# Internationalization through networks from emerging to developed markets with a case study from Ghana to the U.S.A

Kujala, Irene; Törnroos, Jan-Åke

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**Internationalizing through networks from emerging to developed markets with a case study from Ghana to the U.S.A.**

Irene Kujala[1]
Åbo Akademi University
School of Business and Economics
Vänrikinkatu 3, FIN-20500 TURKU, Finland

Jan-Åke Törnroos
Åbo Akademi University
School of Business and Economics
Vänrikinkatu 3, FIN-20500 TURKU, Finland

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**ABSTRACT**

This paper scrutinizes SME internationalization from an emerging African market to the affluent U.S. consumer goods textile market. First, by using a network and effectuation approach the paper makes a conceptual focus of SME internationalization. In order to present the internationalization process as it unfolds over time and in its context, a qualitative and dynamic event-based methodology is used to uncover the international development of SMEs. Secondly, a case study is presented which shows the relevance of the conceptual framework in practice. The combined network and effectuation approaches add to the current literature on SME internationalization from emerging to affluent markets. The paper also presents a critical evaluation with conclusions and implications for further research in this area.

*Key concepts: Internationalization, emerging markets, process inquiry, business networks*

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## 1. INTRODUCTION

[1] Corresponding author

One aspect of globalization during the past decades has been the growth of emerging markets[2] and their closer integration into the global economy. A World Bank (2016) report confirmed and praised the improving business climate in emerging markets in Sub Saharan Africa, but mentioned several sources of risks and challenges associated with the national business environments in this region. It is estimated that by 2020, the African continent's GDP will rise to nearly $3 trillion (Chironga, Leke, Lund & Van Wamelen, 2011). However, research on the internationalization of firms has thus far primarily focused on firms from developed countries. Even with globalization and the current interest in emerging market economies, significantly fewer studies have placed their focus of attention on internationalization from emerging markets, and even less so on African economies (Owusu & Habiyakare, 2011). Furthermore, existing theories are not necessarily applicable to emerging market contexts (Burgess & Steenkamp, 2006; Ibeh & Kasem, 2011). Due to the socio-economic differences between developed and developing nations, many presumptions made in prior theories, along with associated empirical results, cannot be directly generalized or used for firms from developing markets. Therefore, a need prevails for current theories to be developed and contextualized by conducting empirical studies in developing markets.

Previous studies have emphasized the crucial role played by SMEs in stimulating socio-economic advancement and providing employment opportunities through internationalization (Osei Bonsu, 2014). Business relationships and networks are crucial in allowing such firms to overcome some of the associated challenges such as resource constraints during internationalization (Coviello & Munro, 1997; Agndal & Chetty, 2007).

Upon reviewing the existing internationalization research literature on emerging markets, the following contributions and research gaps were identified. First, the majority of previous studies have mainly focused on internationalization strategies of multinational corporations (MNCs) 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 internationalization in these markets. In most cases, the research tends to be on firms from developed markets entering emerging market economies with particular focus

[2] According to Hoskisson et al. (2000), emerging markets constitute "low income, rapid growth economies using economic liberalization as their primary engine of growth" (p. 249). This definition incorporates emerging economies from Africa, former communist markets, east European countries, Latin American markets, and Asian economies. For this study, we have adopted the definition of Hoskisson et al. (2000). We focus specifically on emerging markets from Africa.

on “bigger emerging markets”[3] (e.g. Sandberg, 2013; 2014). To our knowledge, this pertains especially to SME internationalization studies from emerging markets from Africa to a developed market economy such as the USA.

Secondly, current research has recognized that there is little information on how SMEs, particularly those from emerging economies, develop network relationships to facilitate their internationalization (Senik, Scott-Ladd, Entrekin & Adham, 2011). Although considerable research has highlighted the significance and usage of networks in SME internationalization (Johanson & Mattsson 1988, Johanson & Vahlne 2009, 2013), 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 business network dynamics and critical events as important elements in the processes related to a firm’s internationalization. Meanwhile, Halinen, Törnroos and Elo (2013) suggest that it is important to incorporate these concepts in order to understand a firm’s developmental process in general.

A third gap to be noted concerns the role of effectuation theory characterizing the managerial processes of SME firms (Sarasvathy, 2001; 2008). Researchers have stressed effectuation as an emerging and relevant theory also for understanding the internationalization of firms, particularly SMEs (see e.g. Chetty, Ojala & Leppäaho, 2015; Ojala, Chetty & Kontinen, 2012; Andersson, 2011; Harms & Schiele, 2012; Kalinic, Sarasvathy & Forza, 2014; Schweizer, Vahlne & Johanson, 2010). The effectuation approach has an entrepreneurial and network element as a base and has, in most cases, been integrated into the network approach (e.g. Chetty et al., 2015) related to internationalization studies in developed market economies. To our knowledge, no internationalization process studies have integrated the network and the effectuation approach in order to understand SME internationalization from the context of an emerging African market. As most SMEs from the emerging African economies are resource constrained and managed by an entrepreneurial actor (Mtigwe, 2005), integrating the network approach with the effectuation concept may be relevant /germane to providing a deeper understanding of the internationalization process.

Based on these noted empirical and conceptual research gaps and perspectives, the objective of the paper is ‘to develop an understanding of SME internationalization in an emerging African market context using a business network (Johanson & Vahlne, 2009; Johanson & Mattsson, 1988; Håkansson & Snehota, 1995) and an effectuation approach (Sarasvathy, 2001;

[3] 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.

2008). The particular empirical context is a Ghanaian SME and its internationalization to the affluent U.S. consumer goods textile market. The two research questions of this study are: (i) How can a business network and effectuation approach be used to develop a conceptual framework for SME internationalization from emerging to affluent markets? (ii) How has the internationalization process of an SME in the Ghanaian clothing and textile-manufacturing sector unfolded over time as an internationalization process?

