

# **The Effects of Firm Internationalisation: A Multi-Level Perspective**

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**Elizabeth Chepkemboi Koetter (MBA)**

First Supervisor: Prof. Dr. Petra Moog

Second Supervisor: Prof. Dr. Arndt Werner

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## Abstract

In a global business environment, internationalisation is now an “economic imperative” (Rutashobya & Jaesson, 2004, p.159) for many firms that wish to remain competitive. Some of the developments that have pushed or encouraged firms (including SMEs) to increasingly participate in international business are improved technological advances and infrastructure, increased cross border movement and international relocation of persons, increased number of social ties across national borders, and the participation of firms in global value chains and free trade. This being the case, this thesis, seeks to determine the implications of this phenomenon to the firm itself, to the employees that work in these firms, and in order to offer comprehensiveness, to the economy or a nation in general terms. This thesis therefore offers a multi-level perspective to the investigation of the effects of firm internationalisation at three different and related levels, namely: *the macro level*, *the firm level* and *the individual level*.

Firstly, at the *macro or national level*, assuming appropriate policies are in place, internationalisation of firms for example, through trade and FDI, serves as a means towards generally facilitating economic growth. Through policy or direct measures therefore, most governments attempt to facilitate FDI and create conducive business environments, because it is generally agreed, that there are at least positive spill-over effects to be expected. For developing countries, in particular, it is a source of capital, technological spill-overs, developing HC and so on. Appropriate policies and a conducive environment in these hosting countries are however integral to minimizing the negative effects.

The actions taken to attract FDI and enjoy its benefits are some of the effects of internationalisation at *national level*. These policy-related implications include entering intergovernmental trade agreements, economic integration measures and creating a conducive business environment involving political stability, HC endowment, enforcement of legal and employment regulations and contracts, state of infrastructure, etc. All of these also inform and influence internationalisation at the *firm level* and the *individual level*.

Secondly, the increase in international involvement by firms also has various implications for these same firms – *the firm level*. Some of these implications or effects are intended or aspired for, whilst other outcomes may be unexpected and may indeed positively or negatively affect the firm. Those effects of internationalisation that are aspired for by a firm, can be traced back to the initial motivating factors that led the firm to internationalise in the first place. These may include, for example, the intent to acquire more profits, growth and market development. Further, firm level effects of internationalisation can be derived from the process of internationalisation itself. For example, the stepwise increase in the international involvement of a firm may cause changes in organisational structures, philosophies (and even cultures). Therefore, it is important to understand how firms internationalise in order to reveal further implications of internationalisation on the firm, such as network expansion and knowledge

acquisition and orientation. The amount of research in these areas is relatively abundant but based largely on findings from firms in Europe, the Americas and Asia, neglecting developing nations especially in Sub-Saharan African (SSA). This study thus provides insights into the motivating factors, the internationalisation process of SSA SMEs and the implications foreign expansion has on the firm itself.

Focusing on SSA firms is justified also because it contributes towards determining the applicability of existing theory for countries from the Sub-Saharan region. This is especially important because of the unique and complex nature of the environment that these firms operate in. Additionally, market potential and economic growth in the region is increasingly becoming attractive to Asian and Western trade and investment companies.

Lastly, at the individual level, this dissertation investigates the effects of internationalisation on the employee. A theoretical study raises the question as to whether IAs, which are necessary for internationalisation, can be regarded as breeding grounds for entrepreneurs. Based on existing research, this is argued as follows: due to IA experiences, employees increase their HC and SC endowments, and will become Jack-of-all trades (as viewed in entrepreneurship theory) – all of which are proven antecedents of entrepreneurship. Additionally, and as a potential trigger, some well-known and empirically verified effects of IAs, may also cause these individuals to return to dissatisfying conditions in their workplace.

Building on this theoretical work, an empirical study seeks to further establish the potential effects of firm internationalisation on individuals. Specifically, it empirically examines the questions raised in the previous chapter regarding the accumulation of HC and SC, as well as diverse skill-sets by IA employees, that may affect entrepreneurial intention. It also incorporates the mediating effect of poor career prospects that may result from IAs. Because it is expected that international working experience not only enhances the development of both diverse HC and broad SC endowments but also negatively influences the career prospects of employees within a company, it is concluded that these factors mediate the relationship between IAs and entrepreneurial intentions. The empirical findings reveal that skill diversity and broad networks, as well as poor career prospects - all resulting from IAs - play an important role regarding the aspirations of long-term assignees to enter self-employment.

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## **Abbreviations**

AfDB	African Development Bank
EPRG	Ethnocentric Polycentric Regiocentric Geocentric
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HCI	Human Capital Index
HCN	Host Country National
IA	International Assignments
IE	International Entrepreneurship
ILO	International Labour Organisation
IMF	International Monetary Fund
INV	International New Ventures
KShs.	Kenya Shilling
MDG	Millennium Development Goals
OECD	Organisation for Economic Co-operation and Development
OLI	Organisational Location and Internalisation theories
PCN	Parent Country National
PLC	Product Life-Cycle
SSA	Sub-Saharan Africa
SME	Small and Medium-sized Enterprises
TCN	Third Country National
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference Trade and Development
WEF	World Economic Forum
WTO	World Trade Organisation

# 1. Introduction

## 1.1. Background

Internationalisation, the spatial decentralisation (Bartlett & Ghoshal, 1989) of responsibilities and authority beyond national borders is now an “economic imperative” for many firms that wish to remain competitive (Rutashobya & Jaesson, 2004, p.159) in a now global business environment. That “contemporary organisations must decentralise or die” (Hales, 1999, p. 831 as cited by Käfer, 2006, p.1) is therefore a statement that continues to hold true even to this day. In this context, improved technological advances and infrastructure (especially transport and telecommunication), increased cross border movement and international relocation of persons, increased number of social ties across national borders, and the participation of firms in global value chains and free trade agreements (African Development Bank (AfDB), the Organisation for Economic Co-operation and Development (OECD) and United Nations Development Program (UNDP), 2017) are some of the developments that are pushing or encouraging firms including Small and Medium-sized Enterprises (SMEs) to increasingly participate in international business. But then, what are the implications of the internationalisation of firms? Specifically, what are the effects of these continued international developments on firms themselves, on the respective home country economies and on employees? These questions can be answered by taking a multi-level approach that entails investigating the effects of firm internationalisation at three different and related levels, namely: *the macro level*, *the firm level* and *the individual level*.

Firstly, at the *macro or national level*, assuming appropriate policies are in place, internationalisation of firms (especially through trade and Foreign Direct Investment (FDI)) serves as a means towards generally facilitating economic growth, by providing investment funds (World Trade Organisation (WTO), 1996), income growth and increased employment (OECD, 2002). Through policy or direct measures therefore, most governments attempt to facilitate FDI and create conducive business environments. Although, the direct relationship between trade and FDI, on the one hand, and economic growth and development, on the other, has been contended by some researchers (e.g. Lewer & Van den Berg, 2003), it is generally agreed that there are at least positive spill-over effects such as employment and human capital (HC) enhancement, innovativeness and competitiveness compared to locally contained SMEs (International Labour Organisation (ILO), 2015; Ayyagari, Demirguc-Kunt, & Maksimovic, 2011; De Kok, et. al, 2011; Kirzner, 2009). For developing countries, in particular, it is a source of capital, technological spill-overs, developing HC (e.g. by providing organisation and managerial skills and networks (OECD, 2002; WTO, 1996) etc. Appropriate policies and a conducive environment in the hosting countries are however integral to minimizing the negative effects (such as environmental exploitation of natural resources or negative economic effects in the long-run).

The actions taken to attract FDI and enjoy its benefits are some of the effects of internationalisation at *national level*. These policy-related implications include entering intergovernmental trade agreements, economic integration measures and creating a conducive business environment involving political stability, HC endowment, enforcement of legal and employment regulations and contracts, state of infrastructure, etc. All of these also inform and influence internationalisation at the *firm level* and the *individual level*.

Naturally, any internationalisation activities and developments at the *macro level* result from the aggregate influences of internationalisation of individual firms in a particular country. A comprehensive study of internationalisation effects must therefore include a *firm level* investigation of these effects.

The increase in international involvement by firms also has various implications for these firms. Some of these are intended or aspired for, whilst other outcomes may be unexpected and may indeed positively or negatively affect the firm. Those effects of internationalisation that are aspired for by a firm can be traced back to the initial motivating factors that led the firm to internationalise in the first place. These may include, for example, the intent to achieve more profits, growth and market development (Cavusgil & Nevin, 1981). Further firm level effects of internationalisation can be derived from the process of internationalisation itself. For example, the stepwise increase in the international involvement of a firm (e.g. Cavusgil, 1984; Bilkey & Tesar, 1977; Johanson & Vahlne, 1977) may cause changes in organisational structures, philosophies (and even cultures). For example, firms that internationalise upon or soon after international expansion (the so-called International New Ventures (INVs) or born globals (Oviatt & McDougall, 1994)) may, due to their common features such as scarcity of resources and the attributed short internationalisation timeline, have to apply novel forms of organisational structures (Madsen, Knudsen, & Campus, 2003). Therefore, it is important to understand how firms internationalise in order to reveal further implications of internationalisation on the firm, such as network expansion and knowledge orientation. The amount of research in these areas is relatively abundant but based largely on findings from firms in Europe, the Americas and Asia (Boso, Adeleye, Ibeh, & Chizema, 2018; Ribau, Moreira & Raposo, 2018), neglecting developing nations especially in Sub-Saharan African (SSA). To fill this research gap, the *firm level* study therefore focuses on answering the following research questions: (1) Why do SSA SMEs internationalise? (2) How do SSA SMEs internationalise? and (3) What are some of the implications for internationalisation for firms from SSA countries?

The *individual level* deals with the effects of internationalisation on the employee. Their tasks and responsibilities on behalf of their employers during overseas assignments to some degree or other initiate, facilitate or reinforce internationalisation activities. This is the very nature of their assignments. These activities, including the strategic decision to internationalise, and the functional tasks of realising these goals are carried out not only by managers of companies but by other employees as well (Brush, Edelman & Manolova, 2002). Particularly in managerial positions, employees are often involved in

decision-making on matters relating to the internationalisation of the firm, and the strategic course of a firm (e.g. Kyvik, Saris, Bonet, & Felício, 2013; Harveston, Kedia, & Davis, 2000; Kobrin, 1994). Additionally, employees are usually assigned to a foreign unit to accomplish various tasks that lead to or facilitate the internationalisation process of a firm (Tihanyi, Ellstrand, Daily, & Dalton, 2000). These International Assignments (IA) are intended to fill positions, to train and develop employees or to enable coordination and control of the firm (Pausenberger & Noelle, 1977 and van Roessel, 1988 as cited by Harzing 2001a).

In the course of their foreign assignments, whether during long-term IA, short-term IA or even frequent business trips, employees are thus awarded more responsibilities, independence and authority (Vidal, Valle, & Aragón, 2007; Tung, 1998; Harris, 1989). They acquire international experience, gain further knowledge and diverse skills (not only on international business matters but also first-hand knowledge of particular cultural contexts, including information about specific markets and customers), and also develop global, diverse and extensive networks (e.g. Lazarova, & Caligiuri, 2001). Thus, IAs may be said to facilitate heterogeneous Human Capital (HC) endowment among employees, through the acquired diversified knowledge and skill-sets, as well as facilitate the increase of diverse Social Capital (SC) endowments. Yet, IAs bring about not only the above discussed positive outcomes but also negative effects on employees' careers upon return from their assignments. Some of the problems employees have reported have resulted from the loss of status and autonomy they usually enjoy during foreign assignments, and the return to (perceived or real) non-challenging positions upon repatriation (Dickmann & Doherty, 2008; Fenwick, 2004; Johnston, 1991). This may cause dissatisfaction in the work-place and affect employees' career prospects. Additionally, career prospects may be curtailed by decisions made resulting from indirect effects of IAs such as physical, emotional and work-related stress, disruption of family ties and increased demands and workload (Welch & Worm, 2006; Espino, Sundstrom, Frick, Jacobs, & Peters, 2002; Demel & Mayrhofer, 2010; Mayerhofer, Hartmann, Michelitsch-Riedl, & Kollinger, 2004) which may also lead to low levels of job satisfaction.

If some of the effects of internationalisation are therefore (1) enhancement of HC and diversity of skills, (2) SC enhancement, and potentially, (3) poor career prospects that may drive employees to pursue other career opportunities, the question at this *individual level* arises about whether IAs (necessary for internationalisation *per se*) can additionally lead to a fourth effect 4) entrepreneurial intention. This line of reasoning is based on existing entrepreneurship research that has established that HC (high qualifications) and SC (diverse and extensive networks) are key antecedents of opportunity recognition and development (Davidsson & Honig, 2003), and in effect entrepreneurship. It is also based on Lazaar's (2004; 2005) Jack-of-all trades concept that argues that entrepreneurs must be multi-skilled, generalists (as opposed to specialists) and capable of carrying out diverse tasks.

To test the hypotheses laid out at the *individual level*, this thesis also seeks to theoretically and empirically answer the following research questions: (1) are the qualifications, capabilities as well as

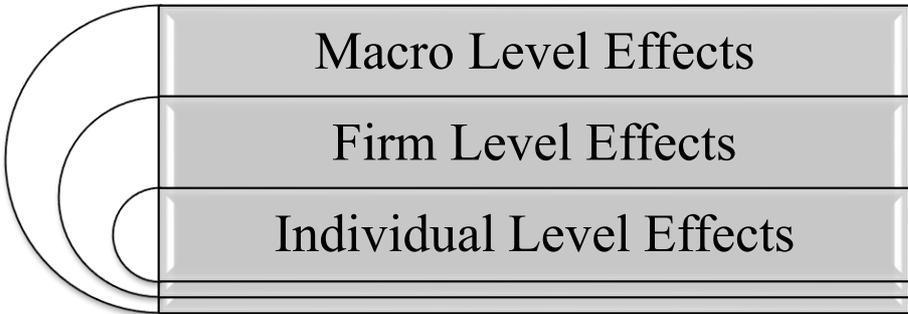
diversity and quality of repatriate networks comparable to those of entrepreneurs? (2) following an IA, do repatriates possess the qualifications, skills and networks that can enable the identification and development of market opportunities and consequently enable them to go into self-employment?

Through this multi-level approach, this study therefore intends to obtain a comprehensive answer about what the effects of firm internationalisation are.

## 1.2. Working Concept

The following framework shows the three perspectives of internationalisation that will guide this study in order to offer a holistic answer to the effects of internationalisation.

**Figure 1.** Internationalisation Effects: A Multi-Level Perspective



Source: Own illustration (2019)

### 1.2.1. Macro Level

In the literature, the origins of internationalisation are mainly viewed from an economic perspective and are represented mainly by international trade. Early theories at the *macro level* seek to explain trade (export and import) flow between countries, determine its impact on a country’s economy and show how leveraging export and import products and services may facilitate competitive advantage and access to unavailable goods or services (Morgan & Katsikeas, 1997). Economic advantage or disadvantage, for that matter, is seen as dependant on resource endowments (such as labour, capital, technology or entrepreneurship), production characteristics or costs of the factors or production (factor proportion theory) of the countries involved (Morgan & Katsikeas, 1997).

While these classical trade theories were focused on export and import, discussion of internationalisation at this level has since moved to addressing FDI and strategic alliances, partnerships and networks (OECD, 2004). The macro level is therefore not confined to the historical effects of trade, mainly concerned with export and import, but these more recent effects especially relevant to developing countries.

### **1.2.2. Firm Level**

In recent literature, the firm is the focus of the internationalisation discourse and research (Wright, Westhead, & Ucbasaran, 2007). The effects of internationalisation at firm level are determined by explaining the motivation behind firm internationalisation, describing how firms internationalise and finally using these findings to outline the implications of internationalisation. This means that, the task of exploring the effects of internationalisation on the firm is approached by first looking at those effects that a firm aspires for when they internationalise. These are usually the motives for internationalisation, examples being growth and access to capital and resources. Secondly, the effects of internationalisation are determined during the foreign expansion itself and finally, the study outlines further possible (spill-over) effects.

Seeing as this is a relatively broad subject that has been accorded a lot of attention in the past couple of decades (Wright, Westhead, & Ucbasaran, 2007), this study specifically lays focus on a neglected area of research: internationalisation in developing countries and particularly those in SSA region by using a case study of Kenyan firms.

### **1.2.3. Individual Level**

The individual dimension refers to a view of the internationalisation effects with focus on a firm's employees. This view intends to provide comprehension of how a firm may impact on an employee and his personal and professional development when it (the firm) gets or is involved in international activities. These employees may be the managers who initiate and make major decisions on the international expansion (or de-internationalisation) of firms, or short-term or long-term international assignees in technical or training and developmental capacities involved in such a firm. This may also include the effects on a manager establishing a subsidiary or branch in a new foreign location, an expert providing training to local employees, or a consultant on a brief foreign assignment to provide solutions.

## **1.3. Focus and Justification for the Study**

Although the three perspectives of the effects of internationalisation in this study are inter-related and each view significant in its own right. The focus of this thesis will lie in the *firm* and *individual level* perspectives. To offer context and to present a wholesome picture of the model, the *macro level* is reviewed briefly while providing an overview of relevant theories.

Further, focus will lay only on *some* or *major* effects of internationalisation. In other words, the list will and cannot be exhaustive but the basis behind the model and arguments offer opportunity for further research along similar lines.

Studying the effects of internationalisation is important particularly in determining whether the motives or targets set out by a government, a firm or an employee have been achieved. Discussion on a *macro* or *national level* about trade and foreign investment and their effects or implications for a country is abundant. At the *firm level* and at the *individual level* however, literature and research remain scarce and particularly in relation to developing countries.

## **1.4. Justification for Studying the Firm Level Internationalisation Effects**

This study provides insights into the workings of SSA SMEs in regard to internationalisation and the implications internationalisation has on these firms. Focusing on these particular firms at the firm level is necessary for several reasons:

Firstly, the qualitative study in this section is relevant to aid in raising the profile of and contributing to filling the existing research gap on internationalisation of SMEs from developing countries and especially those from SSA (Boso, et al., 2018). It is however, also relevant because it contributes towards determining the applicability of existing theory for countries from the Sub-Saharan region. This is especially important because of the unique and complex nature of the environment that these firms operate in; previously colonised and facing major challenges relating to political uncertainty, technological and financial constraints, poor physical and institutional infrastructure and weak policies and systems (Boso et al., 2018; Worldbank, 2017; International Monetary Fund (IMF), 2019).

Secondly, the following developments in the SSA region are of interest to practitioners, potential investors and policy makers, yet, as previously mentioned, research and discourse remain highly limited:

1. Resilient economic growth fostered by strong domestic demand, institutional and regulatory reforms, improved business environments and intra-African trade (IMF, 2019; AfDB, et al., 2017). Additionally, among non-oil dependent countries, Kenya, where all case study firms are located, is a leading growth performer in the SSA region and in effect largely influential in the SSA region (AfDB, et al., 2017).
2. Increasing opportunities resulting from several factors such as a high demand for various forms of basic infrastructure, a growing population (particularly the expanding middle class which is considered young, educated and brand-aware), diversification of the economies to move away from single commodities and a digital transformation that is offering novel opportunities (AfDB et al., 2017; World Economic Forum (WEF), 2016).

## **1.5. Justification for Studying the Individual Level Internationalisation Effects**

The study of internationalisation has mainly focused on the firm thus far, so much so that, studies on expatriates or international assignees (employees, working internationally, either long-term or short-term on behalf of a firm) have generally been explored from the firm's viewpoint rather than that of the individual. There are studies exploring such variables as the motives for accepting IAs (Pinto, Cabral-Cardoso, & Werther, 2012; Stahl, Miller, & Tung, 2002; Hippler, 2009; Dickmann, Doherty, Mills, & Brewster, 2008; Doherty, Dickmann, & Mills, 2011), adjustment matters in the foreign destination (Kraimer, Wayne, & Jaworski, 2001), and repatriation (e.g. Stahl, et al., 2002). However, the implications of such studies have been aimed at facilitating understanding mainly for management purposes. That is, with implications intended mainly for employers. They are, or were intended to improve management practices, increase efficiency and minimise costs or facilitate the success of international assignees. Admittedly, some of these studies offered implications relevant for employees, but they were largely directed at employers, and the employee or individual and his/her career remained secondary (e.g. Dickmann, Doherty, Mills, & Brewster, 2008).

Although, there are hardly studies to be found that investigate the effects of internationalisation on employees per se, there are some that show career development effects on international assignees. On this matter for example, researchers have found external (objective) and internal (subjective) career path effects on expatriates (Stahl, et al., 2002; Tung, 1998). These refer to career advancement effects within the employing organisational hierarchy (the external career) or effects that result in personal development, acquisition of skills and personal international experience (Schein, 1996; Suutari, Brewster, Mäkelä, Dickmann, & Tornikoski, 2017). The latter (internal career) is of specific interest at this individual level.

## 1.6. Aims and Objectives

Based on the introduction above, the table below provides a brief summary of the aims and objectives of this thesis at the three areas of study: *macro*, *firm* and *individual levels*.

**Table 1.** Aims and Objectives

What are the <i>macro-level</i> , <i>firm level</i> and <i>individual level</i> effects of firm internationalisation?		
Perspective	Research Question	Objectives
<b>Macro Level</b>	What are the <i>macro level</i> effects of internationalisation?	<ul style="list-style-type: none"> <li>• To determine the macro-level effects of firm internationalisation</li> </ul>
<b>Firm Level</b>	What are <i>firm-level</i> effects of internationalisation?	<ul style="list-style-type: none"> <li>• To empirically determine the motivations for firm internationalisation, the process of internationalisation to achieve these objectives and to outlines the established effects of internationalisation with specific focus on Sub-Sahara Africa SMEs</li> </ul>
<b>Individual Level</b>	What are <i>individual level</i> effects of internationalisation?	<ul style="list-style-type: none"> <li>• To theoretically determine if IAs, due to their accumulated HC and SC during an IA, are breeding grounds for self-employment</li> </ul>
		<ul style="list-style-type: none"> <li>• To empirically determine if international assignments positively relate to entrepreneurial intentions with accumulated diverse HC endowments, SC endowment and poor career prospects providing mediating effects</li> </ul>

## 1.7. Structure and Chapter Commentary

This thesis is sectioned into three main parts. The first part is an introductory section that also presents the model guiding this work. The second part is made up of the theory section that reviews theories, concepts and empirical studies that have attempted to provide answers or explanations to the effects of firm internationalisation at the *macro*, *firm* and *individual levels*. The empirical and theoretical studies that form the main and third part of this thesis fall under the *firm* and *individual levels* that are also the focus of this dissertation. The final part is the concluding section.

## **PART I**

### **Chapter 1: Introduction**

This section explains the essence of this work. It presents the model that guides it, offers a justification, outlines the aims and objectives and gives an overview of how the work is organised.

## **PART II**

### **Chapter 2: Literature Review and Theories and Concepts**

Following a brief introduction of internationalisation as a concept, this chapter provides a theoretical background for the study of internationalisation and its effects. It delves into the relevant theories for this study and reviews existing literature at the three aforementioned levels. Theories and literature relevant for each of the three levels are handled separately. It begins with the *macro level* that deals with macro-economic theories mainly relating to international trade and FDI. This is followed by the *firm level* theories that have been used to explain internationalisation by larger firms and more contemporarily including smaller firms as well. Finally, Chapter 2 provides a theoretical background for the *individual level* section offering a basis for the theoretical and empirical studies that form Chapters 4 and 5, respectively.

## **PART III**

This chapter is made up of the three studies that were carried out for this thesis dealing with firm and individual level effects of internationalisation.

### **Chapter 3: Firm Level Effects**

#### **Internationalisation of SMEs in SSA: Motives, Process and Implications using the case of Kenyan firms**

Using seven case studies from Kenyan SMEs, this chapter, is grounded on the Uppsala Model that will be introduced in the theory section. It attempts to determine the effects of international activities by determining the motivations, understanding of the process of internationalisation and establishing the outcomes of internationalisation by SMEs from developing countries and particularly SSA countries. This chapter is organised as follows: After the introduction, and a brief review of the relevant theory, the case studies are described briefly along with the methodology. The main part of this chapter, the analysis and results are finally addressed. This is followed by the concluding section which includes the limitations of the study, relevance of the results and recommendations for future research.

