided by AGOA and the activities in the U.S. market. This is in line with many network internationalisation studies (e.g. Chetty & Blankenburg Holm, 2000; Hohenthal et. al, 2014; Johanson & Vahlne, 2009) and emphasises the proposition that various types of tacit and explicit knowledge are required and are gained through learning, relationships, and experience (Johanson & Vahlne, 1977; 2009).

### *Critical Events (CEs)*

Analysis of the case study findings revealed interesting results on how various CE's have had an influence on the internationalisation process and resulted in change in the business network structure over time.

In the case of SGEL, some critical events were initial catalysts that laid the foundation for their network and internationalisation. Thus, even though the firm was established in 2002 and initiation of the focal business network started soon after, one cannot overemphasise the importance of the mother company in laying the foundation for the establishment of SGEL. Furthermore, the policy events by the institutional actors that catalysed the formation of SGEL during the pre-relationship phase such as the AGOA policy in 2000, and the establishment of WATH and MOTIPSI in 2001, influenced positively the initiation and development of the business network.

Some events identified in the study did restructure the business network in terms of new actors joining the network, which is considered a positive change.



However, other events caused a negative change in the development stage in terms of reducing the quality of the relationships. The latter events were mainly a result of political instabilities, common in an emerging market context (see Figure 5.4). The case results show that occurrence of several negative critical events could have destroyed the ability of SGEL to continue to export to the U.S. market. Positive critical events, i.e. continuing activities and resources provided by the institutional actors, supported the strategic decisions and activities of SGEL leading to internationalisation into the foreign market. The empirical evidence illustrates the interconnectedness of various CEs during the internationalisation process. The events emerged from both SGEL and its mother firm, as well as from the institutional actors and events outside the firm's control (i.e. exogenous and endogenous sources) as found in some previous studies (e.g. Halinen et al., 1999; Halinen et al. 2013; Hedaa & Törnroos, 2008).

From the perspective of SGEL, exogenous events were the primary reasons behind the initiation and change in the business network structure at different phases. For example, a CE such as the land issued by the government under MOTIPSI for the establishment of SGEL was an initiative of the government of Ghana. In addition, many CEs were due to the political decisions of the US government. Some exogenous events were also caused by natural events or those occurring in the global market arena. For example changes in the level of preference the US government could give African textile producers vis-à-vis competitors were due to global trade negotiations, which the US government had to implement. Likewise, political changes in Ghana, including the death of the President and the election of a new one, were outside the control of SGEL and other actors. The results of this case emphasise the importance of studying the variety of both endogenous and exogenous events in order to understand their inter-relationships and their mutual impact on a firm's internationalisation process, as suggested by Halinen et al. (2013) and Hedaa and Törnroos (2008).

The critical events in this study emanate from more complex and intertwined sources, are of more varied types and, therefore, created a more complex process than portrayed in the extant literature (e.g. Elo et al., 2010; Halinen et al., 2013). One reason is that the extant literature has studied internationalisation processes of SMEs from more stable home markets (e.g. Sandberg, 2014; Chetty, and Wilson 2003). In addition, the SMEs had stronger fundamentals in terms of their technical, financial, and managerial resources than SGEL. Their limitations seem to have been mainly in comparison with large scale



enterprises (LSEs) or multinational corporations (MNCs), the nature of these limitations being lesser resources and an entrepreneurial approach, rather than an inability to internationalise through their own resources. Another reason is due to the differences in the business context between the developed markets and that of Ghana. The critical events impacting SGEL have a clear political and national macro-economic foundation (as discussed further in the next section) than portrayed in the extant literature. These two factors are further positioned in both the home market and the host (international market). These are a result of the business context of Ghana and the Ghanaian SME, as well as the relationship between Ghana, an emerging African economy and the world's economic superpower, the US which was taking political and economic decisions to help the growth of Ghana. Thus, the analyses highlighted in this section suggests new constructs to improve the frameworks of critical events and process which I will discuss in Chapter 7.

### ***Other Influencing Factors***

The empirical material further reveals that the specific context (the emerging African market) in which the CEs take place brought in some unique characteristics. Ghana, a small, emerging market, was liberalising, encouraging business growth and creating an enabling environment for business. However, the country had many limitations in terms of the capabilities of local firms and limited resources of the government. While the government of Ghana had very much supported the textile industry and SGEL, the institutional and political uncertainty in the economy at a certain period negatively influenced the internationalisation development of the studied firm. The impact of institutional uncertainties has been observed, in particular, in emerging economies, where institutional frameworks are markedly different from those in developed economies (Meyer et. al., 2009; Mtigwe, 2005; Owusu & Habiyakare, 2011). In particular, such institutional environments can facilitate or inhibit business actor's access to complementary resources. The case shows that instability and unpredictability of institutions is a serious problem experienced by emerging market firms. The stream of research on emerging markets has identified the perceived risks, unpredictable and weak regulatory frameworks, and institutional uncertainty as distinct obstacles to internationalisation and business strategies. Thus, the findings of this study coincide with past research concerning the impact of the emerging market and institutional environment on the development of firms' commitment, and business networks (e.g. Meyer et. al., 2009; Elg et. al., 2012; Mtigwe, 2005; Owusu & Habiyakare, 2011).



Political decisions and ideologies are clearly evident and among the strongest influences, as suggested in previous studies by Hadjikhani and Thilenius (2005), and Welch and Wilkinson (2004).

Another influencing factor stems from the international business environment. The U.S., with its strong and resource-rich institutions and a strong political aim of supporting AGOA, faced factors beyond its control, which negatively impacted its policies. For instance, the financial crisis in the U.S. had an impact on SGEL's internationalisation development. Moreover, worldwide trade rules required the American authorities to reformulate the AGOA rules and change the preferences given to African firms later in the programme. Furthermore, the global textile industry has structural factors that necessitate firms to embrace different global strategies and a multi-domestic strategy. The structure of the textile industry as noted in the findings is developing internationally and is characterised by strong pressures from firms in the industry. These include regulatory compliance subject to changes over time combined with local and global competition, which have impacted the firm's internationalisation. The growth and dynamics of the textile sector, characterised by new product innovation sourced from diverse technological bases, led SGEL to compete using different strategies. Thus, industry dynamics can strongly affect the internationalisation development of SME firms from developing countries by creating barriers or drivers that permit or reduce international growth. Consequently, the current research concurs with the view of Evers (2010) that industry factors stemming from the external business environment strongly influence internationalisation development. Likewise, the roles of the external business environment and external actors on business in emerging markets have been emphasised in internationalisation studies (Owusu & Habiyakare, 2011; Mtigwe, 2005).