We have used a qualitative longitudinal and processual case study approach to understand how the internationalization process of the case SME has unfolded over time. The context that we have studied here is significant because particularly in emerging markets, SMEs in the textile and clothing industry may offer platforms for learning and developing business network relationships (Guercini & Runfola, 2010). Such an industrial context has been recognized as the primary takeoff industry for many emerging nations, primarily due to the labor intensity of the sector (Gereffi, 1999). Thus, textile SMEs in emerging African economies such as in Ghana have been supported through various policy initiatives.

The present study contributes to the literature on business networks, effectuation, and SME internationalization in the context of an emerging African economy. Furthermore, the results provide implications for management and policy makers to implement strategies and policies that could help improve the competitive advantage of African SMEs.

We begin with a conceptual literature review of internationalization from emerging markets, after which we highlight our conceptual framework using a managerial network approach combined with effectuation theory. This section ends by showing the relevance of joining these two theoretical strands of literature concerning the objective at hand. In the next section, the method of research is presented with an emphasis on the case study and its relevance in conjunction with the gathering and analysis of the qualitative processual data. Following this, the longitudinal empirical case study is presented of the SGEL-SME in Ghana and its entry into the U.S. Market. In the final sections, we analyze the unfolding internationalization process as a joint networking and effectuation process and conclude with a section on the key findings, limitation, and implications.

## 2. LITERATURE REVIEW

### Studies of internationalization in an emerging market context

Sorensen and Amponsah-Efah (2014) studied the drivers and barriers of exporting from Ghana in an exploratory study on the pharmaceutical industry. They found that only a minuscule percentage of the firms were involved in exporting. Matenge (2011) found, in the case of small firm internationalization in Botswana that factors such as commitment, innovative products, networking with the government, and market knowledge were significant factors in determining their international market involvement. The impact of barriers on the export behaviors 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 behavior. In addition, 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. Kuada and Sorenson (2005) conducted a survey among 20 exporters in Ghana's manufacturing sector and processed food industry which indicated that internationalization theories are inadequate in guiding or explaining the internationalization of firms in Ghana and other developing nations. Ciravegna, Lopez, and Kundu (2014) found no difference in their comparison of how Costa Rican and Italian SMEs used networks to enter their first foreign market. They concluded that the fact that they are from a developing and developed country respectively was less important than their structure and resources as SMEs. Their findings revealed a significant influence of both social and business networks in the SMEs' internationalization. Senik et al. (2011) determined that three types of networks assisted Asian SMEs to enter international markets, namely social networks, business networks, and intermediaries. Another stream of research focuses on the influences of the business context and the role of other actors in an emerging market in facilitating internationalization (Meyer et al., 2009; Elg et al., 2012). For instance, an in-depth case study based on two Swedish firms and their activities in India by Elg et al. (2012) demonstrated how businesses could collaborate with partners in emerging markets to influence political actors proactively, as well as actively reduce the harmful effects of political decisions. Further, along the same lines, Owusu and Habiyakare (2011) showed how the evolution of the political, economic, and social environments and policies of the South African government, as well as the policies of foreign governments towards South Africa, had impacted the internationalization decisions of foreign companies in the country before and after 1984. The study revealed the importance of both institutional factors as well as the business environment in facilitating foreign market expansion into emerging markets.

The preceding review shows that there is scant but growing research on internationalization of African SMEs. This makes it difficult to find an adequate mass of extant research dealing with the specific questions researchers might be studying. This confirms the call made by several researchers (e.g. Burgess and Steenkamp, 2006; Hoskisson et al., 2000) among others, for more research on the internationalization occurring in emerging African economies. Therefore, this considerable knowledge gap concerning internationalization from Africa requires more research, which can also be aided by the lessons of research conducted in other emerging markets. Next, we explore the business network approach in order to conceptualize the SME internationalization process from emerging markets.

**The Business Network Approach and SME internationalization**

A business network is here defined as “a set of two or more connected business relationships in which each exchange relation is between business firms that are conceptualized as collective actors” (Emerson, 1981). In the following, the Industrial Network Approach (INA) is first briefly discussed with respect to its origin, concepts, ideas and rationale.

*Industrial Network Approach (INA) background*

The INA approach (Håkansson & Snehota 1995; Ford, 2002; Johanson & Mattsson, 1992) suggests that all actors in the business market engage in business relationships that are mutually connected to create networks. Relationships are defined as connections, interactions, and links between firms and other identified actors in the business market (Håkansson & Snehota, 1995). With two or more connected relationships, firms are interlinked through direct and/or indirect relationships and different types and strengths of social bonds, activity links and resource ties. By interacting and cooperating connected firms become mutually interdependent in various ways. These processes have an impact on the success or failure of each firm in its network. By an exchange of resources firms receive resources that they need or lack from other firms, and provide their own resources in exchange (Håkansson & Snehota, 1995). Since its inception, this viewpoint of the research by the so-called IMP-Group has resulted in a myriad of studies and frameworks for analyzing business network relationships. Among these is the basic structure of the Industrial Network the ARA model (Håkansson and Johanson, 1992). The ARA-model consists of three closely intertwined elements: actors, resources, and activities. Håkansson (1987) defines actors as “those who perform activities and/or control resources within a certain field” (p.14). These actors can be individuals, firms, departments, customers, distributors, competitors, government institutions or e.g. 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. Thus, through the ARA-process, network connections change and develop over time and this includes those connections going across international borders Johanson & Mattsson 1988, 2009). In the next section, this issue is taken to the fore from an SME perspective.