### **Chapter 4: Individual Level Effects**

#### **IAs as Breeding Grounds for Entrepreneurship**

This is a theoretical study essentially seeking to determine the potential effects of internationalisation on employees. In this chapter, the question is raised as to whether IAs, which are necessary for internationalisation, can be regarded as breeding grounds for entrepreneurs. This is based on the existing literature and theories and is argued as follows: due to IA experiences, employees will increase their HC and SC endowment and will become Jack-of-all trades – all of which are proven antecedents of entrepreneurship (e.g. Davidsson & Honig, 2003; Wagner, 2003; 2006). Additionally, and a potential trigger, some well-known and empirically verified effects of IAs may however cause these individuals to return to dissatisfying conditions in their workplace.

## **Chapter 5: Individual Level Effects**

### **The Effect of IAs on Employees' Entrepreneurial Intention**

This section embraces a broader definition of IAs that includes alternative forms of IAs such as international commuting, frequent international trips, extended business trips, and rotational assignments (e.g. Meyskens, von Glinow, Werther, & Clarke, 2009; Collings, Scullion, & Morley, 2007; Petrovic, Harris, & Brewster, 2000). Building on the theoretical work in the previous chapter, the final part of this thesis is an empirical study seeking to determine the potential effects of internationalisation of firms on individuals. Specifically, it empirically examines the questions raised in the previous chapter regarding the accumulation of HC and SC, as well as diverse skill-sets by IA employees that may affect entrepreneurial intention. It incorporates the moderating effect of poor career prospects that may result from IAs.

## **PART IV**

### **Chapter 6: Concluding Remarks**

The final chapter provides a summary of the main issues discussed and results of the study. It also draws attention to strategy and policy implications.

## 2. Theoretical Background

The following chapter explores theory and research on internationalisation *per se* and on its effects in the three aforementioned levels (*the economic or macro level*, *the firm level* and *the employee or individual level*). To begin with, however, this introductory section attempts to provide an understanding of internationalisation based on existing literature.

### 2.1. Internationalisation

Facilitated mainly by the decline of barriers of movement of goods, services, investments and human resources, as well as improved information, communication and transport technology (e.g. Acs, Morck, & Yeung, 2001), firms have and continue to extend operations beyond home-country borders. They are driven by factors such as the search for growth opportunities and improved performance (Lu & Beamish, 2006; 2001), or the search for (cheaper) resources (Dunning, 1993).

The transfer of various forms of business activities to foreign countries has been referred to as internationalisation (Ruzzier, Hisrich, & Antoncic, 2006). While one may view internationalisation as an attitude of a firm towards overseas operations (that is, as opposed to actual behavior) (Johanson & Wiedersheim-Paul, 1975; Kindleberger, 1969), majority of the definitions and indeed, research findings in the literature view it as a developmental process (e.g. Johanson & Wiedersheim-Paul, 1975).

Fundamentally, a company's involvement in international business may be in form of typical *outward activities* (such as export, branches or subsidiaries or joint ventures), but also *inward activities* (such as imports) (Ruzzier et al., 2006). Oftentimes, however, existing literature portrays a one-sided view of internationalisation involving only outward and corporation activities without consideration of inward activities which also represent international involvement (Fletcher, 2001; Welch & Loustarinen, 1988). Welch and Loustarinen (1988, p. 36) thus accommodate these aspects in their broad definition, stating that internationalisation is "...the process of increasing involvement in international operations". As illustrated in the table below, this increase in foreign involvement may also be approached from various perspectives e.g. in form of expansion of networks beyond country borders (Johanson & Mattsson, 1993), geographic internationalisation of operations (Ruzzier et al., 2006) or as a learning process (Beamish, 1990). Another view additionally points out that internationalisation may include negative growth (de-internationalisation), for example when a firm disinvests its resources from a given country (Benito & Welch, 1997; Calof & Beamish, 1995). The table below provides a brief overview of some common definitions of internationalisation along with their areas of focus.

**Table 2.** Definitions of Internationalisation

<b>Definitions of Internationalisation</b>	<b>Definition</b>	<b>Focus</b>
Welch & Loustarinen, 1988, p. 36	“the process of increasing involvement in international operations”	Process, inward and outward forms of internationalisation
Johanson & Mattsson, 1993, p. 306	“a cumulative process in which relationships are continually established, developed, maintained and dissolved in order to achieve the firm’s objectives”	Process, a network approach
Calof & Beamish, 1995, p. 116	“the process of adapting firms’ operations (strategy, structure, resource, etc.) to international environments”	Process, accommodates “de-internationalisation” (Welch & Luostarinen, 1993, p. 157)
Ruzzier et al., 2006, p. 477	“the geographical expansion of economic activities over a national country’s border.”	Process
Beamish, 1990, p. 77	“the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries.”	Learning, behavioural and economic components, process-based, inward and outward patterns
Oviatt & McDougall, 2005a, p. 540	“International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services.”	Entrepreneurial perspective

Source: Own illustration (2019)

The activities that commonly determine the (extent of) international involvement of a firm commonly include: indirect and direct export, indirect and direct import, overseas branches, contract manufacturing, licensing, franchising, strategic alliances, international joint ventures (majority, equal or minority partnerships), turnkey contract, management contracts and wholly owned subsidiaries (Bartlett, 2009) (see Table 3 below for brief descriptions). These “methods of business organisation employed by companies to enter international markets for the purpose of undertaking value-creating activities” (Jones & Young, 2009, p. 7) are often referred to as *foreign entry modes*. The implication in this term can however be seen as misleading because, as mentioned above, internationalisation does not only involve companies *entering* foreign markets (outward activities) but also inward activities.

Which international entry method a firm selects is dependent upon various factors. Firstly, the trade-offs between risks and returns (Johanson & Vahlne, 1977) are major points in the decision-making process (Pan & Tse, 2000; Agarwal & Ramaswami, 1992). Additionally, when a firm has little knowledge about a market (due to natural country heterogeneity in political, cultural and economic systems i.e. psychic distance (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), it will choose to enter the market using the least amount of resources available in order to minimise risk. To

undertake export activities for example, a firm requires minimal resource commitment. Exportation as a mode of internationalisation therefore involves minimal risk compared to the other formal methods, and joint ventures may provide a potential partner in the host country with local business and market knowledge but the amount of resource commitment required may be higher.

**Table 3.** Internationalisation Activities

	<b>Internationalisation Activities</b>	<b>Brief description</b>
<b>Inward modes</b>	<b>Import</b>	Using an intermediary or direct purchase of products and/or services from foreign markets
<b>Outward modes</b>	<b>Export</b>	Using an intermediary (agent) or direct sale of selling products or services to a foreign market
	<b>Overseas branches</b>	The creation of an organisational unit that is an organisational and legal part of the parent company on a foreign market
	<b>Contract manufacturing</b>	When firms outsource production to a firm in a foreign country to take advantage of proximity to customers, reduce production and transport costs and potentially beneficial tariffs, quotas or other policies
	<b>Licensing (non-equity)</b>	Sales in foreign countries of rights covered by a patent or design of any intellectual property to be used for commercial purposes
	<b>Franchising</b>	Sales of the rights by the domestic franchisor to conduct commercial activity by a foreign franchisee.
	<b>Strategic alliances</b>	Non-equity cooperative strategies or agreements between two or more organisations to enable sharing of particular resources that individual companies have access to and which, when shared, are expected to give the partners a competitive edge
	<b>International joint ventures (majority, equal or minority partnerships)</b>	The creation of a foreign subsidiary that is jointly controlled (minority and majority interests) by the parent company and a foreign partner
	<b>Turnkey contract</b>	Complete construction of any industrial plant abroad
	<b>Partially owned subsidiaries</b>	International co-operative ventures such as international joint ventures and international strategic alliance
	<b>Wholly owned subsidiaries</b>	The creation of a foreign subsidiary wholly owned (100%) and fully controlled by a parent company

Source: Glowik (2009, pp 74)

Secondly, the size of the firm and amount of international experience (Agarwal & Ramaswami, 1992) can also be said to determine the type of market entry method selected. This is because a small firm typically has less resources as well as limited international experience (knowledge) (George, Wiklund,

Zahr, 2005), directly affecting the choice of international activity it can engage in based on a risk and returns assessment.

Thirdly, when selecting an entry mode, a firm also considers its transaction costs. When externalising some business activities internationally, the transaction cost theory maintains that a firm will select an entry mode that minimises transactions costs of the selected operations (Coase, 1937). The premise here being that, all business activities are accompanied by various costs of doing business (transaction costs) such as the costs for collecting information (e.g. about potential foreign business partners, about a foreign market, etc.), contracting costs, costs for monitoring agreements and implementation costs (Pan & Tse, 2000 citing Dunning, 1988).

## 2.2. Motives for Internationalisation

The motives of internationalisation define the nature of a firm's internationalisation, its development and how it is organised and managed (Benito, 2015). Additionally, because motives generally serve as benchmarks or point of references when evaluating performance (Benito, 2015), determining the them is relevant when investigating the effects or outcomes of internationalisation.

Based on available literature, the following categorisation of internationalisation motives provides a general overview based on various results from diverse studies (OECD, 2009, pp. 12):

1. ***Growth motives*** – This is a key motive of internationalisation in which firms pursue international markets in order to expand various aspects of their businesses: markets, production, sales volume, profit, etc. This may enable the firms to minimise dependence on a single market.
2. ***Knowledge-related motives*** – Firms may be pushed into new markets in order to exploit any (special) knowledge that the management or other decision-makers may have acquired about a given/given markets, or in order to obtain significant knowledge that may, for example, keep the company ahead of its competition (OECD, 2009; Tatoglu, Demirbag, & Kaplan, 2003). Knowledge-seeking motives may also involve a firm strategically and purposefully seeking technical gains e.g. from countries offering more scientists, more patent generation or greater research and development intensity (Chung & Alcácer, 2002).
3. ***Network/social ties and supply chain links*** – existing social ties also in form of supply chain links may motivate SMEs to pursue a given international market (OECD, 2009).
4. ***Domestic/regional market drivers*** – stagnating domestic or regional markets as well as such aspects as political, legal, economical volatility may push firms to seek other business opportunities in external markets.

Dunning's (1993, pp. 67) summary of the reasons why firms would choose to internationalise (particularly, through direct investments such as subsidiaries and greenfield investments) is however more comprehensive and categorises various motives under four main areas:

1. **Resource-related motives** - a strong incentive for firms to pursue international business is the cheaper and reliable access to resources or factors of production usually unavailable locally. Such resources may include natural resources, labour, technology, managerial and organisational competence.

2. **Market-related motives** – firms may seek to take advantage of trade agreements or tax benefits that exist between particular countries or markets. As opposed to actively following foreign market opportunities or receiving unsolicited foreign orders, firms may also pursue markets with trading or investment benefits if they are following their clients or customers to a new market or if the market of interest shows potential for growth. They may also seek new markets if they are facing high competition in their home markets or if these markets are saturated. Finally, a market-related motive may result from a firm's given competences in technology or offering of a unique product or service. This may cause such a firm to seek foreign markets where this product or service would have greater sales potential.

3. **Strategy-related motives** – It may be a firm's strategy to pursue growth in international markets. Through direct export or indirect export via agents or distributors, firms are able to increase their market base and expand their revenue. Increased demand and sales volume in turn enables or pushes firms to expand their potential for further production (Lu & Beamish, 2006). Additionally, increased sales volume and production capacities facilitate economies of scale and efficiency in management and productivity (Kogut, 1985). In this way, through reduced costs, profit margins are increased. Further strategy related motives may be related to the managerial urge to pursue foreign markets. This arises from the entrepreneurial character of the management (Horrensen, 2009). Also, triggered by an intrinsic drive e.g. arising from previous international experience through work or study, managers may initiate strategically motivated internationalisation activities.

4. **Efficiency-seeking** – Firms may also internationalise in order to take advantage of economies of scope and scale or diversify risk intended to increase efficiency or optimise opportunity. In other words, firms seek to make a proportionate cost advantage from producing a variety of goods or services (economies of scope) or producing a larger quantity of goods or services (economies of scale). Also, by operating in several foreign countries with varying environments (e.g. political, social, economic, cultural and technological environments, etc.), a firm is able to spread the risks of operating in only one country because these variables constantly change.

The more commonly referenced categorisation of internationalisation motives in the literature is however based on whether a firm expands internationally as a reaction to certain events or circumstances, or whether it is self-initiating and creating its own avenues to explore foreign markets. The terms *reactive* motives (arising from the influences of external circumstances especially market-

related factors) and *proactive* motives (firm-based motives arising from within the company especially strategy-related and efficiency-seeking motives (Czinkota & Ronkainen, 2007; Leonidou, 1995; Dunning, 1993)) have been used in these contexts respectively. From an entrepreneurial perspective, the firms either first make the decision to internationalise and therefore pursue ways to achieve set goals, or they acquire a receptive stance to international opportunities (*proactive*). Alternatively, internationalisation is prompted by the perchance identification of international business opportunities stemming from the environment (*reactive*). In the former case, firms have an intrinsic motive to internationalise, for example, to pursue growth or ensure survival. Subsequently, the managers/entrepreneurs become alert towards opportunities and utilise their networks, knowledge and experience (e.g. Oviatt & McDougall, 2005b; Ardichvili, 2003) to identify international opportunities in foreign markets. In the latter case, however, a firm reacts to its external environment (Casulli, 2009). Entrepreneurs are pushed by circumstances in their external environment and this forms their motivation to internationalise. While empirically investigating how SMEs identify opportunities, Casulli (2009) indeed establishes a significant effect of the environment on opportunity identification. Based on various studies, Tatoglu, Demirbag, & Kaplan (2003, p.46) list and categorise main internationalisation motives as in Table 4 below.

**Table 4.** Motives for Internationalisation

<b>Proactive motives (pull factors):</b>	<b>Reactive motives (push factors):</b>
<ul style="list-style-type: none"> <li>• To pursue growth i.e. increase sales and revenue</li> <li>• Initiative of managers and decision makers</li> <li>• Unique product showing potential in increasing number of markets</li> <li>• Increasing production levels (due to market availability) to minimize costs: Economies of scale</li> <li>• Tax relief opportunities</li> <li>• Exploit special knowledge of foreign markets</li> <li>• Geographic proximity to neighbouring countries</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive pressure in home country may push a firm to seek less saturated markets</li> <li>• Limited size of the domestic market limits growth</li> <li>• Overproduction i.e. Utilizing excess capacity</li> <li>• Unsolicited demand from abroad</li> <li>• Expansion of the sale of seasonal products</li> <li>• Proximity to foreign customers</li> <li>• Restrictive regulatory environment</li> <li>• Host government incentives</li> </ul>

Source: Tatoglu, Demirbag, & Kaplan (2003, p.46)

The motivations of firms to internationalise have also been categorised under *push* and *pull* factors (Onkelix & Sleuwagen, 2008). With *push* factors referring to those factors that compel a firm to internationalise and *pull* factors referring to those factors that attract firms to international markets. In the literature, authors seem to use *push factors* and *reactive motives*, and *pull factors* and *proactive motives* interchangeably. In any case, when a firm is compelled by external circumstances (*push factors*) to explore international business activity, it is having to *react* to an event and when a firm enterprisingly explores international business opportunities (*pull factors*), it is choosing to control rather than respond to circumstance or situations (proactiveness).

In regard to developing countries and particularly SSA, the question of why firms internationalise has been studied rather sparsely (Omokaro-Romanus, Anchor, & Konara, 2019). According to Cave (2015), the motives for firm internationalisation in SSA countries are largely influenced by external forces that mainly include: saturation of domestic markets, need to increase revenue and growth, pushing or pulling environmental and market conditions, risk minimisation, client followership, capacity utilisation, and availability of foreign market opportunities (Anderson, 2011; Mtigwe, 2005). Import makes up a large part of internationalisation. More recently, Omokaro-Romanus, Anchor and Konara (2019) who based their study on Nigerian firms to investigate the motivations and location patterns of the internationalisation process offer case-study based insights. They establish and differentiate home country (institutional and market factors), firm specific and host country (regional specific) motivations. The environmental forces mentioned above can be compared to these home country factors such as the institutional changes that would affect local business environments and behavior of firms and determine internationalisation measures. They could also include factors such as intensifying competition in the local market that may motivate firms to diversify their business risk and broaden their income range. Firm specific advantages such as location advantages or management's international experience and networks were however not as dominant as host market or regional market specific motivations which mainly included the following factors: market-seeking motivations, host location advantages, acquiring a strong regional presence and following clients or customers.

## **2.3. Macro-Level Internationalisation and Effects**

### **2.3.1. Theories and Concepts**

#### **2.3.1.1. International Trade Theories**

Some of the early discussions explaining internationalisation date back to earlier than the 18th Century. They have been included in firm internationalisation literature in an attempt to provide insight on how business and economic relations with foreign nations may have looked like, and the impact they may have had or were expected to have on economies.

Some of the early works in this field can be attributed to Adam Smith who first published the classical trade theories as a reaction to mercantilism, a school of thought, that was at its heights in the 16th and the 17th century. At the time, mercantilism was largely practiced by empires such as those of the British and the Dutch, and was aimed at building powerful and wealthy states by advocating for strict regulations to maintain a positive balance of trade, by maximizing exports, and avoiding imports or limiting them to raw materials (O'Brien, 2000).

As an opponent of mercantilism, Adam Smith called for free trade and liberalism, with the market playing a central role and the state a limited one. He advocated for countries to produce goods for which they have absolute advantage, meaning goods for which a country requires less inputs or resources (lower costs) than others (Myint, 1977). Significant contributions to Smith's absolute advantage theory were made by David Ricardo (1817) in the theory of comparative advantage. The proponents of the theory of comparative advantage also advocated for free trade. According to the comparative advantage theory, every country would produce in excess that which it specialises in or has competitive advantage of (Morgan & Katsikeas, 1997), and the surplus would be used to trade for lacking goods. Trading countries would be expected to benefit and prosper because of exchanging advantages and utilising the principle of division of labour. These economic advantages result from differences in country factor endowments such as natural resources, labour or technology.

While providing insights on the nature of the beginnings of economic relations between various countries, the views on internationalisation rather focus only on trade flow between nations (Morgan & Katsikeas, 1997). Some other limitations that have been brought up in relation to these trade theories are the one-sided view of key factors of production with little or no consideration of accompanying costs (Buckley & Brooke, 1992), and the fact that these theories neglect the role of factors such as innovation and technology, thus failing to explain modern international trade or firm internationalisation for that matter (Morgan & Katsikeas, 1997; Porter, 1990).

Nevertheless, the relevance of these macroeconomic level theories and policies lie in providing a historical context for firm internationalisation that can be gained through (economic) relationships such

as those between the metropolises and their colonies (e.g. Britain and Anglophone Africa which includes Kenya). Towards the end of the 19<sup>th</sup> Century, with the establishment of colonial rule, for example, export of raw materials rose substantially to provide inputs for English manufacturers (Frankema & van Waijenbuig, 2012). It can be deduced through these theories, for example, that export and import were the dominating forms of firm internationalisation, and trade was intended to provide access to resources and increase economic power to the colonialist countries (Settles, 1996). These theories may therefore explain why there are commonly more trade and investment relationships between former colonial empires and their former colonies; or why preferential trading agreements, customs unions and sharing of common languages may occur between former colonial powers in the western nations and their former colonies (Mitchener & Weidenmeier, 2008). Lastly, these economic theories also provide appreciation for the role and significance of more recently available resources such as technology and institutions of economic integrations and international relations that were previously unavailable, and which have now enabled other internationalisation practices besides export and import.

### **2.3.1.2. The Heckscher-Ohlin Theory**

The Heckscher-Ohlin theory or the factor proportion theory is a neo-classical theory of internationalisation that argues that countries export what they can produce most efficiently or in relative abundance. It is used to explain trade and the direction of trade (or the choice of trade patterns) (Kalu, Nwanosike & Ogbuabor, 2016). In this theory, trade is between countries that possess different capabilities and varying amounts of factors of production (e.g. labour, physical capital or land). The heterogeneity among countries results in productive differences that explain the need for the exchange of goods and services (Krugman & Obstfeld, 2006). This involves the production and export of goods whose factors of production are ample, and importation of goods whose production factors are in short supply. It also means that a country which has abundant capital will export the capital-intensive good while the country with abundant labour will export the labor-intensive good (Heckscher & Ohlin, 1933).

Specific to this study, it must be added that these differences in factors of production form parallels to levels of development and thus explain trade between developed and developing nations. In other words, this theory can be used to explain the trade relationship between developing countries which are commonly labour abundant and largely specialising in production and export of primary goods, and capital abundant developed countries (Kalu, et al., 2016; Subasat, 2003).

Apart from explaining internationalisation patterns and the direction of trade, according to this framework, internationalisation will result in increased efficiency because countries will be expected to use their abundant factors of production more intensively and find a market for surplus (Kalu, et al., 2016).

### **2.3.1.3. The Product Life-Cycle Theory**

The Product Life-Cycle (PLC) (Vernon, 1966) concept is also based on international economic theories and borrows from various empirical works. The theory assumes that economies of scale, information, knowledge, and innovation play a key role. It assumes that products have a dynamic path with some stages requiring foreign location choices. At the first stage of the life-cycle, production and sales of an innovative product are confined to the country of origin, mainly due to the unstandardised nature of the product and the need for quick and effective communication with the customers, suppliers or competitors. These conditions are said to result from natural early product stage uncertainties in input specifications, market size and the extent of competition. In the country of origin, the product eventually enjoys monopoly. Demand increases with time and so does the extent of general product standardisation even though product differentiation may increase. These changes initiate the need for mass production to take advantage of economies of scale and improved cost management of production. In the mature product stage, when the home market growth rates decline, export is initiated because the demand for the same product in foreign country markets commences. If demand for the product increases in the foreign countries and demand in the country of origin reduces, production is transferred to the less-developed foreign countries (destination countries), which offer competitive advantages for standardized products e.g. through cheap labour.

Even though this theory introduces the concept of internationalisation as a process (stages), it has its limitations, some of which were raised by Vernon (1979) himself. The theory bases on location differences in terms of innovation and therefore market availability, availability of information and knowledge and factors of production. Over the years however, and due to technological advancement, the assumption that firms are uninformed about other markets is no longer true (Vernon, 1979). The differences between country markets especially between advanced economies have since dramatically reduced and although the differences between advanced economies and developing countries have also reduced greatly, some stark differences still exist (Vernon, 1979) e.g. in relation to labour costs. This theory also largely favours the US economy and like the previous economic-based theories, disregards the role played by government and other regulations (e.g. Glowik, 2009; Morgan & Katsikeas, 1997). The theory appears to be deterministic and makes major assumptions about the progression of product or service development and takes little regard of environmental influences. It also fails to explain internationalisation behaviour at firm level and disregards firms that offer services or intellectual property.

The relevance of all these theories can be justifiably questioned to the extent that the models can be considered to be over-simplified (Tolentino, 2010). The Hecksher-Ohlin theory, for example, is difficult to apply to present real-life trade patterns that involve multiple countries, multiple commodities and multiple factors of production (Tolentino, 2010). The theory fails to take account of the effects of

technology and the availability of information and knowledge which may compensate for deficits or inefficiencies (Subasat, 2002). All the same, there are effects of international trade seen through the lenses of all the above theories that can be garnered from some key underlying aspects (Kuada & Sørensen, 2000).

## **2.3.2. The Effects of Internationalisation**

Below is a summary of some of the economic level-related effects of internationalisation especially resulting from trade and FDI. These cannot be exhaustive but will be guided and informed by available literature on the subject and the theories discussed above.

### **2.3.2.1. Economic Growth**

Economic theory suggests that the flow of FDI and trade facilitate efficient utilisation of capital and resources and raises productivity (Melitz & Ottaviano, 2008; Melitz, 2003). Effectively, high levels of FDI have been associated with increased GDP levels (Borensztein, De Gregorio, & Lee, 1998; Balasubramanyam, Salisu, & Sapsford, 1996). Based on the vast amount of research that has used varying data sets, from various countries, country groups and methodologies, this relationship has been confirmed extensively. Yet, questions have arisen about whether this relationship is adequately robust (Lewer & Van den Berg, 2003). This may be explained by the fact that, where positive effects have been established, they have been dependent on additional variables such as the host country's HC development, investment or factor accumulation, infrastructure, macro-economic stability or trade policy regimes (Frankel & Romer, 1999; Borensztein, et al., 1998; Balasubramanyam, et al., 1996). By way of example, Borensztein, Gregorio and Lee (1998), determine that, compared to countries that rely only on domestic investment, the effects of FDI are increased economic growth. However, this economic growth is only possible if a country offers sufficient absorptive capability of the stock of HC available. In other words, the magnitude of economic growth is dependent upon the size of HC stock available on a national level; countries with low levels of HC experienced a negative economic growth effect (Borensztein, et al., 1998; Coe, Helpman, & Hoffmaister, 1997). This observation has been used to explain the evidence found by some researchers suggesting that trade generates more growth in developed countries than in developing countries (Burney, 1996).