Thus, the institutional and business context of Ghana created a situation which is the opposite of that portrayed in extant theory. Extant theory overwhelmingly finds that companies have a secure and predictable home market, while the foreign market is difficult and risky (Johanson and Vahlne, 2009; Figueira-de-Lemos et al., 2011). This case, however, shows that the emerging home market is as difficult and risky as the foreign market. Clearly, in this case, the firm lacked knowledge, relationships and expertise to speedily enter the foreign market. However, the home market presented bigger problems of economic and institutional stability which made the firm's internationalisation process more challenging. The firm's stability and competitiveness were negatively



impacted by a host of problems from the home country's political, institutional, business and social context. Thus, in spite of support received from the national government and local institutions, political and institutional instability, rising inflation and lack of local expertise reduced the international competitiveness of the firm. This situation suggests contributions to extant theory which I will discuss in Chapter 7.

***Research Question 3: How can the internationalisation process be analysed through a processual case study approach, and what are the methodological implications for business marketing research?***

The first part of this question will be discussed in this section. The second part, regarding the implications of the methodology, will be discussed in Chapter 7.

The aim of conducting a processual case study was to seek a conceptual framework and methods that would enable me to clarify the dynamics of the internationalisation of SGEL over time. The logic of this study was, thus, to analyse the actors, their activities, the created relationships, and the events and how these proceeded over the course of the time of the study. In addition, I wanted to understand the nature of the national and international business environment over the period of the study and how they impacted the process.

Such a methodology could be built in two parts. The first part is the conceptual framework, which is based on research and concepts of business relationships; networks and the roles of specific actors as businesses and institutions; as well as the business environment in emerging markets. The second part is the methodology, which is based on methods of collecting the contextual data of the period of study, such as interviews of relevant informants who participated in the business decisions and processes; relevant secondary data on decisions, developments and events over the period; and a method for analysing the large amount of text. As the first part of this task has been discussed in the answer to RQ1, I will address the second part in the following section.

To achieve the methodological aims, the study has been approached using an abductive methodology. After finding interest in the empirical phenomenon of internationalisation of a Ghanaian SME, I next reviewed the relevant scientific and secondary literature to develop an understanding of how the subject had been previously studied. The aim was to obtain insight into the framework I would develop and determine the best way this could be operationalised. The review showed that using qualitative methods of data collection with a



longitudinal design and semi-structured interviews with key informants was the most suitable way to generate relevant data. One key challenge of achieving the longitudinal design was to persuade the same informants to participate in interviews at two different times. As mentioned in Chapter 3, there were hurdles, such as the busy schedules of the informants and the logistical difficulties of travelling from Finland to Ghana to personally administer the interviews. Analysis of the data required content analysis and a report that would describe and present results by emphasising the influencing factors, events, impacts, and the resulting processes and changes that occurred.

Thus, I developed the conceptual framework (Fig. 2.4.), which was applied through semi-structured interviews administered in 2011 and 2013. To achieve valid content analysis, I analysed the data based on themes from my conceptual framework. This became relatively easy to do as my interview guides were related to the conceptual framework. In presenting the results, I have taken steps to provide both the depth and breadth of information relating to the business environment in both Ghana and the U.S.; resources and activities of the actors in both countries, and a narrative that clarifies the events and timelines of the process. This abductive approach and qualitative methodology have been proposed as relevant for studying processes and generating valid and reliable new theory (Yin, 2012; Miles and Huberman, 1994; Silverman, 2011; Lincoln & Guba, 1985; Pettigrew, 1997).









## CONTRIBUTIONS, IMPLICATIONS, AND CONCLUSIONS

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This chapter summarises the contributions and implications of the study and provides suggestions for further research. The answers to the second part of RQ3 and RQ4 are presented here.

### 7.1. Theoretical contributions and implications

In the following, the theoretical contributions and implications of the study are presented.

#### 7.1.1. Revision of the conceptual framework

The findings of the study suggested changes to the conceptual model presented in Figure 2.4, which was based on the extant research. The revised model (Figure 7.1) emphasises the importance of context, *institutional actors*, *cooperation with suppliers from other emerging markets (OEMs)* and the *focal firm's (SME) unique activities and resources*.