*Business networks and SME internationalization*

Numerous studies have stressed the influence of networks on internationalization[4] of SMEs (see e.g. Chetty & Wilson, 2003; Agndal & Chetty, 2007; McAuley, 2010; Coviello & Munro, 1997; Fletcher, 2008; Zain & Ng, 2006). For SMEs, networks largely assist with the ease and speed of entering foreign markets. Hence, the SME develops the relationships needed to facilitate its internationalization process. Relationships and networks have an impact on the level of risk incurred by entering an overseas market and, thus, assist in the firm's internationalization (Musteen et al., 2010; Kontinen & Ojala, 2011). Furthermore, network relationships can provide a diversity of knowledge, learning, and experience that facilitate the exploitation of different markets, as well as providing an opportunity for recognition in international markets (Nummela, 2011; Johanson & Mattsson, 1988; Johanson & Vahlne, 2009; 2011). While many studies have focused on the positive effects, Tang (2009) discussed networks as a "double-edged sword" that can produce both favorable and unfavorable consequences for a small firm. Johanson and Vahlne (2009) posit that the *liability of outsidership* can create challenges for firms during the process of internationalization. However, this liability of outsidership is not seen as a key hindrance in this process of the firm, as the firms' *network position* is the influencing factor that shapes the opportunities in the business environment. Consequently, the authors stress that insidership in the relevant networks is necessary for successful internationalization. To gain insidership, there is the need for internationalizing firms to achieve trust, and develop and maintain relationships with other network actors, (through activities and mutual resources) otherwise the liabilities of outsidership will continue. Outsidership refers to an instance when an actor firm is not part of a joint network; it is associated with difficulties regarding information constraints and uncertainties as a result of network developments and opportunities that emerge in the actual business network relationships in the target markets.

Ojala (2009) contends that when an organization passively follows its networks into new markets, there is the possibility of missing opportunities in some other markets. The firm can

[4] Researchers have adopted various definitions of the internationalization concept. (see e.g. Johanson & Vahlne, 1977; Ruzzier, Hisrich, & Antoncic, 2006; Welch and Luostarinen, 1988; Beamish, 1990). The present study adopts the network view, which defines the concept of internationalization 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).

also be led into countries where its real market potential is very low. 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. The managers of SMEs must consider the impact of networks and pay attention to building relationships and developing them in the right way for mutual benefit (Coviello & Munro, 1995). Thus a network approach to SME internationalization needs a careful and balanced view on why, how, when a firm can enhance its international entry and development by connecting with other actors in order to gain mutual value. In SME firms in particular, the role of the managerial decision makers as entrepreneurial actors who aim to connect to relevant networks and gain access to international markets plays an important role. This issue is discussed in the following section.

**Effectuation theory**

The effectuation approach (Sarasvathy, 2001; 2008) is a perspective from which an understanding can be gained of how entrepreneurs make decisions and behave in their search for new market opportunities. The effectuation approach is focused on 'sense-making' (Weick 1995), and it is relevant in situations characterized by a firm facing an uncertain and unpredictable future. Effectuation takes into account the dynamic, non-linear characteristics of the business environment and is especially relevant in a situational context where relationships and access to relevant networks form the key strategic components for gaining market entry. Sarasvathy (2001; 2008) posits that effectuation is relevant especially for small and entrepreneurial firms due to the scarcity of their resources. According to the author, effectuation rather than causation[5], provides a better understanding of entrepreneurs and SMEs decision-making during internationalization. Five main principles of effectuation are presented in the literature (Sarasvathy, 2001):

*Employing the existing means*. The entrepreneurs who act effectually utilize three primary means, both professionally and socially which include (i) expertise and experience, (ii) networks and relationships, and (iii) personal traits. This logic illustrates that the entrepreneurs can shape their means to take advantage of numerous opportunities. Focus is laid on openness and productivity issues from the entrepreneurial viewpoint.

*Putting focus on the affordable losses.* The effectuation theory highlights the fact that the entrepreneur's profit is not the main goal but rather how the losses and risk can be reduced.

[5] The logic of causation presumes a planned and strategic view to market entry.

The intention is that losses made in a present situation may manifest themselves as opportunities in the future.

*Leveraging contingencies.* As entrepreneurs are faced with unpredictable situations and futures, successful entrepreneurs are the ones who accept and adapt to changes, and favorable or unfavorable events. The adaptive potential of small firms can also give opportunities for future gains

*Focusing on relationships*. According to Sarasvathy (2001), to compensate for their resource limitations, firms using an effectual approach place emphasis on developing network relationships and alliances rather than on competition during international market entry. Such focus on relationships enables a firm to gain access to opportunities in the future, as well as resources, and knowledge.

*Controlling rather than predicting.* According to this principle, it is not necessary for the entrepreneurs to predict the future to succeed. Effectively utilizing and detecting available resources can achieve success even in the context of increasing uncertainty in the business environment.

Empirically, Sarasvathy's effectuation approach (2001; 2008; 2014) has not only gained popularity within entrepreneurship literature but has resulted in considerable empirical evidence. Particularly, the relevance of this approach in supporting SME internationalization has been the focus of new research (see e.g. Chetty et. al., 2015; Evers & O'Gorman, 2011; Spence & Crick, 2006; Galkina & Chetty, 2015; Bhowmick (2008). These studies have revealed empirical support showing that the adoption of effectuation thinking enables SMEs to successfully adapt to challenges and real life "surprises" during the internationalization process. It is suggested that effectuation could offer deep insight into understanding the internationalization of SMEs from a managerial perspective. Effectuation especially offers SMEs the ability to overcome their resource limitations. Furthermore, Kalinic, Sarasvathy, and Forza (2014) posit that particular SMEs following effectual logic can overcome the liability of outsidership (Johanson & Vahlne 2009) and the difficulties related to entry into a foreign market. Thus this approach enables SMEs to take advantage and develop their network and relationships as well as knowledge during the process of internationalization. Similarly, researchers such as Schweizer, Vahlne, and Johanson 2010 and Johanson and Vahlne, 2009 consider the logic of effectuation consistent with their models and suggest that effectuation complements earlier business network research. The authors' stress that the strong contribution effectuation and the network approach can jointly offer is a deeper understanding of the internationalization process of firms. Effectuation brings new understanding to the field of network and SME internationalization, in the following specific ways. Firstly, by considering the individual firm and its network levels, and, secondly by offering a proactive viewpoint that better describes SMEs Internationalization development. Thus, there is a need for more research employing the effectuation approach to SME internationalization. We will thus synthetize these conceptual perspectives in the next section.