Other positive results have also been pegged to economic growth in developing countries with these also benefiting from FDI and international trade (Osano & Koine, 2016; Makki & Somwarum, 2004; Nair-Reichert & Weinhold, 2001; Balasubramanyam, et al., 1996). According to the literature, GDP growth can rather be attributed to spill-over effects such as technology and knowledge transfers (Osano & Koine, 2016; OECD, 2003; Balasubramanyam, et al., 1996; Marin, 1992), institutional improvements (OECD, 2003), and HC development (OECD, 2003; Balasubramanyam, Salisu, & Sapsford, 1999; Balasubramanyam, et al., 1996).

### **2.3.2.2. Productivity**

Even at the final stage of the PLC theory, production is transferred to less-developed countries in order to take advantage of cheaper labour or other cheaper factors of production (Vernon, 1979). Another effect of international trade according to these trade theories is increased productivity. In other words, a higher exposure to imported products or services will increase competition forcing local firms to improve efficiency in production in order to remain competitive (Kalu, et al., 2016; Melitz & Ottaviano, 2008; Melitz, 2003).

### **2.3.2.3. Access to Resources and Capital**

Firstly, trade according to these theories can be expected to occur mostly between countries with dissimilar factor endowments and (natural) resources, for example between labour abundant developing countries and capital abundant developed countries (Subasat, 2003). Alternatively, it may show (colonial) influences of policies that demanded export of raw materials from developing countries and imports of value-added products from metropolises which have now resulted in specialisations that continue to reflect this historical background (Austin, 2010).

Because countries naturally have dissimilar factor endowments, (natural resources, labour and capital), it is through FDI and trade that those unavailable locally can be made accessible (Balasubramanyam, et al., 1996). Developing or less developed nations tend to have higher resource, capital and skill deficits but FDIs and trade can facilitate their access (Makki & Somwaru, 2004; Noorbakhsh, Paloni, & Youssef, 2001). Similarly, developed countries can also access resources or inputs unavailable to them or only at a costly rate. These commonly include soft and hard commodities as well as labour.

Besides, economic trade theories show that internationalisation provides “an outlet for the surplus ...[products or labour]” (Myint, 1958, p. 318), for which there is no or there is low demand domestically thus enabling access to foreign products especially raw materials or capital that would otherwise be unavailable or be too costly (Myint, 1958).

### **2.3.2.4. Human Capital Development**

FDIs have also been associated with HC effects at national level to the extent that they are a result of externalities or spill-over effects that involve the transfer of technology, know-how and skill (Balasubramanyam, et al., 1996). This may include production or technical know-how but also managerial skills. FDIs and international trade also contribute to HC development by raising income levels (Frankel & Romer, 1999).

The potential for learning is higher if there is a higher technological distance between countries (Findlay, 1978), for example, in the case of developed and developing countries (Balasubramanyam, et al., 1996). However, it can be influenced by the absorptive capacity of (firms in) a country’s ability to successfully

utilise the technology (Perri & Peruffo, 2016; Damijan, Rojec, Maicen, & Knell, 2013; Borensztein, et al., 1996).

Apart from the direct transfer of knowledge and skill, incoming foreign investors that are usually more advanced in technology may compel a domestic reaction (nationally or at firm level) for more investment in education and skills in order to meet the incoming competition (ILO & WTO, 2017). Knowledge and technology transfer can also be achieved through observation, interaction or actual investment in training and development by foreign firms in its workforce (ILO & WTO, 2017).

### **2.3.2.5. Some Negative Effects**

Finally, the theories above are also relevant for this study because they offer an explanation, at least in part, of the historical trade relation between most developing countries (particularly in Africa and parts of Asia) and European nations. These former colonies were mainly informed and governed by imperialism and colonialism and their main purpose was to capitalise on physical, human and economic resources to benefit the metropolises (Settles, 1996). Although the effects and countereffects of colonisation were very heterogeneous, complex and involve economic, political, socio-economic, demographic and social aspects (Ziltener & Künzler, 2013, Heldring & Robinson, 2012; Acemoglu, Johnson, & Robinson, 2001), a few effects relating to the control over production and unbalanced trade practices can be identified. They vary in magnitude and are independent as well as interrelated and include the following: retarded development levels (Heldring & Robinson, 2012), exploitation of natural, human and financial resources (Maddison, 1971) and trade and production practices favouring the (mainly European) metropolises (Mitchener & Weidenmier, 2008). Because trade policies were created and modified by the colonies to always favour the metropole economies and increase their economic powers, adjustments usually resulted in unfavourable effects, most of which can be felt to this day. For example, overemphasis on single cash crop production for export to the colonising powers, exporting raw materials with no involvement in production or any value addition, distraction of trans-African trade and redirection/restriction of trade to involve only colonizing states (Mitchener & Weidenmier, 2008; Settles, 1996) - to name a few examples of such negative effects.

#### ***Summary***

To conclude this section, the focus of this chapter was to explore some theories relating to international trade, in order to explain internationalisation and its effects from a macro-economic perspective. Because this perspective of internationalisation is not at the centre of this study, but rather, an element that should complete and complement a comprehensive understanding of internationalisation, this particular chapter is limited. It only serves to provide a brief description of theories and their relevance to this research, as well as a brief description of the effects of internationalisation as revealed by the theories explaining internationalisation at firm level. Discussions of international trade previously

dominated the literature for many decades but agency has since moved to the firms which actually drive the international exchange of goods and services (Bernard, Jensen, Redding, & Schott, 2007). The following chapter therefore focuses on internationalisation and some of its effects at the *firm level*.

## **2.4. Firm Level Internationalisation and Effects**

### **2.4.1. Theories and Concepts**

#### **2.4.1.1. The Transaction Costs Theory**

Drawing from the influential work on the nature of the firm by Coase (1937), the transaction costs approach attempts to explain the existence and growth of the firm by sourcing its transactions externally. These are costs aside from production costs that result from organisational functions and include pre-purchase costs such as legal fees, costs of research and negotiations, coordination costs and post-purchase costs such as those arising for servicing, repairs and maintenance (Kuada & Sørensen, 2000).

The transactions cost approach argues that firms try to minimise these costs, which can also be seen as costs for exchanging resources within a firm's economic environment. According to Coase (1937, p. 395) "a firm will tend to expand until the costs of organising an extra transaction within the firm become equal to the costs of carrying out the transaction by means of an exchange on the open market or the costs of organising in another firm". A firm will therefore maintain operations internally, and grow for as long as the costs of doing business involved are lower than if they were performed in the market. Operations will be outsourced from external providers in the market including outside the home country if this proves to be more viable economically. This viability therefore also determines location choices. This approach has also been applied when determining the most efficient market entry modes under given circumstances (Anderson & Gatignon, 1986).

The transactions costs theory is applicable to this study to the extent that it attempts to explain how firms determine whether to pursue a particular avenue of internationalisation, and how and where internationalisation takes place (Erramilli & Rao, 1993). It attempts to explain entry mode selection and is relevant for both developing countries and for those foreign firms seeking to internationalise into developing countries. Firstly, firms may be seeking ways to reduce transactions costs with their foreign partners by engaging in international activities that most minimise these costs. Secondly and particularly in the latter case, it is relevant because of the influence foreign MNCs sometimes have on the local firm. For example, a European firm may consider the transaction costs involved when dealing with African firms to be too high (this can be attributed to typically high costs of trade and doing business in African countries (Muli & Aduda, 2017; Eifert & Ramachandran, 2008)). For this reason, the foreign firms seeking to import into Africa for example, may get involved in managerial and technical matters in order to manage and control transaction costs (Anderson & Gatignon, 1986). Additionally, foreign firms may seek out transactional relationships with firms from developing countries in order to manage and reduce labour and regulatory costs as much as possible.

### **2.4.1.2. Internalisation Theory**

The internalisation school of thought and the transaction costs approach are closely related (Gilroy, 1993). According to the internalisation theory (Buckley & Casson, 1976), firms internalise their operations whenever the transactions costs of these operations prove to be fairer and more efficient than those in the market. That is, “the internalisation of imperfect markets” (Buckley & Casson, 2009, p. 1564). Focus is laid on the growth of the multinational firms both locally and internationally. It is argued that market imperfections cause profit-seeking firms to initiate internalisation, and internationalisation would then be said to occur once these internal operations extend beyond national borders. Firms thus locate the operations involving any further stages of production or distribution internally (Buckley & Casson, 2009).

What this means is that, firms will (commonly) purchase inputs from external suppliers until they determine that the transaction costs are too high (due to market imperfections). A “make or buy decision” will increasingly become important (*backward integration*) if a firm internalises activities in the supply chain process (Buckley & Casson, 2009). In a similar fashion, *forward integration* refers to the internalisation of activities in the distribution and sales of the firm’s product or services (Buckley & Casson, 2009). Internationalisation is explained by this theory if these internalised activities take place in foreign countries whilst providing some form of competitive advantage or market.

These theories remain inadequate in explaining internationalisation because they do not consider tariff and non-tariff barriers, and other international trade policies that may affect the process of internationalisation. Noteworthy is that, this theory was intended for MNEs, however it has been described as being compatible to other firm sizes (Buckley, 2016). It can be used by managers when making strategy decisions pertaining to input sourcing as well as distribution and marketing and therefore appropriate location strategies (Buckley, 2016). Also, the relationship between large international MNEs and their licensed agents or distributors may be explained in part by this theory. For example, to gain control of its operations (internalisation), MNEs may acquire ownership of the supply end of their products, namely, the agent or distributor from the developing country (backward integration). Alternatively, they may decide to acquire control of all or part of the input providers such as farmers of various commodities.

Finally, this theory shapes a good part of the succeeding theories discussed below. The brief overview above is therefore a short foundation for the subsequent theories.

### **2.4.1.3. Dunning’s Eclectic theory (OLI Eclectic Model)**

Dunning’s Eclectic theory is based on other theories such as the organisational theory, location theory, internalisation theory (OLI) and the transaction cost theory. It attempts to explain the determinative factors of internationalisation within various firms. This theory holds that the configuration of the

following three distinct categories will determine the degree and pattern of production in or during the entry into new international markets: namely, ownership-specific advantages, location advantages and the internalisation advantages (i.e. the OLI paradigm) (Dunning, 2001). *Ownership advantages* are competitive advantages that a firm uniquely enjoys because of its nature and therefore its positioning in a market. Dunning (2001, p. 176) adds that these “advantages may arise either from the firm’s privileged ownership of, or access to a set of income-generating assets, or from their ability to coordinate these assets with other assets across national boundaries in a way that benefits them relative to their competitors, or potential competitors”. Therefore, examples of ownership advantages include natural factor endowments, labour force and the cultural, legal and institutional environment which may be considered to be location or country-based. However, Dunning (1993) argues that some of these country factors can be turned into ownership advantages. Other examples are knowledge, brands, management know-how and skill advantages. *Location advantages* refer to those benefits that a firm may enjoy by selecting a particular geographical location for its institutional and production resources (e.g. factor endowments, labour costs, trade or investment incentives) and because the country or region selected complements the firms’ ownership advantage (with the objective of carrying out value-adding activities). *Internalisation advantages* refer to the benefits that arise as a result of the firms’ abilities to internalise operations (own production) even beyond home country borders rather than outsourcing operations to external markets (consider the *Internalisation Theory* above).

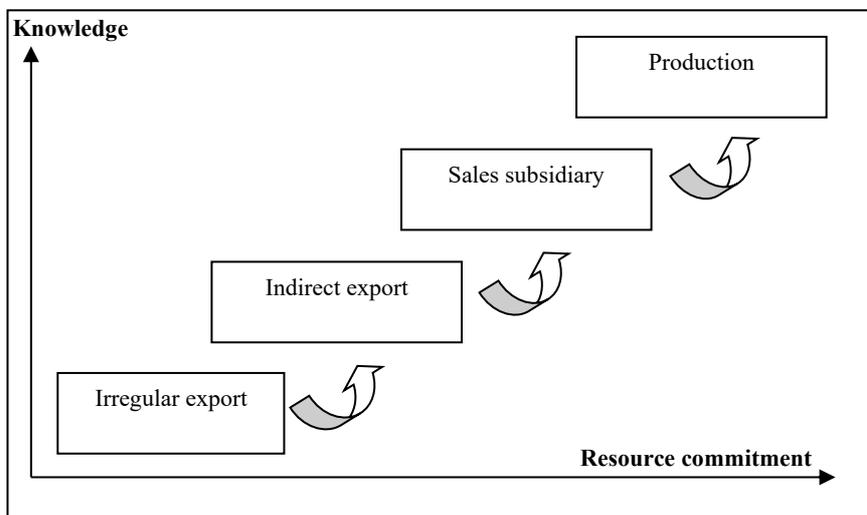
Although this theory was developed only with larger MNEs in mind, it is relevant for this study because it nonetheless outlines factors that may influence even smaller firms. Determining the OLI advantages pushes a firm to reflect and strategise. The Eclectic Paradigm also shows how efficiency may be facilitated. Because this paradigm offers a form of guide or strategy to aid in foreign expansion, it can be utilised to facilitate efficiency when pursuing foreign markets. This can be achieved when firms determine their competitive advantages in all three areas and exploit them for economic gain. There are economic losses for SSA firms, for example, both at national and firm level that may result from the neglect of use of the advantages gained from cheap labour commonly available in developing countries. This can be extended to include such locational advantages as tropical weather and products/inputs. This paradigm can offer a framework that aids in determining the OLI advantages for SSA SMEs when studying them. For example, the lack of a strategy based on the OLI paradigm may result in the exportation of commodities and transfer of manufacturing/value addition to foreign companies (as is mostly the current state of circumstances) instead of taking advantage of location and ownership advantages. In selecting market entry methods and locations, this paradigm can also facilitate strategic choices by aiding a comparative advantage analysis.

#### 2.4.1.4. The Uppsala Model

This model is the most widespread of the internationalisation process model theories and one of the earliest theories that highlighted the smaller firm. Based on empirical observations that were generated out of four case studies, this theory introduces the so-called “establishment chain” (Johansson and Vahlne, 2009, p. 1420), which is made up of modes of internationalisation (irregular export, indirect export, sales subsidiary and production/manufacturing) with differing levels of market commitment in foreign markets. Market commitment is determined by the amount of resources made available. The more the resources a firm invests in a new market the higher the degree of commitment (see Figure 2).

This stage-based model further argues that the extent of involvement or resource commitment in a foreign market increases progressively and incrementally and is dependent upon the availability or lack of knowledge about a market. Internationalisation is therefore seen by the authors as a learning-oriented process where firms start relatively small and increase operations internationally in a stepwise manner. As they acquire more knowledge about a market, they are more willing to increase their foreign market resource commitment, or in other words, change to more resource intensive modes of internationalisation.

**Figure 2.** The Establishment Chain



Source: Johansson & Vahlne (1977)

Johansson and Vahlne (1977) assume that firms seek long-term growth. At the same time however, they are keen to keep the risk levels low. Firms will therefore pursue new markets outside their borders in order to grow, but as opposed to their experiences in domestic markets, they are faced with a lack of market knowledge to aid decision making. This is particularly because countries differ in aspects such as culture, language, education, industrial development and business practices (psychic distance). The

risk and uncertainty involved when entering such new markets can be reduced by knowledge about these markets, which in turn determines the degree of commitment a firm will make in a market.

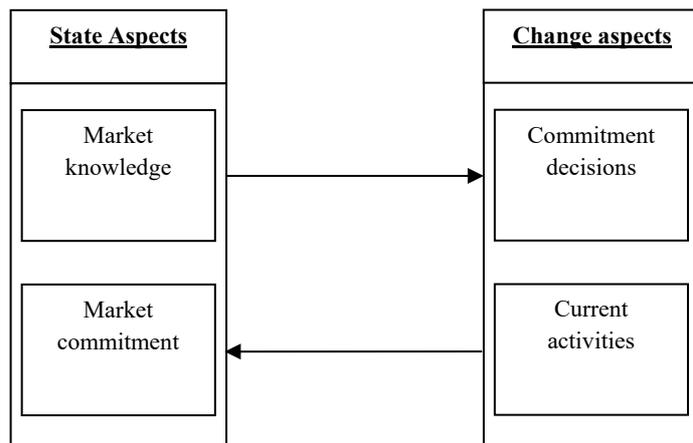
The authors offer the following model (Johanson & Vahlne, 1977, p. 26) for further elaboration. They refer to knowledge about international markets and resource commitments meant for these markets as *state aspects*, while the decision behind the amount of resource commitment, the degree of commitment and the performance of the firms’ business activities are referred to as *change aspects*. The knowledge about a market (knowledge of opportunities or issues necessary to help analyse alternatives) and the level of market commitment influence the decisions made by managers regarding the level of commitment (amount of resource investment) and the way in which current activities will be performed. In turn, these affect market knowledge and commitment (Johanson & Vahlne, 1977) as illustrated below.

**Figure 3.** Internationalisation of the Firm

Foreign direct investment				
Mode of operation	No regular export (sporadic export)	Independent representative  (export modes)	Foreign sales subsidiary	Foreign production and sales subsidiary
Market / Country				
Market A				
Market B				
Market C				
Market D				
⋮				
Market N				

Source: Adapted from Forsgren and Johanson, (1975, p. 16)

**Figure 4.** The Basic Mechanism of Internationalisation – State and Change Aspects



Source: Johansson & Vahlne (1977, p. 26)

Many researchers have criticised this theory for being too deterministic (Andersen, 1993; Reid, 1983). The argument being mainly that, depending on market conditions, transaction costs and the availability of particular resources, for example, firms may and do choose other entry options and expansion modes. They do not necessarily proceed in the “prescribed” stages of the Uppsala model. Also, firms have been found to “leapfrog” certain stages in the establishment chain (Hedlund & Kverneland, 1985), while others start to internationalise upon or soon after establishment (Oviatt & McDougall, 1994). According to Johansson and Vahlne (2009) however, this criticism may be valid only in as far as the actual stages of the theory are concerned. That is, they did not expect that the empirical observations of the study (i.e. irregular export, indirect export, sales subsidiary and production/manufacturing) would be the same in every internationalising firm, but that the resulting theories they subsequently developed would be more representative.

An additional criticism of this theory is further, the fact that it explains the internationalisation process only in one market and the fact that it does not take technological changes or innovation into consideration (Buckley, 2016). The theory is therefore considered technologically static to the extent that a firm’s product or service is seen to be fixed for the entire internationalisation period.

#### **2.4.1.5. Network Models**

Supported by diverse empirical evidence (e.g. Musteen, Datta, & Butts, 2014; Ojala, 2009; Zain & Ng, 2006), the network theory has been used to explain the internationalisation process independently (Johanson & Mattsson, 1988) but also as an integrated theory into both the stages theory (Johanson & Vahlne, 2003; Johanson & Vahlne, 1990, 1992) or into the context of early internationalisers (Sharma & Blomstermo, 2003).

The network approach according to Johanson and Mattsson (1988) is a further development of the Uppsala Model, which resulted from the stark evidence of the significant role of networks in the

internationalisation process (Coviello, 2005; Ellis, 2000; Welch & Welch, 1996). According to Johanson and Mattsson's (1988) view of the network theory, networks refer to the business relationships within a firm's value chain. In their approach to network theory, firms are internationalised when vertical and horizontal relationships are established and developed beyond country borders. The model argues that firms position themselves in business networks which they describe as "cumulative process(es) in which relationships are continually established, maintained, developed, and broken in order to give satisfactory, short-term economic return, and to create positions in the network, securing the long-term survival and development of the firm" (Johanson & Mattsson, 1988, p.307). If the firm establishes and develops these positions in foreign markets, then internationalisation comes into play. The degree of internationalisation is then determined by the position of the firm in its networks and the quantity and strength of the relationships developed in foreign countries.

This theory is relevant, for the following reasons: Firstly, network relationships are a key variable in various areas of internationalisation: market selection and in the selection of a mode of internationalisation (e.g. Chetty & Campbell-Hunt, 2003; Coviello & Munro, 1995; 1997), international growth (Yli-Renko, Autio, & Tontti, 2002), performance (Lin & Lin, 2016; Jin & Jung, 2016), resource access and acquisition including market knowledge (Coviello & Munro, 1995; 1997) among others.

Secondly, firms in developing countries and emerging markets (Khanna & Palepu, 2010) have also been found to be more likely to use their SC to overcome resource constraints (Ciravegna, 2011; Coviello, 2005). It is therefore necessary to determine to what extent networks play a role in the internationalisation of firms from developing countries, and how these networks can be characterised.

### **2.4.2. Firm Level Internationalisation Effects**

To begin with, the motives of internationalisation can be considered to be the desirable or aspired effects of the action of internationalisation. The following are some of the motives (drawn from the review offered earlier in this chapter) that have been evidenced in the literature, whose occurrence as achieved goals can be viewed as effects of internationalisation:

- Growth of the firm (OECD, 2009) - firms can be expected to grow in terms of capital and resource expansion as well as sales and revenue volume.
- Learning effects (Tatoglu, et al., 2003; Chung & Alcácer, 2002)
- Network expansion/social contact growth (Dunning, 1993)
- Increased efficiency – e.g. resulting from access to resources and inputs, risk diversification, advantages of economies of scale and scope (Tatoglu, et al., 2003; Dunning, 1993)

These can be expounded further. The effects of internationalisation on the performance of domestic firms has, by and large, been determined in the literature to be positive. At the core of extensive study

on the subject are evidence from firms from various countries, from different industries, using various measures and methods, etc. the discussion below attempts to capture the quintessence of the existing literature.

#### **2.4.2.1. Firm Growth and Increased Performance**

Lu and Beamish (2001, p. 566) point out that “... geographic expansion is one of the most important paths for firm growth” and indeed, empirical findings have established a positive and linear relationship between internationalisation and performance (Qian, Li, Li, & Qian, 2008; Dhanaraj & Beamish, 2003). These authors also confirm that the degree of FDI activity affects firm performance positively, although they also find that export activities can have a negative linear relationship to performance (Qian & Li, 2003). By and large, however, extant literature has established that firms that export are more productive than firms that remain within their domestic realm, and that those involved in FDI are more productive than those outsourcing business activities overseas (Tomiura, 2007; Bernard, Jensen, Redding & Schott, 2007; Bernard, Eaton, Jensen, & Kortum, 2003; Melitz, 2003). There are several reasons for this: First, prior to foreign market entry, firms must develop the capacity to carry out various activities such as market research, finding agents or distributors, negotiating contracts and developing appropriate products, all of which require some level of capacity and capital (Love & Mansury, 2009). In order for firms involved in export to be able to raise the necessary capital for initial fixed costs, they are expected to be more productive to begin with (Love & Mansury, 2009; Wagner, 2007; Helpman, Melitz, & Yeaple, 2004). This productivity may be facilitated by exogenous factors such as tariffs and trade agreements but also by innovation (Bustos, 2011; Yeaple, 2005). Second, international trade naturally expands a firm’s market, allowing for the increase in production of goods or services and in effect lowering the costs of production per unit. With increasing economies of scale, so does the cost of production per unit decrease, essentially, increasing productivity (Krugman, 1979).

Closely linked to performance are efficiency (Okeahalam, 2008), cost reduction and increased competitive advantage (Yip, 1989). These may be achieved through acquired opportunities to take advantage of larger economies of scale and scope, flexibility to take advantage of profit, lower costs of production, as well as increased bargaining power resulting from the availability of options (Yip, 1989).

#### **2.4.2.2. Organisational Change and Adoption of New Business Practices**

Inevitably, major business operations can be expected to change or develop when a firm begins to operate internationally. This can be due two reasons: First, regardless of the internationalisation activity or activities a firm is involved in (e.g. branch, subsidiary, acquisition), this entity must be appropriately or strategically incorporated into the existing organisational structure. The management style and level of control, or the level of commitment a firm wishes to possess in its international operations will, for example, influence the evolving company structure (Nummela, Saarenketo, & Puumalainen, 2004; Lam

& White, 1999). Lam and White (1999) investigate how companies can manage the adaptive process of internationalisation which consists of strategic, structural and human resource changes. They find that internationalisation would result in a firm standardising or adapting a product or service to a foreign market, or adapting a management structure based on a strong or weak headquarter influence, or developing a structure based on the product or geographical separation. They also find that internationalisation influences human resource management and policy, in regard to whether and where to best employ host, home or third-country nationals, and therefore influence control and independence. Also, and perhaps more applicable for smaller organisations that more often experience resource constraints, organisational structural changes may result when firms reallocate their already limited resources to meeting internationalisation needs or priorities (Nummela, et al., 2004).