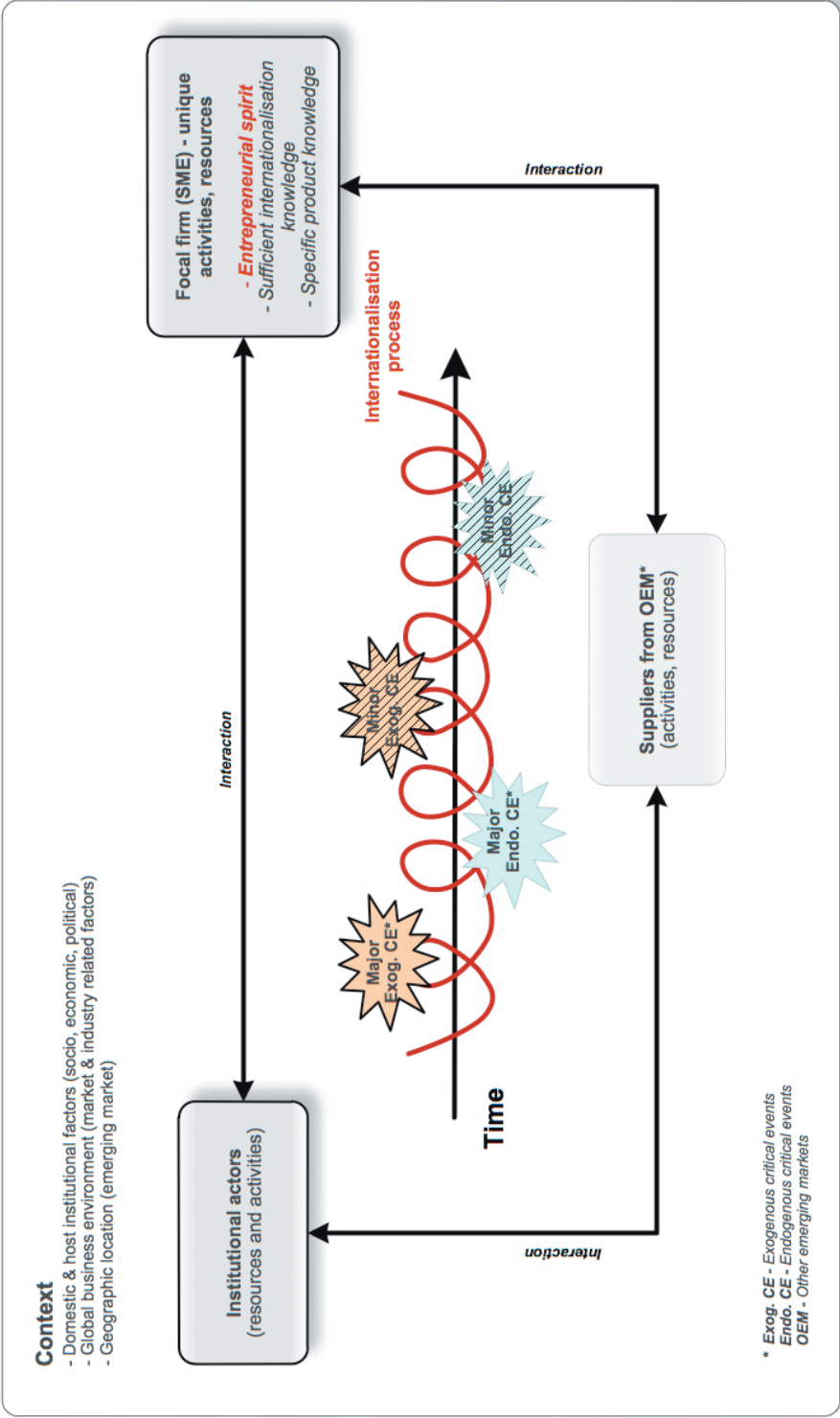


Figure 7.1. A model of SME internationalisation from emerging market context



### *The Context*

There are three aspects as regards the context of Ghana as an emerging market that are different from the developed markets on which the results of the extant research are based (see e.g. Sandberg, 2014; Chetty and Wilson, 2003).

As explained in Chapter 6, the domestic institutional factors were relatively unstable and unpredictable. This consists of, among others, the political system, the party in power and their policies as well as existing support institutions. While the case company received considerable support from national institutional actors as explained previously, the environment created many challenges for long-term planning and competitiveness. In short, contrary to claims of extant theory, the domestic institutional factors did not provide an easy home market, which would in the case of developed home markets, be easy and enable the firm to deal with the vagaries of the external market. Furthermore, in this case, external institutional factors became significant because their support was needed to enable the case firm to enter the US market. The case firm was, thus, dependent on the dynamics of foreign institutional factors to enable its internationalisation. As a Ghanaian SME, it did not have any possibility to lobby or influence them. The low competitiveness of SGEL and its dependence on the trade preferences granted by the AGOA made it extremely susceptible to changes in the external business environment. As the company could not have openly competed internationally during the period of this study, it was important that, firstly, the US government maintained or expanded the AGOA preferences, and secondly, that the US government did not become obliged by international trade rules to remove or reduce the preferences. When the latter happened in 2004, the US government had to innovatively reformulate the AGOA to maintain preferences for African exporters.

While extant research recognises the influence of the external business context on the internationalisation of developed market SMEs, it posits that the strategic challenge of developed market firms is to understand the evolution of the external business environment and to manage it (Fletcher and Barrett, 2001; Hadjikhani and Ghauri, 2001). Firms from developed economies have been found to have an internal capability to deal with these challenges or the network links to reduce their negative impacts (Sandberg, 2014; Chetty and Blankenburg Holm, 2000). Thus, extant research claims that developed market SMEs are not dependent on the environment.



Therefore, the extent of SME dependence on the external environment found in this study is different from the findings in extant research on firms from developed economies. .

Compounding the above challenges of SGEL has been the relatively unstable and unpredictable domestic economic environment and poor infrastructure. Although Ghana was an emerging market making improvements in many sectors, the competitiveness of SGEL was challenged or even negatively impacted by an unstable economy, poor infrastructure, and lack of skilled local staff. Thus, as argued in Chapter 6, the emerging market context provided numerous challenges, making it as difficult as the external market.

This suggests new aspects to the context of emerging markets which enrich our conceptualization of the concept in marketing theory. This study shows that in the case of firms internationalising from emerging markets, three aspects of context are more significant than extant theory has portrayed. These aspects are the domestic and host institutional factors, the global business environment, and the geographic location. While institutional theory (Peng, 2002) has discussed a wide variety of the roles of institutions, the crux of the existing research has been how they impact the business of firms from developed markets entering emerging markets. Likewise, both the Uppsala internationalisation model and the network model have portrayed institutions as being a challenge in the external market, but being manageable by emerging market firms in their own market, because the firms know their own market and have relationships to impact its dynamics. The three new aspects of context implied by the results of this study, thus, shed new light on the foregoing claims of the institutional theory, the Uppsala internationalisation model and the network model.

### ***Institutional actors***

The resources and activities of institutional actors proved to be more critical for the internationalisation of the case firm (SGEL) than the network internationalisation approach has implied. While the network approach recognises the importance of institutional actors, they are seen as passive or enabling, not initiators of business networks (Hadjikhani & Thilenius, 2005; Welch & Wilkinson, 2004; Hadjikhani & Ghauri, 2001). They are also seen as purchasers, e.g. of infrastructure projects, but not as active network mobilisers (Owusu, 2002). Some previous studies, e.g. Hadjikhani et al. (2008), have



analysed the way firms negotiate and succeed in a politicalised context, such as the European Union. However, the political system is seen in the above studies as an unpredictable and changing environment within which firms have to negotiate. The results of the present case, reflecting the emerging African market context, illustrate the critical role of institutional actors as initiators, facilitators, consultants, trainers, and problem solvers in facilitating successful internationalisation. It seems that the role of institutional actors is also increasingly important for emerging market firms because of the international context that requires international coordination and meeting the laws and regulations of other countries, or meeting international trade laws.