**A conceptual framework for SME internationalization**

Based on the preceding literature, we derived a conceptual framework (Figure 1) to connect the literature and to guide the data gathering and analysis. The model implies that studying the development of an emerging market firm as a process from a network and effectuation perspective provides a more in-depth analysis and increases understanding of the dynamics and factors involved in the internationalization process of SMEs in emerging markets. Examining the literature reveals several similarities and concepts from the network and effectuation approaches. First, such concepts as dynamism, interactions, relationships, commitment and resources can be identified both within network and effectuation theories. According to the theoretical review, a central conceptualization and key content of business networks - the ARA-model, creates the dynamics of the network and hence determines the development of the network's connected corporate/organizational structure and change across and inside nations and localities. In this manner, the internationalization of a firm from emerging markets and the network dynamics are analyzed, in this model, in relation to actors who manage the activities and control (or cope with and handle) both its internal and external joint resources. Consistent with this view, the effectuation logic encourages utilizing alliances and network relationships as a strategy to eradicate uncertainty and challenges concerning foreign market entry. Furthermore, effectuation depicts the significance of current managerial knowledge, the role of resources gained through relationships, and network dynamics (Sarasvathy, 2001; Sarasvathy et al., 2014). The network structure and change (through the ARA approach) describes the development and internationalization process whereas effectuation in particular focuses on decisions that entrepreneurs and SMEs face during this process. This logic implies that not only should the firm level be considered, but also the individual level should be strongly acknowledged, as they are both significant factors shaping the internationalization process and especially prevalent in SME contexts. Thus, the concept of effectuation is also an important recipe for success particularly for internationalizing SMEs from emerging markets.
Another commonality identified from both the network and effectuation theory is the emphasis on the role of the contextual networked business setting. In emerging markets, in particular,

the overall context and characteristics of such markets may contribute significantly to defining the SME effectuation processes and network structure in terms of the actors. This would specifically include the actors' resources, activities, specific events, and the potentials and challenges they face. Thus the prevailing context may provide advantages or disadvantages for the internationalizing firm in gaining access to significant networks and utilizing the resources needed for successful internationalization into foreign markets. Through a literature review, Sarasvathy (2001) reveals the significance of effectuation reasoning particularly in instances when uncertainties in relation to the business environment makes it challenging to predict future consequences. Sarasvathy (2001; 2008) posits further that effectual logic will be of preference among firms or entrepreneurs operating under a highly unpredictable situation and context. This may be especially relevant in the unpredictable environment of an emerging African market economy, such as Ghana. Consequently, utilizing capabilities and developing relationships is the means for success in such uncertain and unpredictable business environments.

In the proposed model (see Figure 1.), effectuation is added to the network structure and change concepts to reflect the SME firm capabilities of creating, developing and maintaining network relationships, as well as taking advantage of activities and resources provided by potential resourceful network actors.

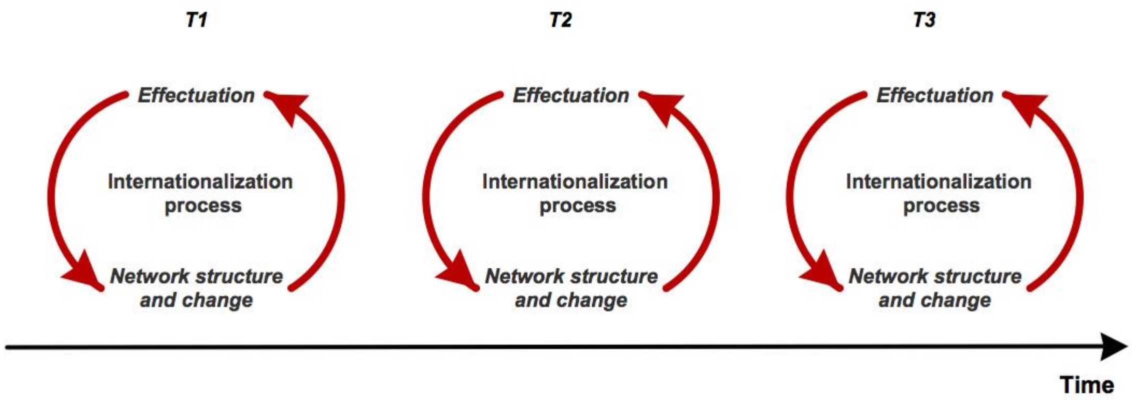


Fig. 1. A model for analyzing SME internationalization from emerging markets

It is assumed that SMEs can apply the notion of effectuation and thus shape how to control their resources, and then take advantage of opportunities presented through network relationships. We argue that effectuation also helps the firm to initiate decisions, and exploit contingencies that enable SMEs to successfully penetrate foreign markets. The concept of effectuation also reflects the firm's dynamism.  In summary, SME firms are assumed to possess the capabilities and be able to make the decisions as regard to what can be achieved through the possibility of using network relationships through interactions. In addition, the firms should have the ability to act on the possibilities that ensure success as the internationalization process unfolds.

## 3. METHOD OF RESEARCH

The currently dominating internationalization research is highly quantitative, nomological, and variance-based (Vissak 2010, Marschan-Piekkari & Welch 2004, Paavilainen-Mäntymäki & Welch 2013). There are many reasons for this state of affairs. Quantitative research is considered to be more accurate and precise, it does not suffer from respondent bias and is used for generalizations and thus can confirm or generate theories. However, in research where it is necessary to come closer to actual events and processes in practice, qualitative case research seems to be relevant and appropriate. Moreover, Welch, Nummela & Liesch (2016, 784) have stated, about internationalization theory and process research in particular, that:

> “Exploring the potential of the internationalization process model entails rethinking paradigmatic assumptions that tend to be taken for granted in IB, pursuing a new set of research questions, and utilizing a greater diversity of research methods and approaches”.

In recent years, novel perspectives and conceptual advances have appeared that offers more constructivist and qualitative inquiry into the IB field. As noted above, the effectuation approach takes time and processes into account in order to note unplanned serendipities facing the companies in their effectual-managerial processes and development over time. The method used here is thus a context-based qualitative case inquiry in order to deal with conceptual generating research (Eisenhardt 1989). In our attempt to approach this methodological challenge we studied SME-internationalization from an emerging market to an affluent country market by combining the presented theory concepts and thinking. This combination was then aligned with a case study based on qualitative longitudinal process research (Halinen & Törnroos 2005).