### **2.4.2.3. Transfer of Technology and Human Capital Capabilities**

The transfer of technological and HC capabilities has been associated with internationalisation at the macro-level (Melitz & Ottaviano, 2008; Melitz, 2003; Potterie & Lichtenberg, 2001; Borensztein, Gregorio, & Lee, 1998; Balasubramanyam, et al., 1996) as revealed in a previous chapter. If these effects can be felt at the macro-level, it is at the firm level that they were first conceived. At firm level, international knowledge transfer has been associated with internationalisation of firms (Filatotchev, Liu, Buck, & Wright, 2009). Exposure to foreign markets means that firms also acquire knowledge that can aid in skill and capabilities enhancement (Carpenter, Pollok, & Leary, 2003). Practically, at firm level, this means that employees of foreign firms investing in domestically-owned firms (e.g. joint ventures) may impart institutionalised or experiential knowledge to the local employees during IAs (Aitken & Harrison, 1999). In such a context, (foreign) firm-specific knowledge includes knowledge on specific products, production methods and marketing techniques (Aitken & Harrison, 1999).

If we consider inward internationalisation, technological transfer has been measured by the increase in the number of non-resident/foreign investor patent (applications), and the increase in foreign investor research and development expenditure (Pietrobelli, 2018). Technology can be transferred through formal or informal channels and may come along packaged with other elements (such as the physical capital, organisational and managerial knowledge) required for its efficient use (Pietrobelli, 2018). Generally, various levels of transfer of technology are made possible and are dependent on the internationalisation mode such as whether a firm is involved in FDI, joint ventures, strategic alliances or licencing (Pietrobelli, 2018; Ghauri & Park, 2017). Further, as in the macro-level, the nationality of the firms or, strictly speaking, the development or industrialisation levels of the home and host countries of the firms will usually determine the differences in technological levels, and in effect, the extent of technological transfer (Buckley, Clegg, & Wang, 2010). Indeed, the direction of technological investment, does matter (Poterrie & Lichtenberg, 2001) to the extent that developing countries often stand to gain from the technological and HC capabilities resulting from co-operations with those in more

advanced and industrialised economies (Okeahalam, 2008; Kuada & Sørensen, 1999). Also, the motives for internationalisation will affect the degree of technological transfer into local firms (Driffield & Love, 2007; Girma, 2005; Chung, 2001). Consider the distinction made by Driffield and Love (2007) between technology-related motives, that is technology-sourcing and technology-exploiting motives, which differentiate firms that aim to access local knowledge and expertise and those that aim to transfer knowledge and expertise, respectively.

In sum, there is evidence thus far that technology transfer can be positively linked to various internationalisation activities. However, there are still studies that dispute this or offer conditional results. Aitken and Harrison (1999), for example determine that technological spill-over effects of internationalisation are only observable in the very long run but not in an immediate to short-term period.

#### **2.4.2.4. Liabilities of Foreignness and Newness**

These internationalisation gains are inevitably accompanied by negative outcomes such as liabilities of foreignness (Hymer, 1976) and newness (Stinchcombe, 1965). Essentially, these refer to costs resulting from operations in foreign markets that would otherwise not be incurred by a local firm. Liabilities of foreignness may occur due to the following reasons (Zaheer, 1995; Cuervo-Cazurra, Maloney, & Manrakhan, 2007):

- physical/spatial distance (e.g. travel, communication, transportation and coordination costs),
- unfamiliarity/difference of a firm to a specific host country environment (e.g. possible negative consumer reactions to the foreign company and its products or services,
- lacking appropriate infrastructure to do business or to enable (proper) product or service consumption), and
- restriction or additional costs resulting from foreign firm status (e.g. licence or work permit acquisition costs, limitations or regulations by host country governments).

Liabilities of newness, on the other hand, refer to the handicaps suffered by new foreign units. These are similar to those suffered by start-up firms which typically, must go through a learning curve when establishing processes, roles, inter-relations, etc. (Stinchcombe, 1965). Further difficulties that may arise include liabilities of expansion which may result due to limited resources and difficulties in distribution of resources necessary when expanding into foreign markets (Cuervo-Cazurra et al., 2007).

#### ***Summary***

This sub-section has so far reviewed theory and the existing literature on the theories that explain internationalisation, their relation to this study and the effects of internationalisation – all at *firm level*. This following sub-section offers a literature review that forms the foundation for the empirical studies

that will follow in Chapters 4 and 5. It explores the roles of employees in the internationalisation of firms and the reverse effects on employees.

## **2.5. Individual Level Internationalisation and Effects**

### **2.5.1. Theories and Concepts**

#### **2.5.1.1. International New Ventures (INVs)**

Thus far, the previous theories discussed above have not explained the behaviour of firms that have emerged in the last 20 to 30 years, that have included small firms which pursued and continue to pursue international markets soon after or right from inception. By taking advantage of aspects such as technology, changing economic conditions, and networks (e.g. Freeman, Edwards, & Schroder, 2006; Sharma & Blomstermo, 2003; Oviatt & McDougall, 1995), these firms display an empirically validated behaviour that is inconsistent with previous small firm internationalisation patterns. These entrepreneurial firms have been referred to as international new ventures (INV) (Oviatt & McDougall, 1994; McDougall, Shane, & Oviatt, 1994), born globals (e.g. Luostarinen & Gabrielson, 2004; Knight & Cavusgil, 1996), global start-ups (Oviatt, McDougall, & Loper, 1995) or instant internationals (Fillis, 2001). They succeed in venturing into the international markets upon establishment or soon after despite the limited resources and experience usually associated with smaller firms (Etemad & Wright, 2001).

Based on extant literature, Melén & Nordman (2009, p. 243) define a born global firm "... as a company that, from its inception, discovers and exploits opportunities in multiple countries." Based on existing literature on born globals and on interviews carried out with 12 born global companies in Europe and the United States, Oviatt, McDougall and Loper (1995) identify and summarise seven major characteristics of born globals. According to them, a firm (Oviatt, McDougall and Loper (1995, pp.34): (1) has a global vision right from the onset, (2) possesses managers with international experience, (3) has international business networks, (4) sells novel products/services in each foreign market, (5) has competitive advantage over a given intangible asset, (6) offers extended products or services related to the main product/service (e.g. consulting for the product being offered), and (7) is well coordinated across the borders. On the whole, various studies agree with these properties (e.g. Gabrielson, Kirpalani, Dimitratos, Solberg, & Zucchella, 2008; Luostarinen & Gabrielson, 2004).

This section seeks to establish the effects of internationalisation on employees or more specifically, on individuals. These theories on the internationalisation of new ventures are applicable to the extent that they explain internationalisation on an individual level and the implication of acquiring international work experience and in effect venturing into international business activity by establishing an INV. Individuals can be expected to seek opportunities in areas in which they have most knowledge (Ardichvili, Cardozo, & Ray, 2003). In the same way, it can be expected that INV management teams

with extensive international experience will also be identifying opportunities in international markets (McDougall, Oviatt, & Shrader, 2003; Reuber & Fischer, 1997).

The characteristics of an INV, particularly as regards human resources are that such firms have managers or founders that possess international attitude, experience, networks and development from previous employment (Kuemmerle, 2002; Ibeh & Young, 2001a; Westhead, Wright, & Ucbasaran, 2001; Oviatt et al., 1995). It is therefore foreseeable that an employee involved in the international operations of his/her employer (i.e. earning international experience) may, were he/she to choose to become an entrepreneur, become an international entrepreneur.

### **2.5.1.2. International Entrepreneurship**

Studies investigating the internationalisation of firms often approach the subject from an international business perspective. In discussing the smaller firm, however, it is impossible to overlook entrepreneurial activities involved because the role of entrepreneurial owners, managers and, in some cases, family members (e.g. Graves & Thomas, 2008; Ritchie & Brindley, 2005) largely dominate decision making, strategy and the firms' structure and behaviour. In other words, they influence the entrepreneurial orientation of the firm. Furthermore, venturing into new markets – “new entry” is essentially considered an act of entrepreneurship (Lumpkin & Dess, 1996, p. 138).

In conceptualising entrepreneurial orientation of a firm, innovativeness, risk-taking and pro-activeness (Miller 1983), as well as competitive aggressiveness and autonomy (Lumpkin & Dess (1996) have been identified as necessary dimensions for determining entrepreneurship. There are two essential attributes of entrepreneurship that also determine the entrepreneurial orientation of the firms, namely the recognition of opportunities and the development of these opportunities into viable businesses (Ardichvili, Cardozo, & Ray, 2003; Shane & Venkataraman 2000; Zahra & Dess 2001; Schumpeter, 1934). In latter cases, networks and prior knowledge (Ardichvilli et al., 2003) as well as activeness and alertness in the search for opportunities (Kontinen & Ojala, 2011) have been found to facilitate opportunity recognition.

It is assumed that the features of entrepreneurship discussed above are necessary in the recognition of opportunities in the international context. After all, the recognition and exploitation of international opportunities constitute the definition of international entrepreneurship (Lumpkin & Dess, 1996). These two aspects therefore also form the basis for the definition of International Entrepreneurship as defined by Zahra & George (2002, p.11): “the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic market in the pursuit of competitive advantage”. Oviatt and McDougall (2005, p. 540) define International Entrepreneurship along the same lines; as “the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services”.

Noteworthy is the fact that, conventional international business theories discussed in the previous section mould their ideas behind the concept of International Entrepreneurship. Although International Entrepreneurship has prevalently been applied in the context of born globals, INVs and global start-ups (Young, Dimitratos, & Dana, 2003), the concept is also largely used to demonstrate entrepreneurial internationalisation of SMEs (e.g. Wright, et al., 2007; Kontinen & Ojala, 2011).

The relevance of International Entrepreneurship to this study is drawn from the role of the entrepreneurial actor who usually possess international experience (Oviatt & McDougall, 2005b). In line with the main aim of this study to determine the effects of internationalisation on the individual/employee, the idea is followed that, internationalisation will inevitably require the active involvement of employees in the implementation of international strategies. This leads to the assignment of employees abroad to perform various tasks. Their international experience can lead to opportunity recognition, acquisition of market knowledge, building networks and other similar activities related to entrepreneurship and that facilitate internationalisation as well (McDougall, et al., 2003; Burer Schleppehorst, Werner, & Moog, 2013). Indeed, managers with international experience have been associated with internationalisation of firms right from inception (McDougall et al., 1994; Oviatt & McDougall, 1994). This is through the use of foreign strategic partners and obtaining foreign sales soon after start up (Reuber & Fischer, 1997) or through international opportunity recognition (Bloodgood, Sapienza, & Almeida, 1996). Kuemmerle (2002) also concluded, in his study of entrepreneurs of six case studies that international experience was a trigger for INVs.

Below is a summary table of the theories that have been used to explain internationalisation in this study and aid in understanding succeeding chapters as well as determining the effects of internationalisation on the *macro, firm and individual levels*.

**Table 5.** Summary of Relevant Theories

Theories	Focus	Authors	Relevance to this Study
<b>Macro Level (National Level)</b>			
Classical Theories	Countries gain from specialisation in the production of goods for which they hold absolute advantage, comparative advantage or abundant production factors.	Adam Smith, 1776; Ricardo, 1817	<ul style="list-style-type: none"> <li>- Providing a historical context</li> <li>- Explain the nature of the beginnings of internationalisation</li> <li>- Explain the dominance of import and export</li> <li>- Explain the technology gap in and institutional influence</li> <li>- Effects of internationalisation: Resource acquisition/exchange, specialisation</li> </ul>

			- Influence on growth and production practices and labour
The Hecksher-Ohlin Theory	Countries export what they can produce most efficiently or in relative abundance  Explains trade patterns and the direction of trade	Hecksher, 1919; Ohlin, 1933	- Effects of internationalisation: Specialisation, increase in efficiency, resource acquisition/exchange, outlet for any surplus products
Production Life Cycle Theory (PLC)	Products have a dynamic path with some stages requiring foreign location choices: innovation, production, export, external production	Vernon, 1966	- Effects of internationalisation and efficiency seeking
<b>Firm Level</b>			
Transaction Costs	Operations maintained internally (growth) until the costs of doing business exceed those in the (foreign) market  Selection aimed at achieving economic viability	Coase, 1937	- Consideration in entry mode selection including location choices  - High transaction costs in developing countries
Internalisation	Firms acquire foreign operations involving any further stages of production or distribution	Buckley & Casson, 2009	- Firms locate the operations involving any further stages of production or distribution internally  - Requires adequate resources
Dunning's Eclectic Theory	The configuration of the OLI advantages will determine the degree and pattern of production in or entry into new international markets	Dunning, 1977; 1988; 2001	- Framework for analysing determinants of location and market entry mode  - Conditions relevant for firm level study  - Explains extent and pattern of international production
Uppsala Model	Gradual expansion; Increasing resource commitment the more knowledge is acquired about a market in order to reduce risk.	Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975	- Actual status: high psychic distance; high risk, limited information and knowledge, limited resources for commitment purposes  - Implication of bridging psychic distance

			<ul style="list-style-type: none"> <li>- Knowledge acquisition through experiential learning and network development</li> <li>- Gradual expansion (gradual increase in resource commitment)</li> </ul>
Network Approach	<p>Firms internationalise when vertical and horizontal transactional relationships are established and developed beyond country borders</p> <p>Stand-alone theory but also adapted to the Uppsala Model and International New Ventures</p>	Johanson & Mattsson, 1988	<ul style="list-style-type: none"> <li>- Incorporating the use of networks into the Uppsala Model</li> <li>- Use of social contacts to acquire knowledge and other resources to facilitate internationalisation</li> </ul>
<b>Individual / Employee Level</b>			
International New Ventures (INV)	Explain the behaviour of firms that have recently emerge that pursue(d) international markets soon after or right from the inception	Oviatt & McDougall, 1995; Oviatt, et al., 1995; Knight & Cavusgil, 1996; Luostarinen & Gabrielson, 2004	<ul style="list-style-type: none"> <li>- Implication of acquiring international work experience</li> </ul>
International Entrepreneurship	Recognition of opportunities and their development and exploitation in an international context (as opposed to domestic confinement)	Zahra & George, 2002; Oviatt & McDougall, 2005a, 2005b	<ul style="list-style-type: none"> <li>- Acquisition of international experience (acquired through IAs) necessary for International Entrepreneurship</li> <li>- Acquisition of qualities necessary for (international) entrepreneurship</li> </ul>

Source: Own illustration (2019)

In the context of internationalisation of firms, employees are usually assigned international duties and responsibilities. These come in various forms, with employees commonly representing their employers in foreign countries on short-term, medium-term or long-term assignments and with various goals and objectives. Exploring firm internationalisation and its effects at the individual level therefore inevitably involves studying the employee and the channel through which they support a firm's international activity – International Assignments (IA).

## 2.5.2. International Assignments (IA)

The term 'International Assignment' is used in human resources management literature and by practitioners to refer to all forms of temporary secondments of employees to foreign countries to carry

out business activities and to meet international functions. These are commonly classified according to the length of time spent outside the home country or according to the functions associated with the IA. In practice, the typical classification is as follows (adapted from DGFP e.v., 2010, p. 14):

1. Alternative IAs – International business trips, frequent travel, commuting, rotational assignments – temporary assignments abroad up to a maximum of three months per IA
2. Short-term assignments – temporary IAs lasting from three to 12 months
3. Long-term assignments – temporary IAs lasting from one year to five years

Those IAs lasting less than three months are usually referred to as *alternative IAs*, while long-term and short-term assignments are commonly referred to as *standard IAs* (e.g. Reiche & Harzing, 2011). Firms commonly use both short-term IAs and long-term IAs to meet various company international strategy needs. Unlike alternative IAs, these standard IAs usually involve the relocation of not only the employee but also their families. Sometimes, short-term IAs are grouped under alternative forms of IAs because employees of short-term IAs may not be accompanied by their families. These short-term IAs fall under a group of assignments that are increasingly being used in place of the long-term assignments. This change in IA policies within companies is mainly due to several reasons. Firstly, standard IA are usually very costly (Demel & Mayrhofer, 2010) and additionally pose the difficulty of determining returns (McNulty & De Cieri, 2011; McNulty, De Cieri, & Hutchings, 2009; Collings, et al., 2007). It is for this reason that firms may be seeking ways to contain the costs associated with standard IAs. Secondly, qualified employees' immobility, or their lack of willingness to go for IAs - for example, due to family related constraints or complications associated with relocation - force firms to seek alternative forms of IAs. Thirdly, advanced technology now facilitates communication and transport making it possible to replace some long-term IAs with short-term assignments, frequent international business trips or virtual IAs (Bonache & Zárraga-Oberty, 2008). Indeed, it is predicted that these types of assignments will continue to dominate firm global assignment policy frameworks (Collings, et al., 2007).

### **2.5.3. Staffing Policies**

How do firms engage their employees in the process of internationalisation? Dependent on a company's internationalisation policy, Perlmutter's (1969) seminal work on multi-nationality levels and attitudes provided a way of classifying staffing policies accordingly. These widely referenced global staffing policies are grouped into *ethnocentric* (home-country oriented), *polycentric* (host-country oriented) and *geocentric* (world-oriented) approaches to staffing, with *regiocentric* strategies (Perlmutter & Heenan, 1974) being introduced subsequently. This classification is also described as the EPRG framework. According to Perlmutter (1969), these attitudes towards internationalisation are not necessarily mutually exclusive and the degree of each one may indeed differ from function to function within a given company. To begin with, a classification of international staff is offered below to facilitate understanding

of the EPRG framework. It groups them into three attitudes or orientations: *Parent Country National (PCN)*, *Host Country National (HCN)* and *Third Country National (TCN)*.

**Table 6.** Classification of International Staff

Description	Advantages	Disadvantages
<b>Parent Country National (PCN)</b>		
<b>Nationality of employee is the same as that of the headquarters of the multinational firm</b>	<ul style="list-style-type: none"> <li>- Familiarity with the home office's goals, objectives, policies and practices</li> <li>- Technical and managerial competence</li> <li>- Effective liaison and communication with home-office personnel</li> <li>- Easier exercise of control over the subsidiary's operations</li> </ul>	<ul style="list-style-type: none"> <li>- Difficulties in adapting to the foreign language and the socioeconomic, political, cultural and legal environment</li> <li>- Excessive cost of selecting, training and maintaining expatriate managers and their families abroad</li> <li>- The host countries' insistence on localising operations and on promoting local national in top positions at foreign subsidiaries</li> <li>- Family adjustment problems, e.g. due to the unemployed partners of managers</li> </ul>
<b>Host Country National (HCN)</b>		
<b>Nationality of employee is the same as that of the headquarters of the firm</b>	<ul style="list-style-type: none"> <li>- Familiarity with the socioeconomic, political and legal environment and with business practices in the host country</li> <li>- Lower cost incurred in hiring them as compared to PCN and TCN</li> <li>- Provides opportunities for advancement and promotion to local national and, consequently increases their commitment and motivation</li> <li>- Responds effectively to the host country's demands for localisation of the subsidiary's operation</li> </ul>	<ul style="list-style-type: none"> <li>- Difficulties in exercising effective control over the subsidiary's operation</li> <li>- Communication difficulties in dealing with home-office personnel</li> <li>- Lack of opportunities for the home country's national to gain international and cross-cultural experience</li> </ul>
<b>Third Country National (TCN)</b>		
<b>Nationality of employee is neither that of the headquarters nor the local subsidiary</b>	<ul style="list-style-type: none"> <li>- Perhaps the best compromise between securing needed technical and managerial expertise and adapting to a foreign socioeconomic and cultural environment</li> <li>- TCNs are usually career international business managers</li> <li>- TCNs are usually less expensive to maintain than PCNs</li> <li>- TCNs may be better informed about the host environment than PCNs</li> </ul>	<ul style="list-style-type: none"> <li>- Host country's sensitivity with respect to nationals of specific countries</li> <li>- Local national are impeded in their efforts to upgrade their own ranks and assume responsible positions in the multinational subsidiary</li> </ul>

Source: Reiche & Harzing (2015, p.149)

In *ethnocentric strategies* the ways of doing business are based on those of the home country. Control and decision-making are centralised in the home country. This policy may be necessary in order to facilitate the transfer of headquarter company values, to maintain home country communication linkages, or if there is a lack of adequately skilled or qualified host country nationals. To maintain control, a company applying such a strategy is expected to transfer many expatriates (PCNs) from the headquarters to the various subsidiaries. On the down-side, HCNs may not receive an opportunity to advance or apply themselves because authority comes from and decision-making is made in the headquarters.

Under the *polycentric policy*, authority, control and decision making are allocated to the local offices. The assumption is that every country is unique and must be approached individually. Control is therefore decentralised. Consequently, internationally remote offices are rather filled by HCNs or locals. This independence of subsidiaries implies that there are hardly any expatriate transfers necessary. Although employees may miss out on opportunities to acquire international experience and may face difficulties coordinating operations between the headquarters and the international offices, there are some advantages to this strategy. This approach may save the high costs that may be allocated for employing expatriates and managing them, as well as limiting the problems associated with continuity of management and relation to locals (Mayrhofer & Brewster, 1996).

*Regiocentric staffing strategies* are similar to the polycentric strategies. In this strategy however, employees may only be assigned to countries falling within a particular region. A regionally structured organisation may ensure that employees are transferred to countries with similar cultural backgrounds thus reducing conflicts and adaptation problems.

*Geocentric strategies* on the other hand, are unconstrained by geographical boundaries with the multinational firm integrating all international units to develop a truly global firm. Employees are developed and selected to occupy positions in any vacancies within the company around the globe. The linkages among the units are complex and interdependent with employees being required to communicate constantly. While this strategy may be expensive as far as IA costs are concerned, employees are exposed to international experiences and the firm operates in a more unified fashion.

Earlier empirical studies have confirmed these classifications in the context of staffing policies (e.g. Caligiuri & Stroh, 1995), it however remains unclear to what extent these staffing policies are applicable to smaller firms. The model offers the possible ways a firm's attitude towards internationalisation can be viewed, as far as employee assignment is concerned. Evidence in relation to smaller firms is scarce. It can be assumed however, that the limited resource availability in small firms may constrain them to specific choices or hybrid methods, and the type of product or service offered may also narrow the possibilities for a firm. The location of entry may also determine what kind of approach a firm selects because a higher psychic distance between home country and host country may require higher control

from PCN. Also, a start-up firm with limited personnel and financial resources may be oriented towards a polycentric approach in the long run in order to increasingly make use of local employees and reduce IA costs. A firm may also begin with a certain strategy and progressively change to another. For example, it may initially apply an ethnocentric approach to transfer company values, skills and know-how and eventually move to a polycentric approach.

## **2.5.4. Role of Employees and Management in Firm Internationalisation**

Personnel and particularly those in management positions play a significant role in a firm's international expansion, and in determining the internationalisation strategy of a firm (Nielsen, 2010; Brush et al., 2002).

Employees affect the internationalisation process of firms, for example, when the management of a company makes decisions about where to venture, with whom, when and how. They also select potential transfer candidates and the nature of IAs necessary to achieve internationalisation strategy goals, which can additionally be affected by the availability or lack of personnel. For example, a firm may choose to enter a given market by franchising or using agents because it lacks adequate qualified personnel (Brush et al., 2002). In this regard, the following aspects relating to management and executive teams, individuals in management and employee characteristics have been found to affect the internationalisation of firms: international experience (e.g. Herman & Datta, 2006; Carpenter, Sanders, & Gregersen, 2001; Reuber & Fischer, 1997), attitudes and mindsets (e.g. Kyvik, et al., 2013; Harveston, et al., 2000), networks (e.g. Musteen, et al., 2014; Musteen, Francis, & Datta, 2010; Zhou, Wu, & Luo, 2007), demographical data e.g. nationality (Nielsen, 2010; Nielsen & Nielsen, 2009; Carpenter & Fredrickson, 2001), etc. Some of these are dealt with below.