Two important influencing factors of the institutional actors evidenced by this study are political will and political relations. This case shows that the decisions of institutional actors in developed countries to open their markets to firms from emerging markets and, thus, hasten their growth, require an agglomeration of political forces leading to a strong, positive political will. Good political relations between governments are the reasons why specific emerging markets are provided with these advantages, as the AGOA advantages were given in stages to selected countries. These suggest that we need a new framework for the importance and role of institutional actors in both emerging markets and the developed markets that are their business partners. Thus, this study suggests the critical importance of the resources and activities of institutional actors in the internationalisation of firms from emerging African economies. The study, thus, suggests two constructs for the resources and activities of institutional actors in this context: political will and political relations. As both an activity and resource, political will is the influencing factor that enables institutional actors to take the decisions and initiatives that enable them to go beyond being only passive or enabling actors, or purchasers, to become initiators, facilitators, consultants, trainers and problem solvers in facilitating successful internationalisation of emerging market firms. Political relations, for their part, are the reason why markets are opened up and advantages provided for firms from some emerging markets.

### ***Suppliers from other emerging markets***

The findings of this study reveal that suppliers from *other emerging markets* (OEMs), in this case the big emerging markets (BEMs)<sup>36</sup>, were quite influential in internationalisation development. In a sense, the case firm being from a

<sup>36</sup> Refer to Chapter 1 for a definition of BEM.



smaller emerging market<sup>37</sup> has to compete with textile firms from *other emerging markets (OEMs)*. This is because many emerging markets grow their industrial base through exporting cheaper and labour-intensive manufactured and outsourced products to developed countries. In this competition, the BEMs seem to have an advantage in being able to develop a more diverse and integrated industry. Thus, in order to compete with other emerging market exporters, SGEL has to import yarn from Asian suppliers. This implies that in addition to institutional actors, the SME internationalising from a smaller emerging market, such as Ghana, would perform better by collaborating with firms from **OEMs**. Thus, I suggest **suppliers from OEMs** as an addition to the revised model. I should emphasise that although the suppliers in this particular case were from BEMs, in principle they could be from any other emerging markets that can supply those products at a low enough price to allow the focal company to achieve the price advantage expected for companies from emerging markets. This point is more pertinent for African firms, as their industrial sectors are less integrated and developed on average than those of other emerging markets such as South Africa, Asian, and Latin American countries.

#### ***Focal firm (SME) unique activities, resources***

This study shows that for an SME from an emerging market like Ghana to successfully internationalise, it needs to not only have basic resources, but must also possess unique resources. Moreover, for the SME to gain from its involvement in the networks, it must possess certain unique resources in order to cope with the uncertainties and difficulties of competitive international business. Thus, one of the unique resources is the **entrepreneurial spirit** of the SME.

The SME's **entrepreneurial spirit** is a unique trait possessed by an individual such as the decision maker or entrepreneur who runs the company. According to this study, the components of an entrepreneurial *spirit* are experience, alertness to opportunity, a global mind-set, risk-taking ability, networking capabilities, and commitment to the internationalisation process. These are all required to overcome the initial difficulties and demands faced when internationalising from an emerging African economy to a developed market.

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<sup>37</sup> In accordance with the study's definition of emerging market (see Chapter 1), all other countries not listed under the classification for BEM, are in the current study referred to as 'smaller emerging market'.



According to the results of this study, *entrepreneurial spirit* is a critical motivator and determinant of whether or not a developing market firm will succeed in its quest to internationalise. *Entrepreneurial spirit* is needed throughout the internationalisation process. The components of entrepreneurial spirit mentioned above have been studied in the entrepreneurship and internationalisation literature, but very little has been written in the context of firms from African markets entering developed country markets.

I would also emphasise knowledge as another unique resource of the SME. Knowledge is defined as one of the resources in the network internationalisation approach. It is typically divided into various types, e.g. experiential and tacit knowledge (Johanson & Vahlne, 2009). Thus, it is theorized that firms either have their own knowledge or they might obtain it through relations with other actors.

An addition to the model regarding knowledge is to emphasise the importance of sufficient knowledge possessed by the SME from an emerging market. For success, the firm needs knowledge of the industry as well as of internationalisation. For firms from emerging markets, knowledge concerning the markets in developed countries is likely to be more difficult to acquire or less codified and routinised due to resource shortages. Therefore, I propose that the SME should possess sufficient knowledge of its product and sufficient knowledge of internationalisation in order to be able to take advantage of activities and resources provided by the institutional actors. The managers and entrepreneurs have to continuously develop their knowledge during the process in order to keep up with the changes and dynamics of the market in the developed country. To emphasise this point, I refer to secondary data that shows that Ghanaian and other African textile producers are not competing overly well with suppliers from other emerging markets. SGEL is one of a small number of Ghanaian SMEs that have succeeded within the AGOA regime. The data shows that the level of experiential knowledge and learning of the owners and managers of SGEL is critical to their success. Other research has shown the general low competitiveness of African SMEs and attributed it to various factors, including structural economic factors, lack of formalisation and low educational level of entrepreneurs (Fjose et. al., 2010; Boohene, 2009), although some limited success has been achieved (Osei-Bonsu, 2014). Therefore, the finding of this study contributes an important aspect that adds to our understanding of how to improve the performance of African SMEs that want to internationalise to developed markets.



### ***Major and Minor CEs***

Figure 7.1 implies that while the concepts of endogenous and exogenous events (e.g. Elo et al., 2010; Halinen et al., 2013) were useful in understanding the source of events from a network perspective, the findings of the case suggest the usefulness of differentiating, in addition, between *major and minor events*. Major events are defined as those that were specifically planned or decided by relevant actors to impact the internationalisation of Ghanaian textile and apparel companies. They were the initial catalysts for the internationalisation process of SGEL. After SGEL's internationalisation started, other minor events developed, which further impacted the internationalisation process. The value of classifying CEs as major and minor would be instrumental in (a) clarifying the relevant initial activities and resources of the major actors; (b) analysing their impact, and (c) describing and analysing the internationalisation process. Hence, it implies that exogenous sources can have a major impact on the firm's development process, although some may be of minor consequence. Likewise, endogenous events may have a major or minor effect on the firm's development process.