When collecting data relating to the unfolding of an internationalization process, it needs to be rich and updated over time in order to present the effectuation process under scrutiny in a trustworthy manner (Lincoln & Guba 1985). This is why this approach has been selected in order to obtain access to required data along a timeline, and in a sufficiently rich manner.

The network approach offers a perspective through which we aim to understand SME-internationalization from an emerging market (Johanson & Mattsson 1988, Johanson & Vahlne 2009, Chetty et al. 2015). This view is supplemented with the effectuation approach to internationalization, i.e. how a specific internationalization process and upcoming situational occurrences confront managers in particular (Sarasvathy et al. 2014) (Fig. 2.). The network approach adds a dynamic element in order to understand change based on the ARA model through evolving network structures in space across nations and locations. The effectuation approach in turn takes the managerial issues facing decision makers in SME firms into consideration. By studying a internationalization from both these angles it may be possible to understand this process more explicitly in its actual real-life setting.

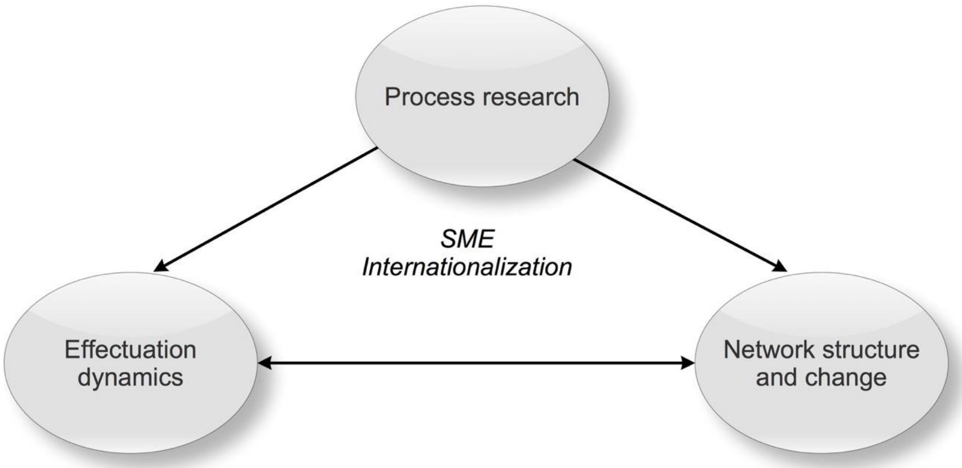


Fig. 2. The methodological framework for qualitative process inquiry

*The role of the contextual setting and concepts*

The empirical study presents the changing context surrounding an emerging networking-effectuation process over time (Figs. 1 & 2). Becoming close key people and obtaining committed informants is an important issue in this type of research (Lincoln & Guba 1985). The data was accessed by a stepwise process where the researcher gained closeness by developing enough trust and commitment and a more open attitude from the key informants. By disclosing the results of the written narratives and checking these with the two key informants in the case company after the interviews was a part of this process. Secondary data concerning the textile industry in Ghana, different organizations and firms acting in the market and in the firm's network were used to supplement the primary data. (the author).

*The longitudinal and process perspective*

A process ontology and epistemology rests on unfolding the processual dynamic reality in detecting how and why something emerges, develops, grows or conversely contracts or terminates over time (Langley et al. 2013). The ontology here rests on the idea that things (in this case the firm and its being in a state of constant becoming) can be seen as a reification of processes in its development in time and space (cf. Langley et al. 2013, 4-5.) How internationalization starts, proceeds, and changes and is influenced by specific connected events is scrutinized in this study. This corresponds to a process methodology, which is a key tenet of internationalization research. Our approach thus follows this logic defined as how SME internationalization unfolds over time in its context (Pettigrew 1997, Van de Ven 1992).

The empirical study thus gives an opportunity to analyze those key events and processes that come to the surface and give a real-life flavor to the studied processes in this specific case. The role of human (experiential) time (Bluedorn 2002) and process (Pettigrew 1997) is noted as crucial in developing theories and understanding the real-life processes of SME-internationalization.

International networking, where different actors can be found at different stages of the process and represents a set of connected relationships that have a bearing on the internationalization and how it proceeds. The double-sided arrow between the effectuation dynamic and the network structure in Fig. 2 shows the interplay between (network) structure and (effectual) sensemaking as having a bearing on the present and future possibilities to act and react. In Fig. 2, the process research approach aims to show how the network evolves and changes due to managerial-effectual processes taking place in the case study as it unfolds onto the international market.

*Qualitative data gathering*

Based on the methodological framework, the data gathering focused strongly on personal interviews with the managers of the SME studied in Ghana actors (see tables 1.1. and 1.2.). The semi-structured interviews were held *in situ* in Ghana, and contact was made with the key informant by phone before the first interview and also between the other phases. The researcher collecting the data needed to understand and learn about the changing situation after the previous round of interviews and conclude the events from the last meeting as well. Secondary sources were used in order to supplement the interviews, such as, relevant websites and statistics and news related to the issues at stake in order to note contextual issues of the case and the connected.

*Table 1.1. List of case involved, interviewees, positions, and dates and places - Phase 2*

| | Firm | Respondent | Position | Date |
|---|---|---|---|---|
| **Pre-interview meeting** | SGEL | 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 |

*Table 1.2. List of case involved, interviewees, positions, and dates and places - Phase 3*

| | Firm | Respondent | Position | Date |
|---|---|---|---|---|
| **Pre-interview meeting** | SGEL | 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 |

The following presents the internationalization and network development. The richness and longitudinal qualitative data also allows for a credible interpretation of its role in the process by taking the issues of effectuation to the fore.