### **2.5.4.1. International Experiential Knowledge**

International experiential knowledge and skills are acquired as a result of the exposure of employees to foreign market environments and are acquired especially through work, education, long-term or extensive international travel (Manolova, Brush, Edelman, & Greene, 2002; Reuber & Fischer, 1997). This exposure to international markets contributes significantly to the formation of a global mindset among small firm managers (Kyvik, 2011; Nummela, et al., 2004; Oviatt, et al., 1995), who may in turn determine the extent of involvement of a firm in international activities (Harveston, et al., 2000). This global mindset refers to "... the propensity of managers to engage in proactive and visionary behaviours in order to achieve strategic objectives in international markets." (Harveston, et al., 2000, p.92).

Apart from a global mindset, employees usually bring international experience in form of management know-how and skills, industry-specific know-how or general knowledge about international business

(e.g. relating to international trade policies, taxes and customs duties, exchange rate risks, possible communication and cultural conflicts (Manolova, et al., 2002; Oviatt et al., 1995). In so far as employees and particularly management, have such international experience and skills, studies have established that firms enter foreign markets earlier than firms without such employees (Manolova, et al., 2002; Reuber & Fischer, 1997). Other studies find that foreign market knowledge of the management team influences firm performance in its first venture at internationalisation (e.g. Zuchella, Palamara, & Denicolai, 2007), and the choice of foreign entry mode (Nielsen & Nielsen, 2011; Herrmann & Datta, 2006; Erramilli, 1991). International experience may also reduce the level of uncertainty pertaining to foreign market entry (Sambharya, 1996), facilitate opportunity recognition in international markets (Tihanyi, et al., 2000) or help in forming international networks that may aid in decision-making (Athanassiou & Nigh, 2002). Indeed, a link has been found between social ties as a means for identifying international opportunities and increasing international experience (Ellis, 2000). In other words, international experience offers employees the benefit of time in foreign environments to develop social ties that are then usually instrumental for opportunity recognition and market entry. This is relevant in regard to the process of internationalisation because it will determine further steps of internationalisation; whether and how the firm would then proceed (Musteen, et al., 2014).

#### **2.5.4.2. Employee Networks**

Apart from knowledge resources, networks have also been found to play a significant role in the initial and continued internationalisation of firms (Zhou, et al., 2007; Athanassiou & Nigh, 2002; Ellis, 2000; Johanson & Mattson, 1988). They provide a means through which various types of resources can be accessed (Lin, 2001). The SC (to be dealt with in more detail below) that can be gained from such networks may be in form of knowledge about foreign markets, entrepreneurial ideas/opportunities, financial resources, human resources, etc.

An analogy of bumble bees and spiders has been used to explain socialisation and networking motivations for IAs of employees (Harzing, 2001b). Although used in the context of longer-term IAs, the parallelism of flying bumble bees from one flower to another facilitating cross-pollination can be transferred to the context of all forms of employee assignments to foreign offices. Through this socialisation, a web of connections or inter-relationships and communication is span, through which various resources can be acquired and transferred.

In the context of facilitating the internationalisation process, international assignees may form contacts with individuals who may themselves become or be able to provide access to potential customers in foreign markets, cooperation partners, information about potential markets, products or ideas, local business environments, etc. Also, the availability and type of networks may influence the entry mode into particular foreign markets (Ellis, 2000; Holmlund & Kock, 1998) i.e. whether a firm will use its investor networks in one country or marketing contacts in another, may determine how they enter or

what kind of business activities they eventually pursue in the respective countries. Further, as Ellis (2000) finds, individuals with boundary-spanning networks are in a better position to recognise opportunities than those without. In his study of highly-internationalised manufacturing firms, he finds that foreign market opportunities are often acquired through existing interpersonal links rather than systematically acquired knowledge acquired through market research.

#### **2.5.4.3. Management Team Demographics**

The characteristics of particular employee teams may facilitate the internationalisation process of a firm. Demographic data of management teams in internationalising companies has raised a lot of interest in the management literature with studies exploring various variables. In their study, Carpenter and Fredrickson (2001) seek to determine the relationship between the characteristics of firms' top management teams (international experience, educational backgrounds and firm tenures) and the extent of internationalisation (measured by a composite measure of foreign market sales, worth of foreign-owned assets and number of foreign subsidiaries). They find that diversity in terms of breadth of international experience determine the degree of globalisation of firms. Other studies (Nielsen, 2010; Athanassiou & Nigh, 1999; Sambharya, 1996) have produced similar results, confirming the importance of top managers' international experience for internationalising firms. Apart from international experience, the nationality of top managers is a distinct source of knowledge and expertise and has been positively linked to decision-making in market entry strategies (Nielsen, 2010). To further comprehend the role of top management teams in the international expansion of firms, Tihanyi, et. al. (2000) extend the demographic approach to explore company decision-making by managers. They determine that firm international diversification is influenced positively by the following demographic traits: lower average age, higher average tenure, elite education (education from elite universities), and international experience of the top management team. In the context of entrepreneurs/founders as drivers of early internationalisation, however, Zuchella, et al. (2007) find only the knowledge of foreign languages to be of significance for early internationalising firms but fail to find significance among other educational background variables such as level of education and high level of education.

#### **2.5.4.4. Coordination and Control**

Pioneering the subject of the role of employees during IAs, Edström and Galbraith (1977) proposed widely accepted categorisations of the motives for using standard IAs. These are: *filling positions*, *management development* and *organisation development*. These three categories are not mutually exclusive and have been used to summarise the assignment of employees for international business operations and expansion.

According to these authors, firms assign employees, who are assumed to better understand the interests of the home country company, to occupy positions in remote offices and provide relevant management

or technical skills. Rather than *just* transfer technology, employees are also trained to manage a company in a foreign environment (Edström & Galbraith, 1977). These employees are sent to acquire or spread various competences to various foreign units and learn how the company works in various cultures.

According to Edström and Galbraith (1977), transfers of employees are further used to develop the organisation through *control*. This is done, first of all, in the socialisation of employees into the corporate culture of the company and secondly, in facilitating networking to transfer verbal information and knowledge (also technical expertise) within the organisation. Generally, this classification is widely accepted as representative of all functions of standard IAs (Harzing, 2001a) so that most succeeding studies have sought to empirically confirm this categorisation (e.g. Sparrow, Harris, & Brewster, 2004; Harris, 2002).

Logically, *filling positions* and *management development* should rather be categorised under *organisation development* (Pausenberger, 1987 and Roessel, 1988 as cited by Harzing 2001a, p. 582). For this reason, Harzing (2001a, 2001b) suggests referring to the third category as *coordination and control* as has indeed been the common interpretation of Edström and Galbraith's (1977) third function of international transfers, *management development*. Harzing (2001a, p. 582) for example, explains management and control as follows: employee "...transfers are used to change or maintain the structure and decision processes of the organisation. In this case, international transfers are used as a co-ordination and control strategy." In other words, the actions taken by an organisation (such as assigning employees to take up particular positions in overseas offices, or training and developing selected managers) are carried out, in essence, with the intention of monitoring and maintaining desired behaviours, values, standards, results or company culture (e.g. Child, 1973), or with the intention of skilfully and effectively interacting various decentralised units. Through IAs, managers in the various independent units get the opportunity to network, exchange information and knowledge and comprehend the effect of their decisions on other foreign units, and how efficiency can be attained. Noteworthy is that, coordination and integration in international firms cannot occur naturally; active effort must be made to coordinate and integrate the independent decentralised units in various countries (Bonache, Brewster, & Suutari, 2001). In other words, to manage and facilitate a successful internationalisation (growth) process, employees must be employed to coordinate and control an organisation.

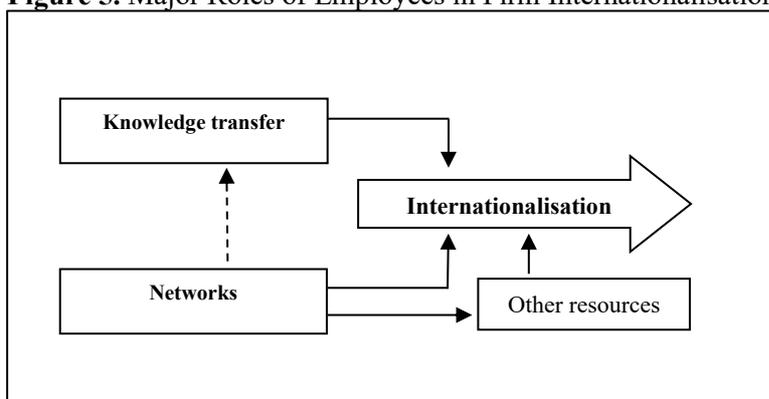
#### **2.5.4.5. IAs as Knowledge Transfer Mechanisms**

International business theorists generally agree on the significance of knowledge as a resource in international firms and in their internationalisation processes (Johansson & Vahlne, 1977). The resource-based view (Barney, 1991) additionally confirms that the ability to transfer resources, and in this case, knowledge, determines the extent of the competitive advantage for a firm (Barney, 1991). Knowledge is made up of "data and information, ideas, rules, procedures, intuition, experiences, and models that have been developed over time and that guide action and decisions" (Kostova, Athanassiou,

& Berdrow, 2004, p. 278). As differentiated by various researchers, knowledge can be objective, thus codifiable and teachable (explicit), or it can be experiential (tacit), as in, ingrained in individuals and acquired successively through personal experiences in overseas offices (e.g. Bonache & Brewster, 2001; Johansson & Vahlne, 1977). In general, knowledge may be in form of organisational processes and procedures, technical knowledge, business knowledge, knowledge about international clients and markets, institutional knowledge in particular countries (e.g. Bonache & Brewster, 2001; Eriksson, Johanson, Majkgård, & Sharma, 1997) etc. More specifically, international business literature classifies types of knowledge that are considered important in the internationalisation of firms as follows (Eriksson, et al., 1997)

1. **Foreign business knowledge** – refers to experiential knowledge about specific markets, clients, and competitors, language and business culture.
2. **Foreign institutional knowledge** – refers to experiential knowledge about government policies and regulations and general workings, institutional structures, commercial laws, rules, norms, values, etc.
3. **Internationalisation knowledge** – pertains to the knowledge acquired about general international operations without particular focus on a specific market. This refers to knowledge acquired about managing resources and systems in international contexts.
4. **Product and technological knowledge** – refer to specific descriptive knowledge about a product, service or technology that is being offered or sold by a company in the context of an international stage or country specificity. It involves understanding the physical change of a product or the elements of a product in order to be marketable in given country, or how technological or infrastructural differences may affect marketability of a product or service.

**Figure 5.** Major Roles of Employees in Firm Internationalisation



Source: Own illustration (2019)

Since knowledge within an organisation is generally manifested and transmitted through persons (Bender & Fish, 2000), it is usually transferred between various international company units by international assignees (Minbaeva & Michailova, 2004). Thus, international assignees act as links or

vessels of knowledge between the various international nodes. They enhance knowledge transfer within and for the organisation (Reiche & Harzing, 2011; Minbaeva & Michailova, 2004).

There is however often difficulty when transferring the acquired knowledge within the organisation to benefit the organisation. Indeed, Subramaniam and Venkatraman (2001, p. 361) define international knowledge as “the knowledge of the differences among overseas markets that is difficult to codify and transfer in a systematic way”. This *stickiness* (Szulanski, 1996) in transferring knowledge may be dependent on the type of knowledge being transferred, the social or institutional environment such as bureaucracy, and the type of relations between the parties or the kinds of organisation structures in place (Riusala & Suutari, 2004). It can be observed in form of difficulties faced by the source and recipient when communicating or in form of relationship-related issues among these two parties (Jensen & Szulanski, 2004). It can also be observed when difficulties are faced while evaluating the reliability of the knowledge sources, applying the knowledge acquired or while trying to achieve set goals based on given knowledge (Jensen & Szulanski, 2004). Many researchers have determined that knowledge acquired by international assignees is hardly managed, captured and retained by firms (Burmeister & Deller, 2016; Oddou, et al., 2013). Therefore, although knowledge transfer is considered a significant function of IAs, the literature has shown through high repatriate employee turnover rates that harvesting knowledge from international assignees after a foreign assignment has not been accorded the due gravity it deserves (Lazarova, 2015).

### **2.5.5. Effects of Firm Internationalisation on Employees and Managers**

An IA is a medium or channel through which employees enable and facilitate internationalisation of a firm. When talking about internationalisation effects on the employee or manager, this therefore, inevitably makes reference to the effects of IAs on the employee or manager. While the role of employee foreign secondments has been researched and discussed at length as above (e.g. (Harzing, 2001a; Harzing, 2001b; Edström & Galbraith, 1977), there is little research on the impact of IAs on employees (Dickmann & Doherty, 2008). Some empirical studies have been carried out mainly to determine the effect of IAs on employee careers – also referred to as *career capital* (Dickmann & Doherty, 2008; Suutari & Mäkelä, 2007; Dickmann & Harris, 2005; Stahl & Cerdin, 2004; Stahl, et al., 2002). DeFillippi and Arthur (1994) classify the capabilities that enrich career capital as *knowing how*, *knowing whom* and *knowing why*, referring to the enhancement of HC (knowledge, skills and abilities), enhancement of social contacts and achieving core motivations for IAs, respectively (DeFillippi & Arthur, 1994). Some of the following effects are drawn from literature researching the personal motivations for IAs by employees (i.e. excluding the employee’s family-related motivations) (e.g. Dickmann et al., 2008). These would be relevant because the desired outcomes/effects of IAs are indeed also the motivations

for going on IAs in the first place. Other effects, those that may be considered unexpected are also discussed.

### **2.5.5.1. Human Capital Endowment**

Human Capital (HC) refers to the stock of resources an individual possesses (innate or acquired) as a result of their knowledge, skills and experiences, which when appropriately utilised, can lead to increased earnings or added value to a firm or economy (Becker, 1962; Mincer, 1974; Becker & Chiswick, 1966). Investment in HC e.g. in education and training, work experience and gaining skills is expected to result in higher returns (Becker, 1962; Mincer, 1974; Becker & Chiswick, 1966).

IAs also invariably enhance the HC of employees in terms of knowledge, skills and abilities (Dickmann & Doherty, 2008; Bonache, 2005; Suutari & Brewster, 2003). Firstly, in the interest of ensuring that IA candidates will be capable of carrying out their new job functions effectively and adapt to the foreign culture and environment, firms sometimes offer pre-departure training (Abdulla & Jin, 2015). In case of successful assimilation, this may provide a candidate (especially for long-term IAs) with cultural, communication and language skills (Harris, 1989; Mendenhall, Dunbar, & Oddou, 1987).

Secondly, IAs themselves provide employees with learning opportunities in which knowledge is subconsciously or consciously accumulated during foreign secondments (Reich & Harzing, 2011). This, as has been mentioned above, is often knowledge about foreign clients and markets that includes information on doing business in the various markets, technical knowledge, knowledge about organisational processes and procedure and other internal business operations within the firm in the local environment (e.g. Bonache & Brewster, 2001; Eriksson, et al. 1997) etc. The knowledge acquired develops the employee professionally and personally and may qualify him/her for current or future positions (Reich & Harzing, 2011). Specifically, and relating to top management teams, Athanassiou and Nigh (2000) also determine that the level of internationalisation of a firm and the extent to which the firm's activities are interdependent affects the density and intensity of advice (tacit knowledge) flowing within a management team. These studies show that the more a firm expands internationally (either by multiplying foreign locations or by expanding within existing foreign locations), the more the managers will gain first-hand knowledge and experience of firm's activities abroad, and the more they shall gain from the (tacit) knowledge and international business advice from others.

International assignees can also improve their various skills in terms of comprehension of the global market, linguistic proficiency, social skills, self-assurance, professional competence and the generation of ideas by expanding their horizons (Riusala & Suutari, 2000).

IA know-how (DeFillippi & Arthur, 1994; Dickmann & Doherty, 2008) may also be responsible for negative effects that may be observed in various forms. For example, upon return from IAs, repatriated employees may be denied the opportunity to utilize their acquired knowledge and capabilities (Ren,

Bolino, Shaffer, & Kraimer, 2013; Dickmann & Doherty, 2008) thus potentially diminishing their knowledge, capabilities or skills to a certain extent (Dickmann & Doherty, 2008).

### **2.5.5.2. Social Capital**

Social Capital (SC) refers to the gains, resource or assets that can be accrued from one's networks and social structures (Lin, 1999). In other words, an individual will invest (time, effort and resources) in his networks which include family and friends, co-workers, managers, etc. and expect returns (Lin, 1999, Burt, 1997).

The development of SC during IAs is necessary and in fact inevitable (Manev & Stevenson, 2001). International assignees in fact invest time and effort to develop and maintain social contacts during assignments both privately and professionally (Dickmann & Doherty, 2008). SC endowments can be attributed, for example, with aiding the adjustment of international assignees to foreign environments (Wang & Nayir, 2006; Kashima & Loh, 2006), increasing job performance levels (Liu & Shaffer, 2005) and knowledge and information sharing (Au & Fukuda, 2002; Mäkelä, 2007).

The larger the size of the network the assignees interacts with, the more diverse the contacts and the greater the available stock of acceptable behaviours to learn from (Osman-Gani & Rockstuhl, 2008), and resources to access from (Lin, 2001). In and by themselves, international assignee networks develop due to an accumulation of contacts typically made up of locals, home country nationals (during and after their assignments) and other expatriates (Osman-Gani & Rockstuhl, 2008). Thus, IAs can improve the stock of SC in quantity and quality. If maintained and nurtured therefore, they can facilitate access to a much larger amount of resources to draw from (Lin, 2001).

Even though employee networks may grow qualitatively and quantitatively, based on a review of empirical research on IAs, Shaffer, Kraimer, Chen, and Bolino (2012) suggest that long-term absence from the home office alienates international assignees from contacts that may be useful for upward mobility in the company. Qualitative research has determined that such difficulties may arise when important contacts in the home unit diminish during the secondment (Dickmann & Doherty, 2008). Despite calls to mitigate these problems by integrating career development and succession planning in long-term IA management (e.g. Lazarova & Caligiuri, 2001), for example through mentoring (Stahl et al., 2009), assignees are often faced with an 'out of sight, out of mind' mentality in the home country (Adler, 2008; Allen & Alvarez, 1998). That is to say, they suffer from insufficient support from and contact to the headquarters thereby failing to receive information about, among others, important developments in the home base or potential job development opportunities within the company (Allen & Alvarez, 1998; Stroh, Gregersen, & Black, 1998).

### **2.5.5.3. Personal Competencies**

Employees do not only develop themselves professionally but also on a personal level, studies have determined that repatriates and frequent travellers grow their personal competences during IAs. The nature of IAs is such that, employees are commonly given greater responsibilities (Tung, 1998), possess greater authority and a greater freedom in decision-making (Harris, 1989) in a foreign environment. They are therefore thrust with leadership responsibilities (Tung, 1998). IA also expound and change employee perceptions of various aspects of business and life in general, increase sensitivity to other individuals and cultures, open-mindedness, increase self-confidence, creativity in problem-solving, hardiness, flexibility and adaptability (Oddou et al., 2013; Suutari, 2003).

### **2.5.5.4. Remuneration**

Taking up an IA can result in general improved earnings for assignees. This arises from the additional remuneration over and above the base salary and other employment related benefits such as cost-of-living allowances, hardship allowances, relocation bonuses and other benefits (McNulty, 2015). This is however, not always the case because evidence has shown that increased income as a motivation varies from country to country (Stahl, et al. 2002). Also, over time, firms (both large and commonly scarcely resourced small firms) are seeking to cut or lower the high costs resulting from employee international engagement (McNulty, 2015; Stahl et al., 2002). Also, there is an increase in willingness by (especially young) employees to go for IAs, particularly of long-term nature, without the need of an extravagant financial incentive, because the personal (internal) incentive of gaining international experience is now considered necessary for career advancement (McNulty & Brewster, 2018).

Other factors to consider are the potentially different budget sizes available to send employees on IAs. Small firms for example, have been associated with constrained financial resources and may use other incentives (such as international experience or career advancement) to motivate employees to go for IAs.

### **2.5.5.5. Entrepreneurial Characteristics**

Due to the exposure of employees, IAs can cause the development of entrepreneurial characteristics also usually associated with IA and the environment they expose employees to. Some of the characteristics that have been associated with entrepreneurs include: innovativeness, risk-taking and pro-activeness (Miller 1983), competitive aggressiveness and autonomy (Lumpkin & Dess, 1996), opportunity recognition and development (Shane & Venkataraman, 2000; Zahra & Dess, 2001; Ardichvili, Cardozo, & Ray, 2003, p. 105), networks, knowledge and skills (Ardichvili, Cardozo, & Ray, 2003) as well as activeness and alertness in the search for opportunities (Kontinen & Ojala, 2011) have been found to facilitate opportunity recognition. Yet most of these characteristics have been discussed previously in

relation to international assignees raising questions about the propensity of repatriates of international assignees becoming or being entrepreneurs. Further discussion theoretical and empirical exploration of this particular effects can be found in Chapter 4 and 5.

**Summary**

Having reviewed existing theories, concepts and literature in the three levels being used to study the effects of internationalisation as set out in this thesis, the chapters that follow will focus only on the *firm* and *individual perspectives*. Based on literature offered in this section and aiming to answer the research questions set out in the introduction section, Chapters 3, 4 and 5 contain a qualitative study (*firm level*), a theoretical study and a quantitative study (*individual levels*), respectively.

To begin with, the following chapter deals with firm level internationalisation and its effects. In particular, it focuses on a research area that has long remained neglected in the literature: the study of SMEs in developing countries and particularly in SSA but remaining in the context of establishing the effects of internationalisation on firms.

**Figure 6.** Internationalisation Effects: A Multi-Level Perspective



Source: Own illustration (2019)

# **3. Internationalisation of SMEs in Sub-Saharan Africa: Investigating the Motives, Process and Outcomes using the Case of Kenyan Firms**

## **3.1. Introduction**

Evidenced from existing literature, cross-border activities by SMEs have increased immensely for several decades now (Boso, Adeleye, & White, 2016). This is despite limited resources, a limited capacity to benefit from economies of scales and a lack of adequate capabilities necessary when venturing into international markets (Cavusgil & Knight, 2015). Indeed, in the wake of globalisation, internationalisation is essential if SMEs are to remain competitive (Rutashobya & Jaesson, 2004). These firms have therefore devised ways to take advantage of the present global business environment, technological advancements, innovation, international social ties and entrepreneurial skills to become internationalisation ventures (Cavusgil & Knight, 2015; Knight & Cavusgil, 2004). The strategic option by smaller firms to operate beyond home country borders is commonly in the interest of increasing growth and improving performance for the firm in the long run (Lu & Beamish, 2001; 2006). On a macro-economic level, international SMEs have been associated with increased economic growth and development, employment, industrialisation, innovativeness and competitiveness compared to local SMEs (AfDB, OECD, & UNDP, 2017; ILO, 2015; Ayyagari et al., 2011; EIM, 2010; Kirzner, 2009). Like their larger counterparts, SMEs operating internationally also facilitate transnational trade and can increase national economy and welfare (Acs, Morck, Shaver, & Yeung, 1997).

The significant value of SME internationalisation mentioned above similarly applies to developing economies in SSA (Ayyagari et al. 2011). Developing countries are also known as low- and middle-income countries and are mainly characterised by low Human Development Index (HDI), low per capita income, dependence on primary sectors and export of rather primary commodities (low industrialisation level), etc. (World Population Review, 2018). By this description, SSA countries largely fall under this categorisation (UNDP, 2018; World Population Review, 2018).

Despite the high number of informal enterprises<sup>1</sup> common in developing economies (Safavian, Wimpey, & Amin, 2016; UN, 2015; IMF, 2017; AfDB, 2013), formal SMEs do make up to 45 percent of total

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<sup>1</sup> The informal sector refers to “(1) household enterprises that have some production at market value but are not registered; and (2) [...] underground production, where productive activities are performed by registered firms but may be concealed by authorities to avoid compliance with regulations or the payment of taxes, or are simply illegal (IMF, 2017, p.49). It contributes between 25 and 65 percent of Sub-Saharan Africa’s GDP and between 30 and 90 percent of total nonagricultural employment (IMF,2017, p.49)

employment and up to 33 percent of GDP in developing economies (World Bank, 2015). It is further important to study the internationalisation of SMEs in SSA because of the increasing facilitation and development of programmes and policies that enhance further regional integration and African regional trade (UN, 2015; UNCTAD, 2013). It is expected that once a close to completion African Continental Free Trade Area (AfCTA) agreement is signed, there will be a significant boost in intra-African trade (IMF, 2019). Additionally, SSA has in recent years established itself as an increasingly attractive investment destination for foreign MNEs particularly from Europe, America and Asia. FDI's have in fact been rising dramatically over the past couple of decades (UNCTAD, 2015), thus contributing to average economic growth rates in various countries; rates that have exceeded that of the world economy since the turn of the century and are expected to stay above even when the pace may reduce (IMF, 2019; UNCTAD, 2015, p.2).