The foregoing four-sided framework of major endogenous events, minor endogenous events, major exogenous events and minor exogenous events emphasise the multi-faceted character of events in this study. It is clear that this is due to the complexity of the Ghanaian emerging market context as highlighted previously. The foundation is the context of initial market development, initial SME growth, the instabilities of the Ghanaian emerging economy, the unpredictability of policies and roles of institutional actors, and the active role of political and institutional actors as highlighted previously. As a contribution to theory, this framework clearly emanates from the emerging market context but is applicable to critical event and process studies in all contexts.

In summary, it is important to stress that all the constituents of the model in (Figure 7.1) are intertwined. For instance, as mentioned in previous chapters, the process and activities that take place in the business network are strongly influenced by the critical events, as they cause changes in the network structure over time. The initial catalyst to the process is an exogenous CE by institutional actors, which changes their roles and helps to improve the basic capabilities of the SME. With improved capabilities, the SME can undertake new activities (endogenous CEs), which can positively impact its internationalisation. The decision maker's entrepreneurial spirit is a significant factor in the SME firm's ability, attitude, and willingness to engage in various types of



network relationships as well as take advantage of activities and resources, especially the knowledge provided by other network actors. Pressures from the domestic and host institutional structure of a particular environment may impact the entrepreneurial spirit, and also provide the SME with advantages and/or disadvantages for internationalising. Furthermore, global business environments, such as international trade agreements, also impact the host environment, which in turn affects the firm's internationalisation, thus creating changes in the network structure. Finally, time plays a significant role in all of the dimensions in the framework, since the actors, resources, and activities (ARA) are not static, but rather a process that changes with time, catalysed by major and minor critical events.

### ***Summary of theoretical implications and contributions***

The results imply that studying the development of an emerging market firm as a process within a network perspective provides a more in-depth analysis and increased understanding of the dynamics and factors involved in the internationalisation of the firm. Consequently, this study advances knowledge regarding the IMP perspective on the role of networks and business relations in industrial markets (e.g. Ford & Håkansson, 2006, Håkansson & Johanson, 1992) by supporting the finding of network relationships as being crucial for the development of an SME. In particular, it demonstrates a case where the network involves international actors that are creating interdependencies (Johanson & Mattsson, 1988) in order to achieve more than one actor could accomplish on its own leading to synergies for the network as a whole.

Moreover, the study contributes by extending the view of the business network approach to internationalisation (Johanson & Vahlne, 2009) and shows how the SME from an emerging African market can use business networks as a means of internationalising and entering a developed market. In particular, it shows how SMEs from such a market context can use the networks to reduce information and resource barriers, and as a result, build a competitive advantage that enables them to improve and compete internationally.

The study also contributes to international business literature by developing a conceptual model/framework (see Figure 7.1) for understanding SME internationalisation from an emerging market context. The framework is positioned in the network approach to internationalisation; however, it can also provide useful input to studies on the internationalisation of emerging market entrepreneurial firms or SMEs in general.



The current thesis shows that critical events (CEs) have a major impact on a firm's international development, and they require more theoretical attention. Thus, this research contributes to our knowledge of critical events. This study suggests a matrix of major/minor exogenous and endogenous events that have a role in the internationalisation of the firm. It is therefore suggested that this matrix could be useful for analysing the internationalisation process and business network studies within a similar setting.

Entrepreneurial spirit, including networking capabilities, was a critical part of the resources and activities of the case firm and provided a foundation for the firm's internationalisation process. Thus, the study's findings imply that, particularly in an emerging market context, it is not enough to rely solely on the network dynamics and situational settings of the unfolding internationalisation process. The results imply that the ARA model, which forms the basis of much IMP research, needs to be extended to incorporate entrepreneurial spirit, as a unique resource relevant for small or entrepreneurial firms (see Figure 7.1). The view of knowledge and learning within the IMP research is also extended with this study's findings on the specific types of knowledge and the imperative for continuing to develop them during the internationalisation process.

Another interesting contribution that has to be emphasised is the role of suppliers from other emerging markets (OEMs). The main competitors of internationalising SMEs from emerging markets are OEM firms. Therefore, this case supports the industrial network proposition that relationships can be established also with the competitors' suppliers in order to compete better.

The revised model further enhances the significance of the institutional context as a crucial factor in the internationalisation process. The evidence from the case shows that the influence of network resources continues through much of the international operations process, and is intertwined in the different situational settings and phases of the unfolding process. Thus, the results imply that reconsidering the importance of the geographic and political environment, as well as the role of institutional actors in network studies is pertinent for the industrial network approach and internationalisation studies. The critical role of institutional actors further suggests the constructs political will and political relations as important components. Moreover, all the aspects of institutional factors and the political environment mentioned have a national and international dimension. On the whole, research on political and institutional actors within networks has been limited, and even less so



in the case of emerging markets where this study shows these actors to be critical. Therefore, the findings on this aspect should provide new ground for expanded research on institutional actors and the institutional context.

Finally, the national and international business environments have been shown to have a different and stronger impacts on the internationalising emerging market SME. The national business context of the emerging market SME provides as many challenges as the external market. The emerging market SME is then struggling in both its local markets and trying to find its way “in the dark” in the developed market. Therefore, the revised model implies that, contrary to existing theory, the home market of emerging market SME is as challenging as the external market. Therefore, their competitiveness is negatively impacted. This findings has implications for management and policy as well.

## 7.2. Empirical Contribution

Empirically, this study adds to the literature by providing empirical insights into the internationalisation behaviour of an African SME and redressing the apparent research gap relating to the internationalisation of SMEs from developing countries to the developed market economy.