## 4. CASE DESCRIPTION

The case study concerns a Ghanaian textile SME, Sleek Garment and Textile Limited (SGEL), and was conducted between 2002 and 2013. SGEL is an offshoot of a family firm originally established in 1980 to design and manufacture textiles and garments for the Ghanaian market. Soon after its establishment, the parent firm started exporting to other African countries including the large neighboring market of Nigeria and also to South Africa. The firm was established and run with strong entrepreneurial roots. These entrepreneurial skills and visions kept a daughter of the family, Ms. N.B, constantly in hope of being able to internationalize the company further by entering the affluent United States market and, possibly, the European Union. This remained a vision for over 20 years, as many obstacles existed towards that goal (Interview, Manager Director; Export Manager, 2011, 2013).

A major part of the obstacles were the conditions of the Ghanaian economy, which was in a poor state economically. In the Ghanaian economic policy, for example, those policies aimed at preventing depreciation of the currency, kept imports relatively cheap and export prices high. At the same time, the country's industries were uncompetitive due to many reasons such as: their low technological base, poor understanding of marketing, lack of relevant skills in the population, poor infrastructure, and extremely high costs of doing business including a lack of credit and very high interest rates (Interview, Manager Director, 2011, 2013).

Changes, however, emerged from the mid-1990s when a new government implemented reforms, which improved the business climate and were aimed at attracting foreign investment. The value of the local currency was made to float, which depreciated it heavily and made exports competitive. However, import prices remained unpredictable and a negative factor considering the lack of local machinery and the quality of semi-manufactured inputs. Political change in the form of democratic elections raised the profile of Ghana, as business and foreign partners could trust a more progressive and democratic country. As a result, the affluent economies expanded their collaboration with and support for the country that created moderate economic growth from around 1996 onwards (Interview, Manager Director; Export Manager, 2011, 2013).

*Network structure and change*

In order to summarize the structure and change of the network during the period of study it has been divided into three phases, T1, T2, and T3 as shown below (based on Figs. 1 and 2.).

The division in phases is an attempt to describe and analyse the process, actors and their impacts and the subsequent dynamics that moved the process forward. It naturally implies time and dynamism, which the authors try to structure into meaningful parts.

The relevant period of the SME is related to its internationalization to the United States' market. Thus, the network and the effectuation processes and capabilities are described and analyzed in that context. At T1 (1980-2001), the entrepreneur is working within the mother/parent company and thus developing her vision, building relationships, and looking for opportunities within that context. T1 is extremely important for developing the effectuation capabilities of the entrepreneur (Ms. N.B.). This includes developing the approach and attitude to entrepreneurship and preparing the foundation for seizing opportunities when they arise. At T2 (2002-2003), the Government of Ghana as well as that of the United States took critical decisions. This enabled the entrepreneur to develop her relationships in a very positive business context with institutional actors from Ghana and the USA. The entrepreneur seized the opportunities available, and established Sleek Garment and Textile Limited (SGEL) in 2002, and also undertook various activities to establish the company as Ghana's most modern textile and garments manufacturer. The company sourced raw materials from China, among other countries, and secured good buying deals with agents in the United States.  At T3 (2004-2013), the network expanded. Raw materials were sourced in addition from India and the relationships with both sources of raw materials had deepened and become trustworthy. Meanwhile, extensive and multi-faceted interactions had been going on with the institutional actors in Ghana (MOTIPSI-Ministry of Trade, Industry, and Presidential Special Initiatives; WATH-West African Trade Hub; Ghana Bank) and the USA (African Growth and Opportunity Act-AGOA; USAID-United States Agency for International Development). On the business front, a second buying agent was secured, in addition to orders from important customers like Wal-Mart and Roytess.

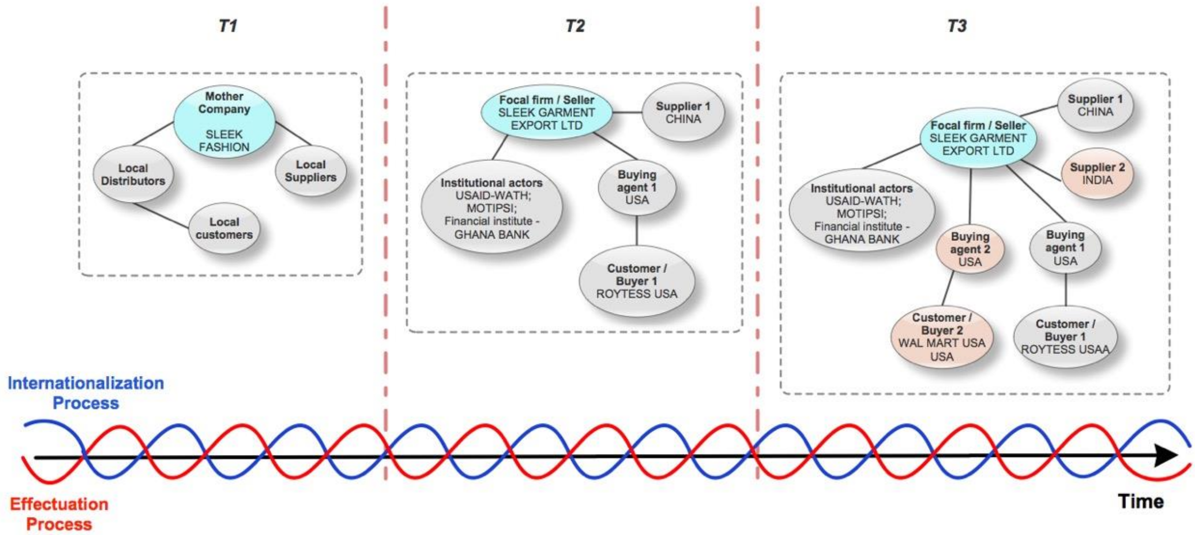


Figure 3. Network structure and change in SGEL-internationalization

*Effectuation processes and capabilities and their impact on network structure and change.*

All the actors listed in the network structure and change in Figure 3 was important for the internationalization process of SGEL. Some actors like the United States Government agencies together with their activities and resources were critical in this process. These governmental actors as well as business actors such as the suppliers, customers, and agents can be described through their effectuation processes and capabilities. However, our focus is the entrepreneur and Owner-Manager of SGEL, Ms. N.B as she is the actor who features throughout all the presented stages of the process.