East Africa and particularly Kenya have been leading growth performers in SSA among non-oil dependent countries (IMF, 2019; AfDB, OECD, & UNDP, 2017), and the SME sector is one of the major contributors to the economy in Kenya. According to the Kenya National Bureau of Statistics (KNBS), SMEs accounted for 81.1 per cent of employment (including working owners, full-time paid employees, unpaid family workers, part-time workers and apprentices) of the total Kenyan workforce in 2016 (KNBS, 2016) with only approximately 33.8 percent as contribution to the country's GDP (KNBS, 2016, p.76). The AfDB (2012, p. 10) further established that 76 percent of Kenyan SMEs attributed their revenue growth to neighbouring markets, confirming the significance of regional and international market expansion for the much-needed SME growth.

Our understanding of the internationalisation of SSA SMEs, their motives and implications however remain limited (Boso, et al., 2018). To gain insight into the workings of these SMEs - for potential investors and policy makers and to aid in filling the existing research gap - this chapter exploratively studies SMEs in Kenya and their internationalisation motives, process and effects. To guide this study, the Uppsala model is applied. Although it has been considered by some to be outdated, for example, for advocating for gradual expansion and failing to explain the behaviour of firms such as born globals or international new ventures (Steen & Liesch, 2007), it has not been adequately tested particularly in relation to firms from developing country (Ibeh, Wilson, & Chizema, 2012). Additionally, the following points justify the use of the Uppsala model.

- scarcity of resources may justify a stepwise fashion of expansion for firms in developing countries (Kuada & Sørensen, 1999)
- the availability of natural resources and primary goods defines to a large extent how firms in developing nations and in Africa in particular internationalise (e.g. Shree & Urban, 2012)
- the large psychic distance between developing nations particularly in Africa and other nations particularly North American and European. This is based on how psychic distance is commonly

measured; namely, by the differences in a 'sum of factors' that include culture, language, religion, level of education, level of industrial development and political systems (Johanson & Wiedersheim-Paul, 1975, p. 308)

- additionally, other studies based on African firms have only established validity to the Uppsala model but only in regard to specific aspects but not the theory as a whole.

## 3.2. Theoretical Basis

### *The Uppsala Model*

To recapitulate, the Uppsala Model (Johanson & Vahlne, 1977) is based on empirical evidence from four Swedish firms which displayed a pattern of growing international activity that led to the phrase *the establishment chain*. Although there may be differences in the types and number of stages for different samples (Johanson & Vahlne, 1977), the establishment chain represents a stepwise manner in which these firms start and expand international operations abroad. In their particular case, Johanson and Vahlne (1977, p. 307) determined four stages: (1) No regular export, (2) Export via independent representatives or agents, (3) Sales subsidiary, and (4) Production (manufacturing). The main features of this model are as follows:

- Countries are heterogenous, therefore firms frequently begin international operations with firms from countries with which they have least psychic distance. The greater the psychic distance is between the firm's home country and the foreign country, the more the uncertainty for entry there will be for a firm and the more knowledge will be necessary to inform decisions and mitigate risk.
- Internationalisation is therefore a process involving risk reduction that occurs in a stepwise manner moving from one internationalisation mode to the next, with every succeeding step requiring more resources (more commitment) than the previous one.
- Firms are well established in countries with small domestic markets before expanding operations internationally
- Major factors affecting international expansion are (the lack of) knowledge and resources
- Commitment of resources is therefore directly dependent on the availability of knowledge which can be acquired through experience and learning
- Incorporation of the network view to the model by focusing on building and changing relationships that may support uncertainty reduction and opportunity development (Johanson & Vahlne, 2006; 2003)

To mitigate risk and reduce uncertainty as the Uppsala Model explains, market knowledge and networks are necessary. Now, to acquire market knowledge, Kuada and Sørensen (2000) argue that SMEs from developing nations tend to prefer experiential approaches as opposed to formal methods of acquiring

this knowledge, for several reasons: there are limited resources to engage formal knowledge acquisition methods, the internationalisation process may be initiated by local agents or distributors and that they may utilise their networks for these purposes.

### **3.3. Extant Literature**

There has been an upsurge of studies investigating various features of or factors influencing or relating to internationalisation of African firms but hardly any empirical studies focusing specifically on the drivers, internationalisation process and behaviour of SMEs or the effects of internationalisation (Omokaro-Romanus, Anchor, & Konara, 2019; McAuley, 2010; Kuada & Sørensen, 1999). Most studies focus mainly on the investigation of various matters relating to export activities (Ibeh, Wilson, & Chizema, 2012) from various SSA countries such as: export promotion services and export intensity (Marandu, 1996), entrepreneurial orientation, export venturing, external environment influence (Ibeh, 2001), entrepreneurial orientation and export propensity (Ibeh & Young, 2001), entrepreneurial orientation and managerial and firm characteristics and competences, environmental effects and export performance (Ibeh, 2003), environmental disincentives and export propensity (Ibeh, 1999), collaboration, managerial resources, firm size and exporting (Kuada & Sørensen, 1999), networks and relationships (Rutashobya & Jaensson, 2004), managerial and firm-specific influences on export propensity (Obben & Magagula, 2003), etc.

There are however a few more studies that have diversified scholarship in the area. First of all, among the SSA export firm studies, some of the main findings indicate that firms do not necessarily establish themselves soundly domestically, but that they may internationalise through export right from inception (e.g. Kuada & Sørensen, 1999). This is in spite of some evidence that import may indeed preclude export activities in the internationalisation development process (Omokaro-Romanus, Anchor & Konara, 2019). Kuada and Sørensen (1999) study Ghanaian exporting firms and establish that external initiatives mainly influenced the firms' decisions to export. The authors further explore both the inward (mainly import activities) and outward processes of internationalisation establishing a significant influence of inward on outward internationalisation activities. Findings on outward activities showed that, rather than wait for unsolicited orders, the Ghanaian manufacturing firms select a foreign market in which already identified customer(s) existed. They pursued strategic alliances in order to gain or reinforce their technological and managerial capacities.

In a quantitative study of southern African firms, Mtigwe (2004; 2005) develops an internationalisation process model that demonstrates the main variables that motivate the internationalisation process and determines the internal and external factors that mould this process. He determines that majority of the African firms enter new markets using one market entry mode (mainly export). Contrary to the Uppsala model (Johansson & Vahlne, 1977), the firms remained confined in the entry mode. They could enter a

market at any stage of the internationalisation process but any subsequent activities could not be predicted. Furthermore, for feasible economic reasons the southern African firms were generally found to increase international involvement from neighbouring countries to geographically distant countries. That proximity matters more than psychic distance could also be observed in a case study of Nigerian firms (Omokaro-Romanus, Anchor, & Konara, 2019).

With regard to business networks, Mtigwe's (2004; 2005) study also oddly determines that firms generally pursue internationalisation avenues independently without aid from their business networks. This contradicts most African studies relating to networks that have determined their significant role (e.g. Omokaro-Romanus, Anchor, & Konara, 2019; Rutashobya & Jaensson, 2004). Rutashobya and Jaensson's (2004) study of 40 Tanzanian small firms in the handicraft industry, for example, confirms the role of networks in exporting firms. The authors conclude that networks are necessary for foreign market entry because they eliminate ownership disadvantages and perceived psychic distance.

The gradual approach to internationalisation of African firms can be confirmed by several studies (Omokaro-Romanus, et al., 2018; Boojihawon & Acholonu, 2013) with resource availability, ownership structures (Kuada & Sørensen, 2000) and availability of information and knowledge (Omokaro-Romanus, et al., 2018; Boojihawon & Acholonu, 2013; Fafchamps, et al., 2007) influencing the stepwise expansion of firms internationally. Firms from African countries may also experience stalled or even reversed growth in the likely event of constraints or environmental setbacks (Turnbull, 1987). Firms from developing countries (of which most SSA fall) also often face challenges acquiring resources (Shree & Urban, 2012; Gumede & Rasmussen, 2002). For this reason, any market expansion is cautious and gradual. Besides, institutional challenges and market uncertainties commonly characterise developing nations (Asongu & Odhiambo, 2018), forcing them to take a cautious approach to international expansion – especially, to neighbouring countries. In their empirical study of African banks from Nigeria and Kenya, expanding into other SSA countries and into developed countries such as Britain, Boojihawon, & Acholonu (2013) offer insights also relevant to smaller firms. They determine that foreign expansion was slow and progressive and utilised international networks and expansion strategies to enable the acquisition of market knowledge and commitment of potential partners. This coincides with other findings by Omokaro-Romanus and colleagues (2018). When internationalising from developing countries to developed countries, Boojihawon and Acholonu (2013, p. 248) further suggest that African firms may "... lack the tenets and advantages of advanced countries" and need to avoid uncertainties resulting from the unavailability of experiential knowledge because this will result in high costs of internationalising.

Generally speaking, the application of psychic distance, knowledge and learning, networks, resource commitment in the gradual expansion of firms are some common aspects of firm internationalisation associated with smaller firms in SSA.

### 3.4. Research Design and Data Collection

The main aim of this study is to comprehend the internationalisation process of small firms in developing countries particularly in SSA by determining the motivations for, behavior and effects of internationalisation. The following research questions are raised to

1. Why do SMEs in developing countries internationalise?
2. How do SMEs in developing countries internationalise?
3. What are the effects of internationalisation for SMEs in developing countries?

To answer such *how* and *why* research questions, case studies are recommended (Yin, 1989). In his edited and improved outline of the meaning of a case study, Yin, 2014 (p. 16) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon (the ‘case’) in depth and within its real-world context”. Due the paucity of research on the internationalisation of firms in SSA, a method that enables rigorous explorative investigation as well as theory-building is therefore preferred. Furthermore, the use of case studies captures the historical background of firms as well as their growth in real time (Davidsson, et al., 2006), which is of particular interest for this study. Multiple cases were selected in order to facilitate the identification of patterns and avoid drawing fortuitous conclusions (Eisenhardt, 1989). While an ideal number of cases has not been specified, Eisenhardt (1989) recommends between four to ten cases; fewer cases do not facilitate the generation of theories and more cases result in voluminous amounts of data and much too complicated analyses.

#### *Case Selection*

Firms were selected through theoretical sampling design (Eisenhardt, 1989) enabling the selection of firms that would provide the most useful information. It enables the selection of polar type firms in terms of industry, sector, SME size, age and extent of internationalisation. A list of Top 100 mid-sized companies from the year 2010 (data collection occurred mainly in 2011) was used to find potential firms. This is a list based on a survey that selects the best performing SMEs in Kenya, evaluated based on various financial instruments such as revenue growth over a given period of time. To participate, firms must have met the following criteria:

- Turnover in the range of KShs 50 million to KShs 1 billion (EUR 425,330 / USD 481,600 to EUR 8.5 /USD 9.6 million)
- Audited accounts for specified financial years
- Not listed in the stock exchange
- Not a bank, insurance company, law firm or accounting or audit firm

Although the micro, small and medium enterprise (MSME) bill (2006) defines SMEs as firms with less than 100 employees and an annual turnover of up to 800 million Kenyan Shillings (approximately 6.8 million EUR, 7.7 USD<sup>2</sup>), this study used the Top 100 firms listing above as a guide because this renowned listing automatically eliminated informal firms, and provided a certain level of credibility, performance level, and assurance of evaluation of the firms. The definition by number of staff was secondary for this study (as suggested by the expert interviewee) because varying industries have very differing levels of labour-intensity.

The strategy of firm selection was to carry out internet research to determine whether a firm was involved in international activities or not. If information was unavailable or indeed, if there was no website available, enquiries were made by phone directly to the companies. Out of the 100 SMEs in the list, 77 had to be eliminated for the following reasons:

- Contact constraints due to outdated contact details or technical inability to reach the/any employees of the firms
- establishing after research or telephone conversation with a contact person that the firms were not involved in international activities
- loss of contact

The remaining firms were then contacted by phone to inform them about the study and request for participation. In case of interest or consideration, a formal letter and brief description of the project along with key points of the structured interview were sent to each firm. 23 firms requested for the email containing this information in order to make a decision or to consult with the relevant managers. Out of these, seven firms agreed to participate in the study (AQUA, COMM, ELEC, OFFIX, SIGN, SOFT, SURV). After the interviews, follow-up calls were made in cases where information on the size of the firm and international operations was insufficient.

Theoretical sampling also enabled the selection of two firms (AQUA and OFFICE) that exceeded the defined turnover limit above. At the time of their initial international expansion activities, these were small firms and fell within this definition. Their selection is warranted because they provided an extensive historical coverage of their international involvement. In contrast, ELEC, which, at the time of the interview, was still preparing to enter a neighbouring market for the first time, was selected to capture the pre-internationalisation phase and the decision-making process before entering a foreign market. Thus, the interview base offers a range of companies that provide information on small companies, at different levels of internationalisation and that vary in industry type and turnover.

Although the firms were requested to provide the percentage of sales earned outside the firm's country of origin, an indicator of international intensity or performance (Preece, Miles, & Baetz, 1998; Axinn

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<sup>2</sup> Exchange Rate as of 16.11.2018 in OANDA

1988), internationalisation is taken in this study to refer to “the process of increasing involvement in international operations” (Welch & Loustarinen, 1988, p. 36). In other words, and as raised in the previous section, the expansion of a firm internationally involves not only typical outward activities (such as selling its products and/or services abroad, relocating a part of business operations abroad, corporation activities in a foreign country with a foreign company, etc.) but also inward activities (such as sourcing factors of production from foreign markets or partnering with a foreign company in the home country) (Ruzzier, et al., 2006; Fletcher, 2001; Welch & Loustarinen, 1988).

Structured interviews were used in order to enable standardisation and cross-case analysis (Eisenhardt, 1989). Owner-managers, managers or company representatives who were well versed with the historical development of the firm were interviewed using a predesigned protocol; one person was interviewed in each firm. Face-to-face and telephone interviews were carried out between August 2011 and February 2012. The interviews were recorded and transcribed verbatim. Further information was obtained through follow-up questions, an expert interview, brochures, magazine or newspaper reports and the company websites where available. The expert interview with the manager of the surveying organisation of the Top 100 SMEs Kenya was carried out to facilitate understanding of the nature of the survey and the firms in the list. This interview was not recorded because the expert objected. However, notes were taken.

With the research questions in mind, a *within-case analysis* (Eisenhardt, 1989) was first carried out to facilitate ease into the initial analysis of data. This involves providing a full description of each case based on all the available material in order to enable an in-depth understanding of each case independently, and identify patterns within individual cases before generalisations or comparisons are made (Eisenhardt, 1989). There are however no standardised ways of presenting such descriptions (Eisenhardt, 1989). A *cross-case analysis*, as recommended by Eisenhardt (1989), enables a view of data in many divergent ways to avoid biases and inadvertently leaving out non-corroborating evidence (Nisbett & Ross, 1980) or premature conclusions (Eisenhardt, 1989). There are three ways to go about cross-case analysis (Eisenhardt, 1989) with the first being most applicable for this study:

1. Determination of categories or dimension (guided by theory or research question) to base case comparisons
2. Pair cases and then carry out comparisons of each pair – however the cases would have to possess very similar features in terms of industry, size, organisational structure, etc.
3. Differentiate the data by data source and then compare their data to check for corroboration but each data source would have to have provided a similar amount of data.

This study therefore used the first method above to carry out a cross-case analysis. Using the research questions, other literature and the key points of the Uppsala Model, the following categories were outlined and used to guide comparison among firms:

- Motives (Push factors)
- Motives (Pull factors)
- Resource availability/utilisation
- Inward – Outward connections
- Entry methods
- Caution and risk aversion
- Knowledge acquisition and learning
- Network use

Validation was facilitated not only by the use of multi-cases but also by triangulation which involved employing further data sources to confirm or dispute statements in the interviews.

### 3.5. Firm Profiles

Below is a table with descriptions of the anonymised case studies.

**Table 7.** Case Study Descriptions

<b>Firm (Founding Year)</b>	<b>Employees as of 2012</b>	<b>Size as of 2012 Annual Turnover</b>	<b>Product/Service</b>	<b>Inward Internationalisation</b>	<b>Outward Internationalisation</b>
OFFIX (1991)	200	KES 1 billion (EUR 8.5 million)	Office Automation	High importation Acting as agents and distributors for European and American MNCs	Subsidiaries in Uganda, Tanzania, Rwanda and South Sudan; Plans underway to open subsidiaries in Zambia and Mozambique
SOFT (1991)	90	KES 3.5 million (EUR 30,000)	Software technologies	Software license agreements with large MNC software provider	Subsidiary in Uganda and India; Project offices in Tanzania and Project offices/Resellers in Ethiopia, Nigeria, United Arab Emirates  Software development in India
SURV (1993)	26	not provided	Marketing and social research		Subsidiaries in Uganda and Tanzania; Strategic partnerships with local agencies; Fieldwork suppliers in 23 countries in East,

					Central, South and West Africa and the horn of Africa
AQUA (1946)	350	KES 2.7 billion (EUR 23 million)	Suppliers of water-related and solar energy equipment	90% import from Europe, Asia, Australia and the Far East/Appointed distributors	Subsidiaries in Uganda, Tanzania, Zambia, Ethiopia, Rwanda, and South Sudan; Joint venture in Ethiopia
ELEC (1982)	40	KES 100million (EUR 851,000)	Suppliers of electrical engineering equipment	80% import mainly from Europe, India and USA	Intent to open a sales subsidiary in Tanzania
COMM (1997)	66	KES 100 million (EUR 851,000)	Public relations and communications	Subsidiaries in Tanzania and Uganda	Subsidiary in Tanzania/ Affiliate relationships with a South African agency with Headquarters in the USA
SIGN (1963)	120	KES 10 Million (EUR 85,000)	Outdoor and indoor signage and display advertising	Import mainly from the Europe and the USA	Sales agents to sell in Uganda and Tanzania

### 3.6. Analysis and Discussion

As mentioned in the previous sections, when entering new markets, firms may either strategise their market entry by documenting their motivation to internationalise before they actually take steps to realise these aspirations or, they may rely on serendipity. The latter refers to firms when they get involved in international operations as a result of chance occurrences and development (Agndal & Axelsson, 2002).

In the former case, the motivation for a firm to internationalise *is* the desired effect a firm wishes to achieve. It is for this reason that studying motives for internationalisation is relevant in contributing towards determining the effects of firm internationalisation. Although an exhaustive list is difficult to find, a comprehensive one cannot only include these desired effects of internationalisation but also the unexpected and the undesired effects. Having reviewed the literature in the previous section, this chapter only presents the results of the study on Kenyan firms based on the Uppsala Model.

To begin with, before making the decision to pursue foreign markets all the firms in this study had established themselves soundly domestically as in the Uppsala theory of internationalisation (Johanson & Vahlne, 1977), and as confirmed by some studies based in SSA firms such as Kuada and Sorensen

(2000) on Ghanaian firms. However, this behaviour can only be said of the firms in as far as outward internationalisation is concerned.

### 3.6.1. Motives for internationalisation

#### 3.6.1.1. Inward Internationalisation

With regards to inward internationalisation activities, and similar to other SSA-based studies (e.g. Hansen, Langevang, Rutashobya, & Urassa, 2015), there are firms that pursue strategic alliances or, import directly or soon after establishment. In this way, they intend to explore opportunities for synergies, or access specific resources (including technical and managerial know-how), inputs and wares often unavailable in the local market or in the quality required (Kuada & Sørensen, 2000). Such firms may utilise these activities to aid their downstream (outward) internationalisation activities. The foreign partners providing resources in whatever form are mainly from foreign firms, usually multinationals – here referred to as Foreign Principals (FP) because of the influence they seem to have on the local African firm internationalisation, as they also seek to expand their sales markets to include the SSA region.

The motive for inward internationalisation for all the non-service firms (with the exception of SOFT, which outsourced software writing to India) (in the context of inward internationalisation) was to *obtain all or a good part of inputs and resources* from outside the continent, mostly from Europe, China, India and the USA. This is easily comprehensible considering that, factually, developing countries, and especially SSA nations largely depend on imports of mostly finished and sophisticated products (Moussa, 2016). They engage only to a limited extent in manufacturing and the value addition of raw materials (Economic Commission for Africa (ECA), 2016; Moussa, 2016; Schmieg, 2015; Bbaale & Mutenyo, 2011). Instead, these countries largely export their primary goods / raw products (ECA, 2016).

#### 3.6.1.2. Outward Internationalisation

In the case of outward internationalisation activities, findings indicate that the drivers for this form of internationalisation are *growth* and the need to acquire an *international profile*. As in prior internationalisation studies (OECD, 2009) - even those based on African firms (e.g. Anderson, 2011 on Tanzanian SMEs) - growth is the predominant **proactive motive** for most companies. Even before *domestic market saturation* or, in some cases, *marginalisation of the firm* from the domestic market, as shown below, all the firms sought international markets *to enhance sales and revenue and grow* before actively seeking international opportunities.

“...[the] motive was to broaden, to widen our services. As I said, that [sic] I saw that Kenya only, cannot suffice my intellectual property development cost. So that was another motive, and it has not changed.

*I still want to expand into more countries in terms of bringing return on investment on the table...*” (SOFT, lines 383 - 386)

*“... Ahm, there is... on the very long term, there is a lot of growth potential to go westward. Where by westward, I mean basically, there is Nigeria - the West African market. There is a lot of potential there.”* (OFFIX, lines 403 – 407)

*“...just in terms of ahm revenue growth. I’d say we were seeking for more growth, more rapid growth.”* (SURV, lines 173 – 174)

*“...we want to keep on growing. Growth is very..., you know it reaches a point where you cannot stop the business from growing. In order to create opportunities for the staff that you have, in order to keep improving the livelihood for the staff you have, in order to get better negotiation power with your suppliers, and aah you know when you are a bigger company you have much more power, negotiation power, with suppliers than if you are small...”*(AQUA, lines 327 - 333)

*“...I guess more capital for the company so we can grow more...”* (SIGN, line 196)

A further proactive motive for the firms to internationalise was to *acquire an international profile*. The purpose was to enhance their own image and thus place themselves in a position to attract more foreign partners and customers (necessary for inward internationalisation). By acquiring an international profile, the firms may also encourage investor interest as a result of expanded market outreach (necessary for outward internationalisation). This unique motive was particularly observed in the pure service firms (COMM and SURV). e.g. COMM comments that it is *“...because you want to open up your client bracket and you want to be in on all those global pitches. So, by going international you open up to more business on a global sense...So basically its opening us up for more business, but it takes time, because this is a communication [company]it takes time, it’s not instant. You have to build your name on the ground first...”* (COMM, lines 149 – 155)

This motivation is also borne of the fact that potential foreign partners often times perceive the African market and dealings with African firms to be highly risky and uncertain (Arosanyin, 2016; Kuada & Sørensen, 2000)<sup>3</sup>. This typically raises the need for internationalising African SMEs to reassure potential customers or investors of their ability to meet contractual obligations - regardless of internal or external influences -. The SURV interview illustrates:

*“...to be able to also create a name or build a brand within the region. Ahm which then ahh in the near future we may be able to get into more, sort of, like international partnerships where we can be able to ... ahm get a company in Europe or America...”* (SURV, lines 180 – 185)

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<sup>3</sup> This is attributed to the nature of current or historical business environments in most SSA countries. Typical descriptions associated with many countries have been political instability, corruption, security threats, poor investment policy formulation, co-ordination and implementation, etc. (World Bank, 2017; Muli & Aduda, 2017; Slavica & Andreja, 2014)

Some of the firms with international experience (AQUA, OFFIX and SURV) illustrate that internationalisation indeed provides an international profile even though this may not have been their initial core objective.