As discussed in Chapter 1, the small number of prior research in internationalisation of African firms has focused on primary products and industries (such as agriculture) leaving manufacturing and the textile industry under-researched. By focusing on research on Ghanaian SMEs in the textile industry, an alternative viewpoint on internationalisation as well as the characteristics of the industry has been brought to the fore. There are several aspects of this contribution that should be emphasised. First, there is a lack of research on business in Africa in general. The current emergence of several African economies and increased interest in African markets from the rest of the world has led to calls for more empirical research on business in Africa (Dadzie 2013; Owusu and Habiakare, 2011; Burgess & Steenkamp, 2006). As the majority of African companies are SMEs, studying them is important to developing the empirical knowledge that would provide a background for continued research and management implications.

Secondly, because of the relatively rudimentary stage of development of African SMEs, the factors highlighted in this study are likely to provide a way forward



as regards efforts to support their continued growth and internationalisation. In other words, the nature and evolution of the business environment, the role of institutional actors both locally and internationally, and the entrepreneurial factors of the company itself should provide lessons for future efforts both in Ghana and other African and emerging economies.

The existing research on African SMEs and international business mostly focus on exporting and tend to provide a static view focusing on a cross-sectional analysis of impacting factors and specific managerial decisions as they are mostly quantitative studies. Thus, they do not study internationalisation as a process. As the methodological aspects of this study are discussed in more detail below, I will summarise here the fact that the longitudinal study provides processual empirical data that helps us to see the inter-relationships of actors, activities, resources and timelines. The strategies, implementation, and experiences of the focal SME are narrated from their own perspectives and triangulated to provide an empirical flow of the case which is uniquely revealing as compared to the cross-sectional quantitative approaches.

### 7.3. Methodological Implications and Contributions

In this initial stage of development of African business research, it is imperative to provide a broad range of research tools. The conceptual framework built from process-based and internationalisation literature and its operationalisation into qualitative interviews is generally not common in African business studies. Thus, this study contributes methodologically by providing an example of longitudinal processual research. The longitudinal approach and critical event analysis provide a rich understanding of business network dynamics from an emerging market perspective. Moreover, they overcome a common weakness<sup>38</sup> in internationalisation research from African markets. With a few exceptions (e.g. Owusu and Habiyakare 2011), qualitative longitudinal case studies of African business issues that incorporate historical reconstruction of events are rare. Another contribution is the ability to describe and analyse internationalisation in relation to contextual events and factors like the national and international business environments. The events analysis method applied in this study emphasises the importance of connected influencing factors and relationships. Companies that want to internationalise

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<sup>38</sup> Refer to Section 1.2 for a discussion concerning the weakness related to research methodology in internationalisation research on African economies.



are embedded in their national business contexts, which in a globalised world, are strongly linked to international actors and events. Thus, to understand how and why internationalisation proceeds, this methodology is critical. This research provides context specific but trustworthy qualitative results (see e.g. Lincoln & Guba, 1985) as well as an example on which other researchers of African business can build.

In the area of data collection, this study suggests that future researchers should be wary of longitudinal studies of SMEs as focal actors which collect data only from the SME. The lesson from this study is to collect primary data from other relevant network actors as well. As noted earlier in Chapter 3, I initially planned to collect primary data from several Ghanaian textile SMEs as well as other relevant actors and to triangulate with additional secondary data from key actors affecting the process. However, as a result of difficulties in gaining access to several SMEs, I had to settle for SGEL only. Even with SGEL, the company's owner and managers were initially very sceptical of providing information. Understandably, they were in a very critical and sensitive internationalisation process in which they were interacting with critical and new political, institutional and business relationships and did not want to jeopardise their prospects by revealing their business strategies and confidential information. In addition they were operating in a very competitive business. It seems logical that SMEs would not want to discuss ongoing strategies in this kind of situation. They were more willing to provide historical information, i.e. talk about issues from the past that would not jeopardise their business relationships. This is a generic phenomenon that is characteristic of SMEs in all markets. Future researchers should, therefore, take this into account.

## **7.4. Managerial and Policy Implications**

The results imply that entrepreneurs and managers of SMEs who want to successfully internationalise should scrutinise their knowledge base and acquire international market and product knowledge through experience and continuous education in their field. The first step in internationalisation of an SME from a small, less-developed emerging market like Ghana is the entrepreneurial spirit of the owners and managers. Sufficient internationalisation knowledge and specific product knowledge enable the creation of unique activities and resources that put the SME on an initial path to establish and be



able to take advantage of opportunities that arise. These capabilities must be dynamic and continuously improve in order to succeed in the later stages of the process.

The findings of the present case show the high level of competition awaiting firms from the smaller emerging markets operating in the clothing and textile manufacturing industry. Firms from bigger emerging markets such as China have established a strong production, as well as cost and technology advantages, with which firms from the smaller emerging markets like Ghana find it difficult to compete. Firms from smaller emerging markets need support, relationships, and networks with suppliers from the other emerging markets in order to remain competitive. Broad, forward-looking strategies must be developed in order to compete. With the necessary support, success is possible, which is a message that is required to boost efforts to expand internationalisation among firms from developing countries.

From a managerial standpoint, the findings illustrate that the capability to relate to different types of network actors (e.g. political, business, financial, supply firms) is crucial for the internationalising SME in a developing economy. Hence, managers of SMEs in emerging African markets should consider network-building as a norm and regular activity within the firm. In addition, SMEs need to develop their own specific resources and activities in the industry to take advantage of existing initiatives and support.

One of the successful network-building activities used by the case firm is participation in trade fairs targeting foreign-market representatives, agents, and merchandisers. In addition, attempts should be made to participate in fashion shows and exhibitions in other markets. If marketing costs seem to be large, collaborating with other apparel companies to share costs and participating in international affordable fashion and trade shows, exhibitions, and other promotional activities are good strategies to increase international exposure. Moreover, emerging market firms looking for international market entry need to develop their own specific resources in the industry, including the entrepreneurial drive and ambition that enable them to take advantage of existing initiatives.

The challenges provided by the “home market” probably explains the small number of successfully internationalising SMEs from African countries. This implies that the managers of internationalisation-ambitious SMEs should



expect challenges from the “home” front as well. They should be as diligent in monitoring and dealing with it as the external market.