Ms. N.B stated that the vision of the mother/parent company was to internationalize beyond Africa particularly to the U.S and the U.K. She and other members of the family had studied, visited and worked in both the U.S and the U.K. Their experiences from local business and from visiting and living in those countries convinced them of their abilities as well as the profitability of the markets. However, the obstacles created particularly by Ghana's business and political environment made it difficult to predict and move ahead. As a small family business in Ghana that had been built from scratch through the savings, hard work and business acumen of family members, they were used to managing in a very uncertain business environment. The Ghanaian economy from colonial times had experienced periods of stability but also many periods of serious economic problems such as an inflation of of over 100 percent, a lack of foreign currency to import materials and infrastructure problems like inadequate power. Ms. N.B described herself as more pragmatic than risk-averse.

> "If you are risk-averse, you will not start a business in Ghana. An entrepreneur in Ghana simply has to have an optimistic and pragmatic attitude to business. We saw potential in the chaos, but it was impossible to calculate and say clearly at what point we would be in 2 or 3 years. Inflation was coming and going, the local market was fluctuating regularly but we were optimistic of the long term. This means that we took losses during some years, but we believed in a long-term positive trend (Interview, Owner Manager 2011).

The interviewee states emphatically that relationships are the key to business success in Ghana and they had always sought and developed relationships and alliances with local and foreign companies, as well as decision-makers in Ghana. She emphasized that they constantly made efforts to request meetings with relevant government officials to get things done. There were changes in the government during that period and so there were regularly new people to develop familiarity with. With time, SGEL gained a reputation as being female-led and successful, and the agencies of the Government of Ghana were very interested in working with the company. As the new government from 2000 implemented its "business-friendly policy" with an emphasis on the textile sector, SGEL gained a very strong position in relationships with institutions. As the interviewee stated:

> "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).

The entrepreneur also took contact with agencies in the U.S Government who were located in Ghana to build the bases for support. As the opportunity for entering the U.S market was strengthened by the African Growth and Opportunity Act (AGOA) policy, the entrepreneur attended trade fairs in the U.S and met buying agents who placed orders.

As a summary of the company’s internationalization the Owner-Manager stated:

> “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).

> “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).

By the end of the research period in 2013, SGEL was the most successful Ghanaian-owned textile and garment company, having built the most modern textile factory in Ghana. SGEL was one of a few Ghanaian textile companies that had been able to compete in the U.S market with the support of the AGOA policy.

## 5. CASE ANALYSIS

*Network process*

The international network process is presented as those three situations prevailing during each phase in Figure 3. The connectedness developed continually over the study period due to the ARA-processes being implemented. The results show how the network developed from a national network (phase T1) to an international market network in the U.S. (phase T2) and thereafter formed a broader supply network located in other emerging economies (phase T3). The network structure changed from a local to an international and a broader global emerging network. An important issue concerns the institutional networks prevailing in phases T2 and T3 (e.g. AGOA, MOTIPSI) where the agreements, programs and governmental actors played a notable impact in SGEL’s international entry processes. Networking also had an important social content as peers, families, and other close collaborators played important roles. The networking also shows the changing position of SGEL as a part of an international developing business network. An enmeshed ARA-process thus contains social, institutional and business relationships in this case. However, these processes and the logic of the network development process from the perspective of the entrepreneur were strongly effectuation–based, as discussed below.

*Effectuation issues*

*Employing existing means*. Ms. N.B's ability to successfully internationalize was built on a solid foundation of expertise and experience. She was widely considered to be the most successful female entrepreneur in Ghana, with over 30 years' experience and achievements. SGEL was established based on the experiences and resources of the mother/parent company. Our analysis confirms the personal belief Ms. N.B expressed about herself in the interviews. A belief whereby she considered herself and her siblings in the family company as possessing entrepreneurial traits and being professionally astute and socially-intelligent. These abilities enabled them to cultivate the correct types and levels of relationships for professional growth. Expertise and experience were also gained from work and studies in the United States, a factor that made them confident about understanding the U.S market, U.S culture, and how to do business there.

*Putting focus on affordable losses*. Clearly, as Ms. N.B stated, she would not have maintained a vision of success for her internationalization ideas if she had been risk-averse and depended on formal planning and profit calculations. She understood this to be a necessary characteristic for conducting business in Ghana in that period, in the first place. An unstable economy led to yearly losses, but she kept her sight on the vision of succeeding in the long-term. In fact, for almost fifteen years between 1981 and 1996, the very viability of Ghana as a state was in question, due to economic instability and deep social and political disagreements, partly due to the poor state of the economy. Any Consultant would have suggested "sell and leave". Remaining required a vision, which could not be based on formal calculations of modern Western management. The practice of affordable losses in a situation of financial constraints was made possible by the family entrepreneurial firm. The Ghanaian family entrepreneurial firm has an ability to fall back on family assets and savings and keep the business afloat simply because it is the only job they know and they tend to ride out the hard times and wait for better times to come (Author ref). The informality of Ghanaian entrepreneurial firms makes them very nimble and flexible, including having several concurrent sources of income, which gives them a portfolio to balance out poor resources (Author ref).

*Leveraging contingencies.* Vision, relationships, and adaptation were the panacea to managing the chaos and instability in a country where power supply to industrial areas could be cut off without warning. Perhaps, one reason for the ability to adapt was the family firm and the fact that the entrepreneur was used to the chaotic business context, as it had been regular in Ghana since the colonial period. The company had gone through periods where credit was totally unavailable and they had to finance it through personal savings and support from friends.