*“...Our profile is bigger [...] it makes us stand out as a company, and people are always impressed to hear of a Kenyan company that has gone into six different countries and ahm, so it has a very positive spin off from a PR point of view. We are noticed. [...] Even internationally there are suppliers who say, “I want a company like AQUA which has got that kind of a reach...” (AQUA, lines 673 – 682)*

*“...the pulling factor towards us, is the fact that, when they deal with OFFIX as one company, they get into four countries under there. They don’t have to deal with four different people in four different countries...” (OFFIX, lines 376 – 378)*

*“... the consequence is that, now because of that exposure and ahm being able to work in markets outside of East Africa, in a sense that enhances our portfolio. So if I go to MNC X today and I tell them I can work in ten markets or sixteen and I can be able to show them from experience that, “yes we’ve had experience of working in those markets”, it renders credibility and also it raises our profile as a company, and of course the consequence is that we are also able to grow ahm as a company.” (SURV, lines 397 – 401)*

**Reactive motives** for internationalisation come about as a result of the direct influence of the environment, either pushing or pulling firms into foreign markets (Etemad, 2004). The interviews show that *high competition locally and market saturation, unfavourable economic conditions and lack or scarcity of particular inputs or resources* such as personnel, push the firms to pursue foreign markets. In other words, the firms internationalise in order to overcome these challenges as captured in the following responses by ELEC and SURV’s:

*“...it’s more of the Kenyan market being flooded with competitors, and that’s what’s making us think about internationalisation...” (ELEC, lines 171 – 172)*

*“...competition is quite stiff in East Africa and hence the pattern is that, for purposes of growing, companies are actually exposed to having operations outside East Africa to tap into the emerging markets.” (SURV, line 144 – 146)*

Competing companies also include informal or unregistered companies (which are significant contributors to SSA economies (Mansoor, Issoufou, & Sembene, 2018)) and typically utilize cheaper inputs and resources and produce goods or provide services of less quality than formal firms. SOFT for example laments the difficulty of competing *“...with the people who are even a briefcase company. A person coming out of a university will say, “ok, I can do the development” and he is sitting next to the person who needs a new code .... Next year, he’s disappeared and the software is gone and the data is stuck...” (SOFT, lines 224 – 227)*

According to SOFT and ELEC, such businesses operate in grey markets which form a big part of the competition:

“... As I said, there are a lot of grey markets, you have to compete with them, (their) prices are coming down, so if you don't expand in the markets, we will be today, forced out...” (SOFT, lines 282 – 284)

“...that means we are competing with somebody whose components are not to correct standards because they are not inspected, so they are cheap and therefore we are being ahm thrown out of the market slowly...” (ELEC, lines 130 – 132)

Besides *competition and saturated markets*, the other push factors, namely, *unfavourable economic conditions* and *lack or scarcity of particular inputs/resources* are revealed in the interviews as follows:

“...In 1991 when we started it was only Kenya and then I saw that [...] a lot of things were happening in Kenya which might bring some kind of recession so I told my managers that we should look at the markets outside Kenya...” (SOFT, lines 193 – 195)

This is mainly in reference to the country's political and in effect economic development. The early 1990's was a major political turning point for Kenya, marked mainly by uncertainty resulting from internal and external political figures and entities as well as the public, pressurising the existing one-party government to give in to a multi-party system of government (The Commonwealth, 2017).

Among other effects to the economy were the freezing of foreign aid to the government which led to a foreign exchange crisis (The Commonwealth, 2017).

SOFT's decision to produce software in India was largely influenced by the lack of adequately qualified software developers in the local market: “...in India is another company that we deal with. Sometimes when we are short of staff, we give our development work in India...” (SOFT, lines 112 – 113)

Pull factors on the other hand, provide incentives to pursue foreign markets (Etemad, 2004). The interviews reveal that *customer/client followership* and the *discovery of (market) opportunities* were the two main pull factors for international expansion. The firms expanded into particular countries to maintain existing transactional relations with their internationalising customers (and/or suppliers) (Etemad, 2004). This would assure them of further business opportunities or sales. As stated below, the clients or customers seemed to have actively encouraged the firm to join them in the new market. This was mainly due to their (customers) need for trusted suppliers or service providers.

“...We had to expand to where all our customers were [...] because now, people demand us to be at a particular place. Like South Sudan, all the banks are there and they are just saying, “when are you guys setting up? Hurry up come set up!” [...]. So tomorrow if they were to go to, I don't know, to Mauritius, we'd probably go to Mauritius as well...” (OFFIX, lines 401 – 404)

“... But our work is very dependent on if we get a client. Then: yes, we can go in and start. So, if we get a client on a regional basis then it’s easier...” (COMM, lines 104 – 105)

The identification of (business) opportunities is observed in the following statements:

“... the key thing about why we went in this direction is ahm... we realised that there was growing potential in markets out of East Africa – starting to embrace ahm research...” (SURV, lines 134 – 135)

“... I guess it was opportunity and challenge. Aah, when we first internationalized all those years ago there were not many companies that were doing it, and we just wanted to see, you see, when you start with one, ahm it’s a bit of a risk, but we have the advantage, being a trading company, that it’s not a huge risk. It’s not like going and building a hotel or a school or a factory in another country, where you don’t get any money out until you have finished building everything; this is just going and renovating a rented premise... premises and then you see if it’s going to work. If it doesn’t you shut shop and go back home...” (AQUA, lines 336 – 342)

Like I said, demand. People [foreign customers] are looking for us, they are saying “We like the work you are doing here. Can you help us?...” (COMM, lines 113 – 114)

These findings resonate with some SSA researchers (Mtigwe, 2005), who also show that customer/client followership is a major reason for internationalisation – particularly regional internationalisation. These customers thus effectively determine the market or country and mode of entry (Ibeh et al., 2004). The following table summarises the findings above.

**Table 8.** Motives of Internationalisation

Inward Internationalisation	Outward Internationalisation		
	Proactive Motives	Reactive Motives	
		Push Factors	Pull Factors
Ability to source products and/or resources (AQUA, SOFT, OFFIX, ELEC, SIGN)	Growth and expansion (SOFT, AQUA, COMM, OFFIX, SIGN)	Increased competition and market saturation (SOFT, OFFIX)	Client/customer followership (OFFIX, COMM)
	An international profile (AQUA, COMM, OFFIX, SURV)	Unfavourable economic conditions (SOFT, OFFIX, ELEC)	Discovery of market opportunities (SURV, AQUA, COMM)
		Lack or scarcity of particular inputs or resources (SOFT, OFFIX, AQUA)	

**PROPOSITION 1:** *Increasing sales, revenue and their international profiles will motivate SMEs in developing countries to internationalise proactively.*

**PROPOSITION 2:** *High competition and domestic market saturation, unfavourable economic conditions and the lack of resources will motivate SMEs in developing countries to internationalise reactively to push factors.*

**PROPOSITION 3:** *Customer followership, response to unsolicited orders and availability of unsaturated markets in neighboring countries will motivate SMEs in developing countries to internationalise reactively to pull factors.*

## **3.6.2. The Internationalisation Process of Firms**

The propositions provided above answer the question *why* SMEs in SSA internationalise. The following section looks into answering the other research questions: *how* do SMEs from SSA countries internationalise and what are the effects of internationalisation to these firms?

### **3.6.2.1. Firm Resources**

The internationalisation process of firms is influenced by the availability (or the lack of) particular resources (e.g. Ruzzier, Antončič, & Konečnik, 2006; Westhead, et al., 2001) but also because the competitive advantage of a firm lies in identifying its inimitable sustainable resources and utilizing these to gain economic rents (Wernerfelt, 1984). Resources commonly found to be significant in the internationalisation of firms are financial, human, knowledge, organisation, social (networks and alliances) and physical resources (such as equipment and technology) (Pinkwart & Proksch, 2013; Brush, et al., 2002; Westhead, et al., 2001). In this study, however, only financial, human and knowledge resources were mentioned in the interviews and seemed to be those found to be significantly relevant for the internationalisation process by the firms.

#### **3.6.2.1.1. Financial Resources**

Similar to prior studies both in and out of SSA (Pinkwart & Proksch, 2013; Brush, et al., 2002), financial resources determine to a great extent whether and how small firms are able to internationalise. Even when referring to inward internationalisation, adequate financial resources are necessary to handle transactional and other costs such as research costs, administration fees and costs for inputs and wares. The older firms that had established themselves soundly in the domestic market (AQUA, SOFT and SURV) did not experience great financial restriction, but they found that they were in a position to leverage existing financial resources, capital, goodwill or SC for internationalisation purposes.

*“... so, we find that because we’ve also had the support from our financial partners, we can actually carry a large ahh large scale of work...”* (SURV, lines 270 – 271)

*“...one is (the) financial subject. That is where I thought I needed to expand and that’s why we brought (in) a third investor. I alone can’t do it, so we brought in other investors...” (SOFT, lines 498 – 500)*

*“...Well, we have sufficient resources within the company [...], if we were opening a hotel, which costs, ahm, say five hundred million shillings to put up first, or a school or something that is highly capital intensive or high resource, financial resource requirement, that would make us think twice. But for us we are able to open a branch at relatively low cost. Ahm, it costs us about, about fifty thousand dollars, and ahm, it’s not a difficult decision to make. So the resources are there so that we can open an inexpensive branch using local staff and ahm it would be difficult for an expatriate to come and do it, or an international company from outside (be)cause they would have very high overheads but for us it’s not too difficult to do...” (AQUA, lines 503 – 513)*

*“...Fortunately, because we are a group of companies and our group of companies, I would say, is financially well-off. Finance-wise, it hasn’t been a problem as such. Also, there is a lot of asset management and asset financing and capital financing and things like which have become a product offering from the banks and the financial sectors here and private equity owners, etc. Finance nowadays, is no longer a hindrance...” (OFFIX, lines 435 – 439)*

Comparatively, the younger or smaller firms in this study (SIGN, ELEC) expressed difficulties in pursuing international interests as a result of limited financial resources. In response to a question on the firm’s potential barriers to internationalisation, ELEC and COMM revealed:

*“...Finance is the first [...], again it’s all related to finance because I need to... if I have to have a similar set up [a hardware shop in Tanzania] I have to have a whole set of new products imported directly into Tanzania...” (ELEC, lines 213 – 217)*

*“... I know resources would be an issue. That would be something that would be an issue, if we do want to expand, we would have to think of raising funds somehow...” (COMM, lines 224 – 225)*

The extent of their financial capacity further determined how the firms pursued foreign markets. Corresponding to the stages theory, the firms practiced caution and selected entry modes that in their view initially required low capital investment e.g. sales offices (AQUA), project offices (SOFT), and use of agents and resellers (SIGN, SURV, SOFT). Indeed, to minimize costs, some of the firms selected entry modes that were rather informal initially. This means that the firms did not necessarily strategically select an entry mode, but rather pursued the simplest or least capital-intensive path to market entry, the nature of which would be defined by financial capability at any one time. This point is illustrated below:

*“...We also almost had a branch office in Tanzania but then I saw that with the growing cost involved in developing the branches, it’s better to have resellers and project offices so we don’t have to really bother about the taxation and rent, and you know the expenses are unending, whether the business comes or not...” (SOFT, lines 195 – 201)*

*“...So, if you do good work with the resellers, I think it is much faster growth and steady growth rather than putting offices and incurring so much expenses because remember, ... here in Kenya we work with very lean budgets. We don't have margins like Europe and USA. If my company was today in Europe and USA the evaluation would be billions of dollars because we have so much of intelligence property...” (SOFT, lines 219 – 223)*

*“... So, the resources are there so that we can open an inexpensive branch using local staff and ahm it would be difficult for an expatriate to come and do it, or an international company from outside (be)cause they would have very high overheads, but for us it's not too difficult to do...” (AQUA, lines 482 – 485)*

### **3.6.2.1.2. Human Capital**

The significance of qualified human resources in facilitating the internationalisation behaviour and process was further reverberated in all interviews. However, the lack of trusted qualified staff that could be assigned to the local stations was a common problem that frustrated entry into new markets. By way of example, ELEC reveals that:

*“...the right technical people who will be able to run the show there [in Tanzania]; it's extremely difficult [...]. Employees available there are not technical, as per the research I have done...” (ELEC, lines 159 – 160)*

*“... you find that in our expansion like to Central and West African markets, those markets have not been advanced in terms of research skills. And you find that over time you have to send your [human] resource to work with the team on the ground to be able to train them and to bring them up to speed, up to the time they will be able to carry on with minimum supervision ...” (SURV, lines 338 – 342)*

*“... basically, the whole market is short-staffed... If today you are to advertise for a research manager, you'll go through... you will not get one from the market...” (SURV, lines 370 – 373)*

*“... we are needing people who are competent and trustworthy and people who have the right attitude, the right background and ahm that has been a factor sometimes...” (AQUA, lines 625 – 627)*

*“... The issue is definitely skill set. The products we deal with are not LEGO blocks. It requires a bit of certification and qualification. It-has-to-be-an-electronic-engineer kind of thing, which in Nairobi, is all well and good but in Rwanda you are not gonna find too many of them...” (OFFIX, lines 441 – 444)*

*“... and then in India is another company there we deal with. Sometimes when we are short of staff; we give our development work to India...” (SOFT, lines 112 – 113)*

SSA countries largely lack trained individuals in skills that meet market demands (The World Bank, 2017; World Economic Forum, 2017). The scarcity of skilled labour in SSA is therefore a problem for large and small firms alike but particularly so for smaller firms that may not have the public image or

sufficient resources to invest in marketing themselves to potential employees, recruiting the most qualified persons and in ensuring competitive compensation and benefits in the employment market (Williamson, Cable, & Aldrich, 2002). SOFT's CEO for example raises this point:

*"... But then somehow, I have seen that international companies or very big companies who have big budgets, that they can appoint such managers who have the vision as well, but in this case because we are a small company and we have staff, which have grown with me, so they have come as developers and become big managers..."* (SOFT, lines 575 – 579)

### **3.6.2.1.3. Knowledge Resource**

The role and acquisition of the knowledge as a resource in the internationalisation process of these entrepreneurial firms clearly emerges in this study. Due to the lack of (adequate) knowledge about foreign markets, there is evidence of uncertainty and caution by the firms. To aid decision-making on whether and how to enter a foreign market, the firms seek to acquire knowledge experientially (experience-based learning) or through their networks. The discussion of knowledge as a resource is delved into below in the context of outward internationalisation activities.

According to the Uppsala model, resources play a significant role and determine a firm's entry mode into a market. Although the modes of internationalisation in this study are not always conventional, the principal behind the decision-making concurs with that of the Uppsala Model. The three major resources discussed above also affect how firms will select and enter a market. Therefore, the conclusion is made in the following proposition.

**PROPOSITION 4:** *Market entry mode selection for SMEs from developing countries is directly dependent on the type and amount of resources available.*

### **3.6.2.2. Experiential Learning and Knowledge**

The role of knowledge and learning was evident in the internationalisation process of these firms. This could be observed firstly, in the show of uncertainty and caution that resulted from the lack of information and knowledge about a given market, and secondly, by the effort made to acquire knowledge in order to aid foreign entry decision-making. In the latter case, the firms acquired knowledge mainly experientially and/or through their networks. First, to be discussed below is the matter of uncertainty and caution.

#### **3.6.2.2.1. Uncertainty**

Uncertainty arises from the lack of information and knowledge about a foreign market or about the availability or lack of a market for a firm's product or service. All the firms in this study showed that entering a new market involved a risk that necessitated some form of caution. Evidence is provided by

OFFIX when reflecting on the decision to enter the Tanzanian market, and in respect to its plans to pursue the western Africa market.

*“... to set up Tanzania, it took us about five years but it didn't take us physically five years. It took us five years of us sitting, thinking, “do we go? do we go? Let's make ourselves really sure of going in there...” (OFFIX, lines 258 – 261)*

*“...there is a lot of potential there [in Nigeria and the West African market]. Again, it's something ... that we are taking cautiously before jumping in and then making a fool out of ourselves...” (OFFIX, line 396 – 398)*

SOFT, SIGN and AQUA further illustrate the uncertainty and caution experienced by the firms as a result of the lack of knowledge about the new markets.

*“... I was scared when I went into the international market. Like, “will I be able to deliver?” But you have to learn. You can't sit on the shore and wait for it to show you how to swim, you have to go in and see the sharks...” (SOFT, lines 531 – 533)*

*“... we don't have agents there so we don't know how, like, the business will be or anything like that... Like if we were supposed to set up a branch in Tanzania, for example, we know we will get business because we have agents...” (SIGN, lines 180 – 181; 183 – 184)*

*“...We open small, we open the branches small. And ahm, you know when you are growing progressively, you can grow with it and see how well the business is doing and what we do is we make sure that we stay in touch with these branches...” (AQUA, lines 541 – 544)*

#### **3.6.2.2.2. Knowledge Acquisition and Learning**

The acquisition of knowledge is an essential part of the internationalisation process of firms. Firms choose to advance resource commitment in a market when sufficient information (both real or perceived) has been acquired about it and uncertainty has been reduced accordingly (Cavusgil, 1984; Johanson & Vahlne, 1977). To reduce uncertainty and mitigate risk the firms in this study sought knowledge experientially or through their networks.

***Experiential knowledge*** – The successive acquisition of knowledge about a foreign market through actual operations within that market, is observed when firms selected modes of entry that required very low resource commitment (low costs) and low risk levels initially. In other words, having actual operations on the ground, in the first stage of internationalisation, served to provide business, internationalisation and institutional knowledge to the firms. In the literature, the use of agents, for example, is considered the lowest commitment strategy and served the same purpose (Johanson & Vahlne, 1977). As SIGN illustrated this point:

*“...if we were supposed to set up a branch in Tanzania for example, we know we will get business because we have agents there...”* (SIGN, lines 186 – 187)

The interviews further revealed that the firms selected other less formal entry methods that, in their view, required low commitment of resources but enabled learning nevertheless. These entry modes involved the use of resellers or project offices, referring to temporary offices set up to handle long term projects for clients. SOFT describes this point below:

*“... I started thinking from 2004 to go out but we didn't venture in a blast that: “oh we want to have the offices all over Africa!”. We went project to project to project. So, it was a slow but steady growth...”* (SOFT, lines 212 – 214).

Upon project completion, the firms would ideally have obtained adequate knowledge about the market, or acquired additional clients in the market to increase their confidence in establishing a more permanent unit.

**Network Utilisation** – Networks can provide access to foreign market information and knowledge (Musteen, et al., 2013). All the firms used their personal or company networks to acquire information and knowledge about a foreign market prior to entering that particular market. AQUA, SIGN and SURV illustrate:

*“...we look out for fellow Kenyans who are in that country, and we find out: what are the attitudes towards Kenyans, [and] towards business, and you get another perspective that enriches your decision making...”* (AQUA, lines 501 – 504).

*“...different countries have different rules ... But it's never actually been a problem as we do have agents there; they do advise us...”* (SIGN, lines 335 – 336)

*“... by using, sort of like a network, we've been able to at least generate work directly or indirectly. Yeah, where at least there are people across the various markets, we [...] are able to identify for us potential market opportunity for us and vice versa...”* (SURV, lines 290 – 292).

ELEC further provides an example of how the local networks in a potential market may provide information and knowledge about the market. In respect to the availability of required skill-sets in Tanzania, the Managing Director explains below:

*“...Dar es Salaam is my birth place [...] so, [...] somehow I am accepted to it and I have a lot of relatives there [...] so, I think I expect a lot of support from them because as far as Uganda and Tanzania are concerned, they don't have technical people. It's the same complaint that I got when I went there. That is what they advised me. “You come here and you come with your people. Don't rely on any of our local people...”* (ELEC, lines 180 – 181)

*“... I would say these meetings in South Africa are what helped. We go once a year for these training meetings; all the affiliates. So that’s where you meet all the affiliates and you, like now, if I want to do work in Ghana, I just write to my affiliate in Ghana we just, so those meetings help. Those networking meetings...”* (COMM, lines 170 – 173)

To summarise the above findings, the following propositions are offered:

**PROPOSITION 5:** *SMEs from Sub-Saharan Africa will use experiential learning and their networks to provide and increase knowledge about foreign markets before entry.*

**PROPOSITION 6:** *SMEs from Sub-Saharan Africa will use experiential learning and their networks to reduce uncertainty about foreign markets before entry.*

### **3.6.2.3. Foreign Principals**

Foreign Principals (FPs) refer here to the multi-national firms that supply the local SMEs in this study with various inputs or products, which the local firms may add value to and sell or resell. OFFIX, SOFT, AQUA, SIGN and ELEC source all or part of their intermediate inputs (for domestic value-addition) or key products (for re-export into the region) from FPs (typically European, American or Asian). These local Kenyan firms are also appointed agents, licensees, resellers or distributors of the FPs in, at least, East Africa or the immediate region. FPs may also have affiliation agreements with these local firms as in the case of COMM, or enable the acquisition of resources as in the case of SOFT. These transactional relationships are initiated either by the FPs or the local SMEs. Regardless, in pursuing a transactive relationship, the FPs seek access to the African market and the local firms seek foreign transactive opportunities that may also enhance their capacities in terms of management knowhow and/or technical and financial resources (Donckels & Lambrecht, 1995). OFFIX puts this as follows:

*“...There are a lot of external investors who are coming into this country or people who are coming to look for vendors to sell their products. All of a sudden, Africa has become...or East Africa, I would say, has become like the show room of a car display. Everyone wants to throw their product here, to say: “you sell for us” – that kind of thing. I mean, on average, I would probably get about 10 to 15, 20 emails from countries around the world. Saying: “we are the manufacturers of product A. We are looking for a vendor in East Africa. Can you do it?...”* (OFFIX, lines 368 – 374).

*“... we find that there are many many companies that are constantly asking us to represent them, especially the European companies and we are turning them down. We are not looking to get any new European suppliers because they tend to be selling expensive products, and the future of manufacturing seems to be moving to the, to the East...”* (AQUA, lines 125 – 130).

Kuada and Sørensen (1999, p. 14) state that inward activities such as importation “...can be seen as a market expansion strategy for the foreign firms and a capacity enhancement strategy for the local firms.”

This is observed in the case studies, in as far as the local Kenyan SMEs seek to fulfil their internationalisation motives and capacity enhancement, and the respective FPs pursue their expansion strategy by identifying “middlemen” that would represent their interests in the local African market. Also, because markets in developing economies generally lack objective information, FP decision-makers commonly rely on local companies to intermediate (Ellis, 2000).

In the service industry context, COMM, for example, was selected by its affiliate FPs because of its knowledge of the local market, and thus, its ability to provide locally tailored services.

*“... Because FP-1 was looking for an African footprint...we've also been approached by other international agencies coz they are looking for someone on the ground who has the, the, what you say, the strength, the oomph. So, other international agencies are also approaching us so we have a non-exclusive agreement...”* (COMM, lines 86 – 91)

Indeed, COMM adds that they *“...have many companies coming, offering to buy us out...”* (COMM, line 118).

Evidence shows that the FPs further largely influence the international expansion of the local SME. This is observed in the following ways:

#### **3.6.2.3.1. Territory Allocation**

By the mere nature of their contracts as appointed agents, distributors, licensees or affiliates, some of the local firms in this study are required by their respective FPs to supply or serve a given regional market that covers several countries. This may be supportive or restrictive to the quantitative or qualitative expansion of the respective firms internationally. Consider COMM and OFFIX which, in the following interview excerpts imply positive effects.

*“... we are authorized distributors for two main products: one is FP-2 and one is called FP-3. So, we kind of represent them in East Africa [...] Basically, each of our principals has their regional break-up... Everyone kind of has that geographical spot...”* (OFFIX, lines 283 – 288)

*“... And we have an affiliate agreement in the whole of Africa for FP-6 and by extension FP-1 for the whole world. They have their, their head office is in South Africa and they have affiliates all over Africa. Forty-six countries or something. So that's how we have a footprint all over Africa by using affiliate agencies [...]. We handle East Africa for them [...], If there is any client that is pitching on a global basis, we would be involved in that pitch for East Africa...”* (COMM, lines 60 – 73)

### 3.6.2.3.2. Push into Regional Expansion

The FPs put pressure or encourage their local representatives to pursue other markets beyond the initially agreed upon market territories e.g., by setting higher sales targets. This directly influences the decision to enter regional markets and the process of internationalisation as articulated by OFFIX below.

*“...we were only a distributor here in Kenya and Uganda but we have been put under a lot of pressure by the different principals, to say: “Go to Ethiopia. You guys are next door. Why don’t you just go there, go set up a company there!” or “go to Sudan, go set up there! Go to Tanzania!” And that’s why we were pushed into Tanzania...”* (OFFIX, lines 254 – 258)

The influence of these principals is generally positive and encouraging for the local entrepreneur. However, as revealed by AQUA below, the FPs may be restrictive to further expansion.