Policy-makers should understand the need to actively implement business-friendly policies. To encourage successful internationalisation over the medium to long term, support has to be active and dynamic by following trends (fashion industry in particular) and dealing with problems that arise. SGEL exemplifies SMEs particularly from the textile industry from an African emerging market. They expect strong action from institutional actors to help them deal with challenges in the business environment and solve problems. SMEs from developed economies are different from SMEs from emerging/developing economies, so policy-makers must be cognizant of these differences when formulating policies aimed at supporting SME internationalisation.

The findings from the case provide valuable insights into how the internationalisation of SMEs from developing markets is hindered and how they can be supported by various institutional actors. Relying on their own resources, and based on the prevailing Ghanaian business environment, SGEL would have found it difficult to internationalise without the supporting activities and resources provided by AGOA and PSI. The findings from the present study, therefore, presents important implications for national governments, national and international organisations such as the UN, EU, and World Bank in supporting the internationalisation of SMEs from smaller emerging markets. Thus, from a policy perspective, uncertainty in internationalisation due to lack of experience and limited knowledge about the foreign market can be improved by offering internationalising SMEs opportunities for training and consultation. Policy makers should take a more active role in business networking, network-building, facilitating, and mobilizing in order to support the internationalisation of firms from smaller emerging markets. Above all, they should ensure a stable and supportive national business environment.

## 7.5. Suggestions for further research

Further comparative longitudinal case research on firms from different sectors will be useful to increase knowledge of the internationalisation process of SMEs from less developed emerging markets. It would be useful to understand to what extent the findings of different cases are unique and what similarities can help to build new theories. AGOA is a policy framework for companies from many African countries and many industries. Therefore,



the cross-national and cross-industry knowledge would be useful. In addition, the role of institutional actors in different types of industries would be an interesting aspect to compare. Researchers should also conduct comparative case studies to explore how the level of entrepreneurial activities and resources and institutional support impact internationalisation success of SMEs from developing markets. In this vein, quantitative studies, wherever possible, would contribute immensely to theory-building. In addition, I suggest further studies on how entrepreneurs from other developing economies develop networks and the role of intermediaries and suppliers in influencing SME internationalisation from emerging markets.

Another area for future research is to compare the different roles and positions of the actors in the network during the internationalisation process as an alternative method for understanding the change and dynamics occurring in the network using the position concept as suggested by (e.g. Anderson , Havila, Andersen, & Halinen, 1998).

As the critical event analysis has shown itself to be a powerful tool for analysing processes, it could be applied to similar studies on business network relationships that involve SMEs from other emerging markets. The strength of the approach lies in its ability to analyse and decipher whether a process is the result of a passive movement of time or the active relationship and networking strategies and capabilities of entrepreneurs and managers. Thus, the endogenous and exogenous characteristics should be studied. I would also propose that the matrix of events suggested by this study, i.e. major and minor endogenous and exogenous events, should be used by future researchers to investigate time and processes.

### **7.6. Critical review of the study**

Notwithstanding the contributions of the thesis, the following limitations must be highlighted.

A weakness can be attributed to studying a single case study as well as having conducted a limited number of interviews. It would have been valuable to have compared several cases and also increase the number of interviews conducted. Other network actors like institutional actors who were heavily involved in the case firm's internationalisation process could also have been interviewed to enrich data collection. However, as discussed in Chapter 3, I decided to study



the case longitudinally, through collecting primary data over time from the focal SME and secondary data from all the actors. The resource and access constraints of having to travel from Finland to Ghana for this purpose were major limitations. Nevertheless, the focal firm perspective adopted provided rich data and enabled me to ask further questions on issues that arose in my semi-structured interviews. In addition, the combination of methods (longitudinal, critical analysis method), primary and secondary data collected from numerous sources, as well as the hours of pre-interview and feedback meetings with respondents, which enabled data triangulation have improved the quality of the study.

The data collection was carried out actively between 2009 and 2013 and the industry is likely to have changed in the few years that have passed since the collection of the empirical data. The study, therefore, offers perceptions and analysis of the issues only up to 2013, but on the other hand, an interpretation of developments and critical events was made based on informants who were active within the industry. A new round of interviews with the same informants might give different perceptions and analytical outcomes based on the developments that have occurred since 2013. This fact does not, however, negate the trustworthiness of this study, as the aim was to study the internationalisation process longitudinally up to 2013. The value of this study lies, moreover, in the analytical results that provide us with information and contributions about how SMEs from emerging African markets internationalise in the context of active local and foreign institutional actors and a dynamic business environment.

Another option for analysing the data would be the usage of computer-aided qualitative data analysis (e.g. NVivo), which helps to structure, code and categorise data. However, the total amount of data was relatively small which made me decide not to use computer-software coding and categorisation of the material in a more systematic and replicable way. With the relatively small amount of data, I found it better to use manual content analysis. I dealt with any possibility of misinterpretation on my part by confirming my interview transcripts with the interviewees. Moreover, due to the need for a more multi-faceted interpretation, coding with NVivo may have restricted the richness of the interpretation.

Finally, the results and implications of this study are extended to other emerging markets in Africa and outside African within the realm of



analytical generalisation (see e.g. Yin 2009; 2010; 2015; Kvale 1996), rather than statistical generalisation. This means that the results and implications deduced in this study, do not apply to all emerging markets all the time, but apply within the bounds of similarity of context (other emerging markets like Ghana); period of the study (liberalized emerging market that was encouraging business development); small, less developed emerging market; and emerging market SME like SGEL.

### 7.7. Conclusions

This study began as a result of my own curiosity about firm internationalisation; a curiosity that had been awakened after completing my master's thesis and also due to my interest in the fast developments in emerging markets. As mentioned in Chapter 1, the main objective of the research was 'to develop an understanding of SME internationalisation in an emerging African market context using a business network approach.' The particular empirical context is an SME firm from the clothing and textile industry in Ghana.

The study is justified by gaps in the knowledge of previous research that has not explored this specific area. To avoid the limitation of some previous research and to achieve the study's objective, I focused on integrating a business network, emerging market, and a processual viewpoint. Consequently, this research has discussed relevant literature related to the study area. Justifications for borrowing concepts from previous literature and their relationship with the final conceptual model developed have also been discussed.