*Focusing on relationships.* The relationship approach was cemented in the period before internationalization in a culture where the entrepreneur could only survive through various kinds and levels of relationships, from family, through social, to business and political-institutional relationships. Later as internationalization to the U.S took shape, SGEL understood and implemented a collaborative approach by finding suppliers in China and India. The company succeeded in becoming a trusted partner of the Ghana Government and U.S Government agencies that were equipped to support companies within the AGOA framework, and find agents in the U.S. to help them acquire good buyers. Trustworthiness through relationship building was seen as necessary not only in Ghana due to the business culture, but also in relationships with institutional actors.

*Controlling rather than predicting.* Due to the national economic and business environment, SGEL was of the opinion that it was not possible to predict the business future, and that formal strategic plans could not be dependable. However, their vision for success led them to accept their lack of control over the situation, but created a preparedness and energy to solve problems - and seize upcoming opportunities - as they materialized.

## 7. CONCLUSIONS AND IMPLICATIONS

The most important lesson that this study strongly addresses, both for theory and management, is that entrepreneurs from emerging markets like Ghana, faced with unstable or changing institutions, instability, and weak infrastructure, succeed through processes that would be considered poor management methods from a modern strategic and planning perspective. The case study is one in which the entrepreneur succeeded to internationalize through a joint effectuation and networking process logic. The entrepreneurial manager of SGEL was competent and experienced, based on many years of locally running the mother/parent company in the same business area. After about 20 years of local business history, i.e. until the beginning of period T2 in Figure 3, the entrepreneur had succeeded by being able to work successfully in an unstable business environment and chaotic State infrastructure. The business context had thus been unpredictable, and losses accumulated for some years. Considering the poor state of Ghana's economy since colonial times, it seems that effectuation processes and capabilities were the only way for an entrepreneur or SME to prosper. In reality, effectuation processes and capabilities are strongly embedded in the local African business culture (see Darley, Luethe & Blankson, 2013; Darley & Blankson, 2011).

For the entrepreneur in these circumstances, apart from expertise and experience, vision in the midst of adversity is a critical characteristic, as well as the ability to seize opportunities when they arise.

The success of this internationalization process is not claimed as being solely due to our focal entrepreneur but also due to the capabilities and processes of other actors in the formed relationships and network actors. The roles of the institutional actors at the critical entry phase were very strong in this case. Other actors in the network may also have been working through a causation and/or effectuation process. The institutional actors most likely have worked through a causation idea and a planned process. However, as our focus is on the entrepreneur/owner of SGEL, we emphasize this company's capabilities and processes in building and positioning in the network through their personal sensemaking and experiential knowledge.

The empirical study also strongly supports the strength of integrating effectuation (Sarasvathy, 2001; 2008) into business network frameworks (Chetty & Wilson, 2003; Agndal & Chetty, 2007; McAuley, 2010), as exemplified by studies such as Galkina & Chetty (2015), and Chetty, Ojala & Leppäaho (2013). However, our study was conducted in an emerging market context, which further adds to its applicability in the setting of an affluent market. Furthermore, the reformulation by Johanson & Vahlne (2011) of the Uppsala internationalization model adds strong support to behavioral internationalization theories such as the one proposed in this study. They found similarities between the IN-approach and effectuation logic and also suggested an integration of these perspectives. It is noteworthy that they found the type of model we suggest in our study to be also relevant for larger firms, i.e. the "multinational business enterprise". This study also revealed that the internationalization unfolding over time could be presented according to a process logic (Van de Ven 1992; Pettigrew 1997). In this manner, international network development rests on forming new actor connections, activities, and joint resources over time in conjunction with an effectuation managerial enactment process.

*Theoretical Implications*

Our study leaves a number of questions unanswered which future research could explore. First, an interesting question encountered was whether causation logic was possible at all in the circumstances of this study or was effectuation simply a matter-of-course for SMEs in that situation?

Secondly, our results have led us to suggest a number of additions to our initial conceptual model. The first is that the *business context* of the developing market is critical with regard to how the entrepreneur and the SME can act in a specific situation when confronting an unpredictable and chaotic set of events and actors. This also includes institutions as actors. As seen in this case, the business context for most of the period of the study was one of a poor developing country. Even as the economy stabilized and the market began to be called emerging, the less developed, unstable economy impacted the company negatively. It is important to mention the fact that some of the institutional actors and factors that provided the business context for internationalization had a U.S. origin (the AGOA program). Thus, we would add the foreign business institutions as a contextual factor to the model. Previous studies have shown that the institutions have an impact on how SMEs use causation or effectuation logics even in developed markets (Chetty et al. 2015). Therefore, this construct would also be relevant to studies in developed markets.

In addition, we need a concept of *effectuation capabilities.* The current framework presents the basic effectuation *logic*, i.e. how entrepreneurs act effectually by acting and interacting in networks (Sarasvathy, 2001; 2008). The effectuation logic is a way of thinking or a reaction when confronting a change in a connected and networked business environment. However, our results show that effectuation capabilities are required in forming a solution for successful management by effectuation. The entrepreneur, Ms. N.B had strong effectuation capabilities based on relationship-building skills, business expertise, and experience of chaotic economic conditions, in addition to entrepreneurial vision. An additional issue concerns the liability of foreignness, which as shown in this study was overcome in this specific case by the alignment of networking and effectuation capabilities in SME internationalization.

*Managerial Implications*

The entrepreneur and company studied in this paper have been presented as an example of local success in the emerging economy of Ghana. This case is a valid example for SMEs in other African and emerging countries. As entrepreneurial SMEs are the backbone of emerging economies, this story of success has lessons for both entrepreneurship and the support that is given by local and foreign institutions to SMEs. Developing and less-developed emerging economies are characterized by poor infrastructure, and difficult economic conditions. Our case study shows that vision, relationship-building skills, business expertise, and experience of chaotic economic conditions are the required effectuation capabilities in such economic environments.

*A critical remark and research suggestions*

The paper has used a single embedded case that shows a specific entry process from a developing country to the U.S. market. It is thus also unique and has its specific process and events surrounding its specific path of development. The issues facing similar types of LDC country SMEs needs further empirical inquiry including larger empirical data sets and variance based theorizing with empirical support in order to enhance the case-based inquiry in this study.

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