For the purpose of this study, qualitative research methodology, interviewing, and archival data analysis have been adopted to enable the collection of rich data and in-depth analysis. This enabled me to develop a deep understanding and analysis of the phenomenon. In addition, the research strategy employed an abductive approach to ensure a closer link between the empirical data collection, the data analysis, and the interpretation dimensions. The abductive method worked well for this research because this study represents an empirically grounded case, which is conceptually positioned in internationalisation process literature. Theoretical tools were developed from the relevant literature to support the longitudinal data collection process.

Consequently, this study has gained insight from concepts, descriptions, and understandings laid out by previous business network researchers in



developing the modified framework (Figure 7.1). The results of the study suggest theoretical modifications on a business network approach to SMEs internationalisation by broadening the perspective and incorporating findings related to the institutional actors and suppliers from other emerging markets, and the unique entrepreneurial resources.







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## APPENDIX 1- INTERVIEW GUIDE YEAR 2011- SEMI-STRUCTURED

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Purpose of the Interview is to gather stories about the firm's internationalisation development during 2000-2011.

### **Background**

Could you please start by presenting yourself?

I would like to know who you are, your position and background in the company.

How many years have you been in this company?

### **Company**

Could you please present your company, shortly?

- Industry, products,
- Size, annual turnover, number of employees
- Location of business operation and why

### **Business environment/Context**

Could you please describe the business environment you are operating in?

What is driving the business environment you are operating in?

Socio-political environment, Socio- cultural, Institutional environment?

Can you please provide a brief history of the textile industry and SMEs in Ghana?

### **Internationalisation of the Firm**

Why international activities?

When did international activities started and how?

How did it develop?

Could you please discuss which markets the firm has operations in?

Could you please discuss your mode of operation since you started?

What has been successful?

What has been unsuccessful?

If explained in a nutshell what is the story of your firm's internationalization into the USA and European markets?



### **Business network development & Impact**

What individuals companies, organization/institutions, persons have had a key role in your internationalization process into the US and European markets?

What kind of roles has each of these actors – companies, organization/institutions or persons had?

What are the main activities in the network?

How do you maintain your key relationships?

### **Events**

The most important happenings, events and changes concerning your international operations

- What have been the most important changes or events that have influenced the Internationalization of your firm/your international activities?
- What has caused these changes or events?
- What was the consequence or outcome of the events?
- Other expected events that could shape the internationalization process

### **Future prospects/Challenges**

Could you please describe the future prospect of your international operations?

- Market potential
- Relationships

Could you please tell about the future challenges of your firm's internationalization process?

- How the future does look like?
- What are the main expected problems in the near future?

Is there any other information you would like to discuss and tell about?

***Thank you for your time!***



## APPENDIX 2- INTERVIEW GUIDE YEAR 2013- SEMI-STRUCTURED

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Purpose of the Interview is to enrich previous data, clarify and gather stories about the firm's internationalisation development during 1980-2013.

### **Background**

Could you please start by present yourself?

I would like to know who you are, your position and background in the company.

How many years have you been in this company?

### **Company**

Could you please present your company, shortly?

- Industry, products,
- Size, annual turnover, number of employees
- Location of business operation and why

### **Business environment/Context**

Could you please describe the business environment you are operating in?

What is driving the business environment you are operating in?

Socio-political environment, Socio- cultural, Institutional environment?

Can you please provide a brief history of the textile industry and SMEs in Ghana?

### **Internationalisation of the Firm**

Why international activities?

When did international activities started and how?

How did it develop?

Could you please discuss which markets the firm has operations in?

Could you please discuss your mode of operation since you started?

What has been successful?

What has been unsuccessful?

If explained in a nutshell what is the story of your firm's internationalization into the USA?



### **Business network development & Impact**

What individuals companies, organization/institutions, persons have had a key role in your internationalization process into the US and European markets?

Could you please narrate how your key relationships have developed?

What kind of roles has each of these actors – companies, organization/institutions or persons had?

What are the main activities in the network?

How do you maintain your key relationships?

### **Events**

The most important events and changes concerning your international operations 1980-2013 – (Chronological map/drawing from informants)

- What have been the most important changes or events that have influenced the Internationalization of your firm/your international activities?
- What has caused these changes or events?
- What was the consequence or outcome of the events?
- Other expected events that could shape the internationalization process

### **Future prospects/Challenges**

Could you please describe the future prospect of your international operations?

- Market potential
- Relationships

Could you please tell about the future challenges of you firms internationalization process?

- How the future does looks like?
- What are the main expected problems in the near future?

Is there any other information you would like to discuss and tell about?

***Thank you for your time!***



Irene Akyaa Kujala

## **SME Internationalisation from an Emerging Market to a Developed Market: A case study from Ghana**

Research on internationalisation has primarily focused on firms from developed countries. Even with globalisation and the current interest in emerging market economies, only a small number of studies have focused on internationalisation in emerging markets and even less so on African economies. Due to the socio-economic differences between developed and developing nations, presumptions made in prior theories along with associated empirical results, cannot be directly generalised to firms from developing markets. There is, therefore, a need for existing theories to be tested and contextualised with studies in developing markets.

The objective of this research is 'To develop an understanding of SME internationalisation in an emerging African market context using a business network approach.' The study describes and explores the internationalisation process of a Ghanaian textile SME and impact of its focal business network during its internationalisation into the US market. This is done by analysing the changes and critical events (CE) that shape the process. The interest lies in exploring how the focal business network comes into existence and develops as a dynamic process over time. The key elements are the changes in relation to the actors, activities and resources and its subsequent influence on the internationalisation process.

The research findings highlight the significance of both domestic and foreign business relationships in the internationalisation of an SME from an emerging African market to a developed country market. They show the greater importance of exogenous critical events than has been found in the research regarding firms in developed countries. Institutional actors were essential in the network and as sources of exogenous critical events. In addition, the successful SME should possess unique resources in the form of an entrepreneurial spirit, sufficient knowledge of internationalisation, and specific product knowledge.

The present study contributes to existing knowledge through providing an understanding of the process of developing network relationships and their impact in an African context. Methodologically, the study provides implications of the processual case study and its usefulness for research and practice particularly considering emerging African markets. The results provide implications for firms, managers, and policy-makers within the industry, especially on how to manage and use network relationships to promote SME internationalisation from newly emerging markets.



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