*“...in those days in 1996 we were allowed to have exclusivity, but nowadays we are not. In those days they used to tell us, they could tell us, like FB-7 could say, “Don’t go into these countries coz we already have an agent there!”. So that would have limited us. In fact, [...] many companies which want to grow are unable to grow because of the franchise or the trading arrangements they have with their principals. So, we have gone around that by finding suppliers from the Far East who do not mind putting our name on the product and so strategically ahm, from a business potential point of view, that is very very important ...”* (AQUA, lines 295 – 303).

### 3.6.2.3.3. Enhancing Resource Capacity for the Local Firms

FPs would also enhance resource capacity for the firms in this study. These resources may be in form of finances, technology, HC, knowledge, experience and skills and gaining brand or association advantages. By way of example, SOFT points out that, *“... FP-4 people came on board from the Netherlands and they brought a lot of expertise on how to do the packaging, how to do, kind of communicate with international customers...”* (SOFT, lines 178 – 180)

Evidently, the FPs, the major transaction partners in the inward internationalisation process, deliberately or unintentionally, influence the further outward expansion of the firms to the regional markets. This supports findings of other studies based on developing countries (Kuada & Sørensen, 1999). This inward-outward connection is said to occur when the inward internationalisation activities “precede and influence the development of outward activities” (Welch & Luostarinen, 1993, p. 44) e.g. by providing access to networks and, in effect, knowledge (Welch, Benito, Silseth, & Karlsen, 2002). They may also limit the expansion of a local firm through agent agreements that define sales peripheries. Following the observation of inward-outward relationships, the following proposition is made:

**PROPOSITION 7:** *The Foreign Principals in inward internationalisation activities of SMEs from Sub-Saharan Africa precede and influence the development of outward internationalisation activities.*

### 3.6.3. The Effects of Internationalisation

#### 3.6.3.1. Acquisition of an International Profile and Growth

Acquiring an international profile and growth are motives the firms already possessed before they internationalised. Some of the firms under study had long moved from striving for the status of possessing an international profile to actually possessing one. In other words, this was one effect of their internationalisation efforts. As mentioned above, this effect may be particularly unique to firms in developing countries and is an important point for two reasons. Firstly, an international profile may act as a form of reference; reassuring potential partners or investors of the capabilities of the firm, reliability, experience, etc. This is particularly the case in an environment or country or continent that is not often accorded positive attributes in relation to its institutions, government regulation and systems. Secondly, an international profile is a representation of the firms existing networks and footprint in the region or continent, thus creating a feature attractive to potential FPs interested in firms with some market reach beyond Kenya. Below are some of the responses that support this point:

*“... It’s just mainly recognition... As I said like we do get more clients from our side. Yeah and it’s mainly because of our brand name; so that’s also a recognition kind of thing...”* (SIGN, lines 320 – 325)

*“... Of course, it has made us stand out: a lot more publicity for us. Our brand has become quite strong out there, and it seems, it’s picking up even in Tanzania slowly, and it means you get to do more higher profile events...”* (COMM, lines 228 – 230)

*“... the consequence is that, now because of that exposure and aah being able to work in markets outside of East Africa, in a sense that enhances our portfolio. So, if I go to FP-5 today and I tell them I can work in ten markets or sixteen and I can be able to show them from experience that, “yes, we’ve had experience of working in those markets”, it renders credibility and also it raises our profile as a company, and of course the consequence is that we are also able to grow ahm as a company ...”* (SURV, lines 395 – 401)

*“...why the pulling factor towards us? [It] is the fact that, when they deal with OFFIX as one company, they get into four countries under there. They don’t have to deal with four different people in four different countries. So, they can set a deal with one and all four are catered for. They can worry about the next group of countries then...”* (OFFIX, lines 384 – 388)

#### 3.6.3.2. Competition

A further implication of internationalisation is increased competition. This could be determined from three of the six firms that already had international experience.

*“you have somebody, let’s say in DRC [Democratic Republic of Congo]. You invest and train them and bring their skills up to speed. Let’s say you’ve invested like three to four years, and may be when they are fine, that person now feels like they are their own man. They can even now do research or that they can even start competing with us [...], then it’s like now ahm you’ve actually developed ahm you’ve actually developed your own competition, so to speak...”* (SURV, lines 415 – 422)

*“Of course, the competition is tough, because like I said we are competing against some who have already got this infrastructure in place, they have advertising to back them. Everything! Us, we don’t...”* (COMM, lines 240 – 243)

*“so, it’s a double-edged thing, this internationalisation, it is creating opportunity for us to go into other countries but it is also making, increasing competition for us...”* (AQUA, lines 663 – 664)

### **3.7. Discussion**

The findings of this study are illustrated in the diagram 7 below and this section attempts to offer an interpretation of these results.

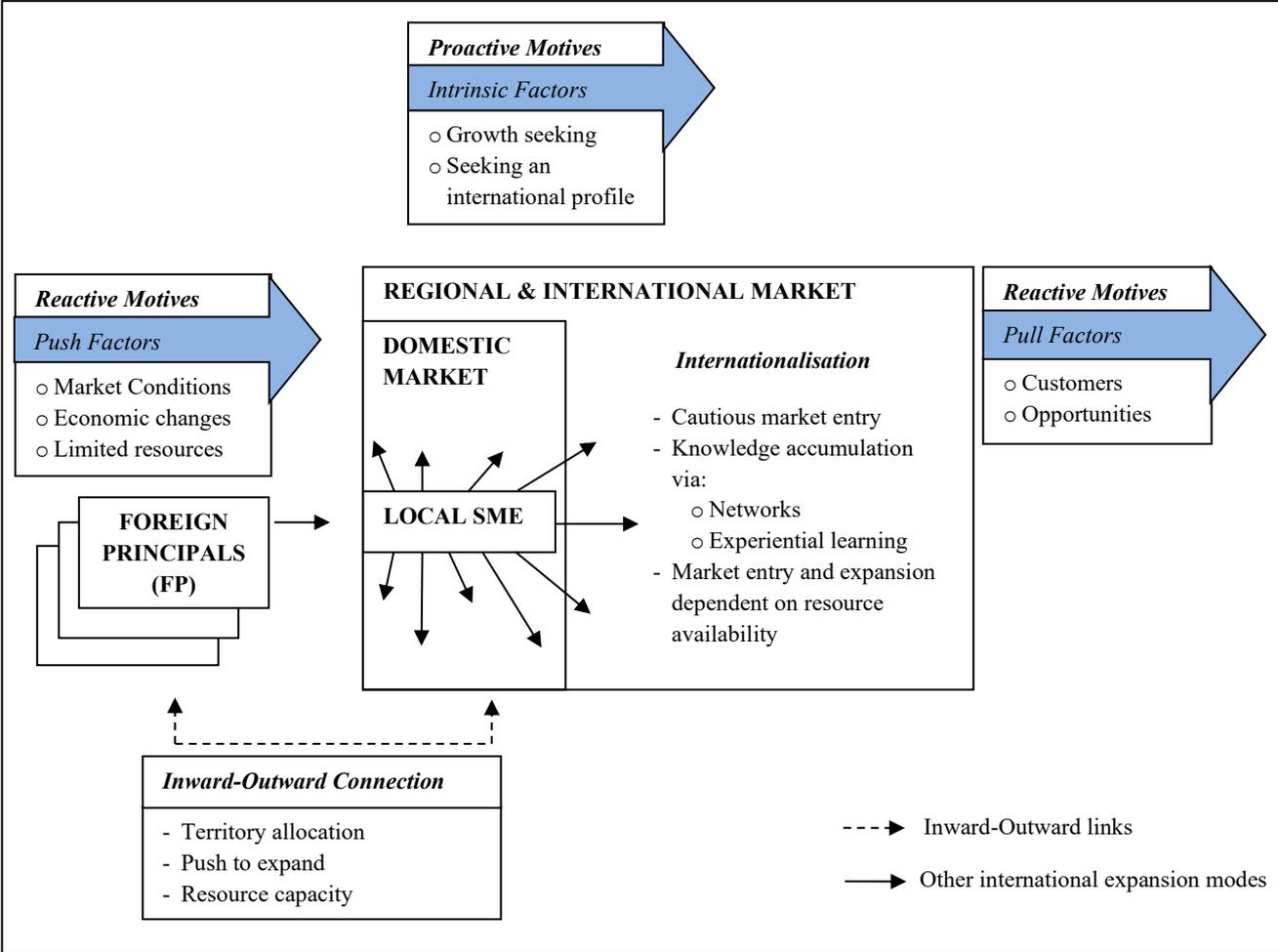
#### **Motives for Internationalisation**

These interviews reveal that SMEs in developing countries are (also) proactive in their decision to internationalise. This is to the extent that, their intent is to enhance sales and revenue as well as acquire an international profile (with the international profile being expected to market the firm for further international opportunities). Similar to Kuada and Sorensen’s (1999) findings of a study of Ghanaian firms, the decision by the firms to internationalise is determined to a large extent by external factors. The SMEs in this study decide to internationalise (react) as a result of push factors which include, increased domestic market competition and saturation, unfavourable economic conditions and the lack of sufficient resources. They may also react to factors that pull them into the foreign markets. In this study, pulling factors are found to be customer or client followership, responding to unsolicited orders and unsaturated markets in the foreign (often regional) markets.

These findings largely corroborate those of existing studies in the literature, both from those based on firms outside (including North Africa) and inside of the SSA region. Growth, increased competition, domestic market saturation, customer followership and unsaturated markets or the availability of opportunities are the commonly stated driving forces for internationalisation both in and out of SSA (OECD, 2009). In their study of Nigerian and Kenyan banks, Boojihawon and Acholonu (2013) for example, determine that firms expand into international markets to follow customers and potential customers who were following the globalisation trend. The firms in this study also saw opportunity in entering the United Kingdom market which was home to many Africans in the diaspora with various international business and personal activities. Omokaro-Romanus and colleagues (2018) study of Nigerian firms in various industries also find that customer-followership, diversification of business risk

and income base, market seeking, and resource and efficiency seeking (also Dunning, 1988, 2002) are some of the motivating factors of internationalisation. These reasons resonate with those in this study.

**Figure 7.** Motives, Process and Outcomes



Source: Own illustration (2014)

The need for certain firms to be viewed as having an international profile is an interesting observation, likely to be considered unique to SSA countries or perhaps developing countries in general. The international profile means that the firm: (1) is already active in at least the Eastern African region therefore availing a larger market in their portfolio in case of cooperation, or (2) showing credibility through existing international references in order to, in turn use this as a marketing instrument for potential investors and partners. The former case is mostly relevant for MNCs that are seeking to expand business operations in Africa, and are looking to identify potential business partners who may serve as agents, distributors, licensees, alliance and joint venture partners. In the latter case, the need to show credibility arises from the fact that these are African firms. This subjective liability should perhaps be part of what is referred to by some scholars of African firm internationalisation as the “liability of Africanness” (Ngwu et al., 2015 cited by Boso, et al., 2018, p. 6). This term has so far been used to refer

to the loyalty accorded to foreign goods by many Africans compared to their loyalty to African/locally made products. It is argued, to be reminiscent of the mentality developed during the colonial era that Western-made products are superior to local products. There may also be some level of *liability of africanness* to be observed – objectively – (1) in the institutional voids (such as underdeveloped intermediary markets, limited access to capital markets, poor infrastructure and a weak regulatory environment) and (2) in the market imperfections that often result in high transaction costs and uncertainty in most African countries (Boso et al., 2018; Adeleye & Boso, 2016). On the same note, in their study of Ghanaian firms, Kuada and Sørensen (1999) also find potential Danish partners to be hesitant about entering into agreements with the African firms because of a perceived level of risk. Gao, Zuzul, Jones and Khanna (2017) however, demonstrate that an international profile can also provide some form of competitive advantage. These authors demonstrate that firms from emerging markets, including some from Africa have unique knowledge on how to navigate challenging and imperfect markets. Luiz, Stringfellow and Jefthas (2017), in their study of the internationalisation decisions of a South African MNE determine that firms can take advantage of their knowledge of weak institutional settings for their gain.

### **Risk aversion and Resource Availability/Utilisation**

The determination of entry modes and how these develop, is largely dependent on the availability or lack of resources. For the firms in this study, the extent of the availability of financial, human and knowledge resources generally determine how and when the firms internationalise and where to. The availability (or the lack) of resources play a significant role in the Uppsala Model. It determines to what extent a firm will commit its resources to a market and influence the stepwise manner in which firms then expand their international involvement. It could be clearly observed that if a firm lacked adequate financial resources at the time it aspired to enter a foreign market, it tended to select an entry mode that was less capital intensive (as observed in the cases that led to the stages theory (Johanson & Vahlne, 1977). Indeed, some firms would enter a market as informal entrepreneurs because then, compliance costs are initially eliminated. After all, an informal business is typically “...not regulated by laws such as environmental, labour or taxation, but is subject to the regulations of the local authorities for orderly business operation...” (Institute of Economic Affairs (IEA), 2012, p. 1). The more information and knowledge, the firm then acquires, the more willing it is to invest in more formal activities. However, in developing countries, even the further expansion of these firms internationally will not necessarily follow a path-dependent trajectory as theorised by the Uppsala Model. This is because of reasons such as the small size of firms, ownership structures, and limited resources and management capabilities (Kuada, 2007).

When employing human resources, it may not only be a matter of cost that may lead a firm to seek cheaper labour in other markets. After all, considering the fact that labour is relatively cheap in the African continent (Gelb, Meyer, Ramachandran, & Wadhwa, 2017), SSA firms are less likely to

internationalise with the intention of obtaining cheaper labour. Rather, they do so to recruit qualified personnel in a given field. SOFT produced software in India because of the short supply of software developers locally.

When firms have adequate and internally trained personnel, their decisions to pursue external markets particularly in Africa are influenced, to the extent that, these available human resources can be assigned to foreign offices to build, expand and grow the company. Whether a temporary project office develops into a full-blown branch may, for example, be dependent upon the managers competence and autonomy. Because it is the employees that are entrusted with the task of opening the new project offices, branch or shop, their management skill, technical competence, willingness and understanding of the value and culture of the company is significant. To the extent that a firm possesses such human resources, it would then be more or less prepared to enter a new market.

### **Entry Methods**

Demonstrated in this study by the role of FPs, inward internationalisation activities play a significant role in the internationalisation process of SMEs in SSA countries. In particular, to the extent that FPs are largely involved in the supply of products and resources (including knowledge) (Kuada, 2007). Therefore, reflecting on common economic reviews on African firms (e.g. AfDB, OECD, & UNDP, 2017), limited local manufacturing and (subsequent) high importation is a major part of African firm internationalisation; usually with FPs selling their products or services through the locally (SSA) appointed agents or distributors in one or several countries in the region. Indeed, many small firms import right from inception. Apart from enhancing the resource capacity of the African firms, the inward internationalisation activities influence outward activities to the extent that FPs may specify market boundaries extending over several countries, or push the firms to extend their market outreach. The lack of or minimal value-addition on products within SSA countries is reflected in economic data that show (1) a high trade deficit, (2) export of commodities especially agri-based products and, (3) high import of finished goods to be resold or of machinery and equipment (AfDB, OECD, & UNDP, 2017). The entry or internationalisation strategy of FPs, usually American or European MNCs and Asian MNCs, is however not confined to export or the use of agents and distributors. Licensing, alliances and joint ventures which are the expected additional low-risk entry modes have similar forms of influences. African firms expanding to other African countries and to the United Kingdom were found to commonly use strategic alliances because of the close psychic distance, resource-based incentives, network creation and partnership arrangements, as well as knowledge gain, and skill and technology transfer to facilitate foreign growth (Omokaro-Romanus, et al., 2018; Boojihawon & Acholonu, 2013).

It has been pointed out, albeit from a developed country perspective, that the entrepreneur practices arbitrage by buying domestically and selling internationally (e.g. Etemad, 2004), this study finds that SSA firms commonly observe opportunity for arbitrage by purchasing products at lower prices

(economies of scale) or products unavailable in local markets usually from developed economies and selling them domestically and regionally at a profit margin. This internationalisation behaviour can be explained by the fact that "...many African countries specialise in the same products as their neighbours [...] with few complimentary goods to exchange with each other" (Kimenyi, Lewis, & Routman, 2012, p. 3). Opportunity is then identified in sourcing these "missing" or unavailable products abroad and selling locally and in the region.

A second explanation may be provided by the fact that, Kenya like other SSA countries depends largely on the import of non-food industrial supplies, as well as machinery and capital equipment (KNBS, 2017; UNCTAD, 2013). Indeed, most local manufacturing and export products are predominantly primary products, and particularly, food and beverages (KNBS, 2017; UNCTAD, 2013). This means that, as observed in the cases of the non-service firms, (OFFIX, SOFT, AQUA, SIGN and ELEC) there is a very high reliance on imports, which because of the unavailability of these products (or services) regionally, provide opportunity for resale in the neighbouring markets. Indeed, an annual African Economic Outlook has established that "...few African entrepreneurs are innovative. Less than one-fifth of African early-stage entrepreneurs offer new products or services to the market." (AfDP, OECD, & UNDP, 2017, p. 173). Innovation for the firms in this study is only observed when they seek efficiency opportunities which may enable market advantage. These efficiency opportunities are observed, for example, as firms take advantage of economies of scale, add value to intermediate products before re-selling them, or find unique ways to create price differences as demonstrated by OFFIX.

*"...Because, today in the market, my product might be really good, but there are still some other products along the sides. So, to be astute, we bring it in by sea freight..."* (OFFIX, lines 233 – 234)

One of the major reasons for the international expansion of MNCs from more advanced economies has been to open manufacturing units in developing countries in order to take advantage of lower labour and production costs (Ekeledo & Bewayo, 2009). However, being in a developing economy themselves, the SSA SMEs lack the economic inclination to establish a production unit in the neighbouring countries. Further, these firms that are largely arbitrageurs hardly require value-adding foreign units. As already mentioned, the firms' expansion takes an anomalous path. This is dependent on the emersion of internal and external factors as well as opportunities and/or threats that control the manner or mode of entry and further development to a more formal outlet for sales or distribution (also Welch & Luostarinen, 1988).

### **Knowledge acquisition and learning and network use**

To the extent that knowledge acquisition through experiential knowledge and networks determines the internationalisation behaviour of a firm, our observations are in agreement with the Uppsala model (Johanson & Vahlne, 1977). These observations echo those of other African studies that have found, for example, that (1) networks and experience acquired while operating in a given market provide market

knowledge in that market, and (2) the ensuing commitment of resources is positively related to internationalisation (Omokaro-Romanus, et al., 2018; Matenge, 2011; Kuada & Sørensen, 2000).

### **Summary of Discussion**

The *establishment chain* in its classical deterministic sense is not observed in this study. This is comparable to the findings of Omokaro-Romanus and colleagues (2018) in their study of Nigerian firms. Instead, the entry methods and development in a foreign market are rather ad hoc, and in some cases, involve informal business activities because they are considered less costly and involving less red tape (Kimenyi et al., 2012). Nonetheless, the process itself remains committed to the Uppsala stages theory that interrelates knowledge acquisition and increase in resource commitment. The firms sought to enter a given market without committing substantial resources and largely remained confined in this mode which was commonly a sales outlet. From this point on, they only multiplied their number of units (Kuanda & Sørensen, 2000). In other words, these local SMEs increase their international scope, expanding by multiplying sales and distribution channels rather than increasing by intensity within an individual market as portrayed in the Uppsala model (Johanson & Vahlne, 1977). This expansion behaviour may be attributed to limited resources and the proximity of the foreign units to their headquarters in Kenya's capital city, Nairobi, thus eliminating the need for more resource intensive units. Larger African banks with more capital/resource advantage have been observed to utilise any available opportunities to expand in target markets. For example, they first utilise low-risk export-type transactions such as money transfers, enter alliances before opening (higher risk) subsidiaries in order to gain access to networks, win new and old clientele already in new markets, etc. (Boojihawon & Acholonu, 2013).

### **Effects of Internationalisation**

On the effects of internationalisation, the findings of this study are admittedly very sparse. Development of an international profile, growth and increased competition however, are the main points that stand out as the implications of internationalisation for all the firms. Borrowing from the discussion of the development of an international profile above, it is determined in this study that, once the firms are involved in international activities, a more continuous growth could be expected (as opposed to de-internationalisation). Similar observations are made by Boojihawon and Acholonu (2013) when their subjects of study, internationalizing African banks, enhance their domestic and regional image and competitiveness and increase regional success as a result. This loop can be attributed to increased exposure, growth and therefore access to more resources and the use of growing networks. Kuada and Sørensen (2000) similarly argue that this international profile, which can be considered a comparative advantage over other companies, is necessary for two reasons: firstly, it serves as a form of evaluation of the capacity and capability of the firm and secondly, most firms from SSA share location advantages

resulting in relatively homogenous product of service offering. An international profile becomes an attempt to gain some competitive advantage over other firms.

Competition is found to be an effect of internationalisation. This is however perceived twofold by the interviewees. On the one hand, it refers to the competition that arises due to the entrance of foreign firms into the local market. This is partly resulting from possibly, a previously held FP – Agent or licensed distributor relationship that may have begun before the FP decided to invest more resources locally. Once the FPs have established a market through the local firms, they enter the market themselves – becoming formidable competition for their former partners. Somewhat like the Trojan-horse metaphor. This was best expressed by AQUA when the manager said in reference to internationalisation: “...*Well, it has made Kenya and the East Africa a very attractive place which has had the opposite effect of making aah a number of international companies come into our region and want to establish. So, for instance, FP-7 which was one of our chief suppliers, [...] have now opened up a business here. And aah, FP-8, I mentioned yesterday, they have also opened a business here. And we have many companies coming and saying... FP-9 is another one in our industry. It’s a German pump manufacturing company and they are all finding the...so it’s a double-edged thing, the internationalisation, it is creating opportunity for us to go into other countries, but it is also making... increasing competition for us...*” (AQUA, lines 657 – 664)

Competition is also observed, for example, as observed by the research firm SURV when it expands to other African countries due to the lack of adequate skill. Competition arises when a company trains and develops local employees in another African country, and these employees eventually become their competition. These former employees do not only take away acquired knowledge but possibly clients and are able to offer competitive prices.

### **3.7.1. Conclusion and Contributions**

The aim of this study was to determine the motives for internationalisation, the process and behaviour of firms in the process, as well as the effects of such activity among SSA SMEs. The goal was to provide new and interesting insights, not only for internationalisation and international entrepreneurship researchers but also for practitioners and relevant policy makers. Because research on SSA firms is still at a nascent stage (Omokaro-Romanus, et al., 2018; Ibeh, Wilson, & Chizema, 2012), the relevance of existing theories to the SSA context must be questioned. The explorative research findings of this study are thus able to extend existing literature by corroborating some of the existing findings and theories on internationalisation research, while also raising attention to the fact that the idiosyncrasies of SSA nations result in noteworthy deviations in internationalisation and entrepreneurship behavior. For example, this study was able to confirm the Uppsala theory to the extent that internationalisation is a stepwise process, with firms increasing levels of commitment in a foreign country the more knowledge they acquire about that country. However, the type of entry mode selected and the nature of operations

after increasing commitment did not necessarily coincide with those in the *establishment chain* (Johanson & Vahlne, 1977), nor do the processes take any clear pattern. Because of documented government inefficiencies in SSA countries and tolerance to informal business activities, firms are able to internationalise using ad hoc methods. Also, the networking theory of internationalisation finds support in this study when networks are used as capital to aid or facilitate knowledge acquisition, provide resources in one form or other, provide legitimacy or referees, and possibly provide market opportunities (Boojihawon & Acholonu, 2013). This corroborates the findings of various studies based particularly on African firms such as Tanzanian exporters (Matanda & Ndubisi, 2011; Rutashobya & Jaensson, 2004), and African banks setting up subsidiaries and branches in SSA and in Europe (Boojihawon & Acholonu, 2013). Gumede and Rasmussen (2000) who base their study on a sample of South African SME exporters also determine that networks (among other variables such as access to information and capital) will affect the likelihood for a small enterprise to export.

This research also offers new insights into the study of firm internationalisation by shading light on SMEs in developing countries that are commonly on the other end of manufacturing and service value chains from the point of view of some western or Asian MNC (FPs). Common discourse in international business literature includes offshoring of production or some supporting functions by MNCs from high-wage countries, and the use of appointed agents, (licensed) distributors or affiliated partners, for example. The point of view of firms at the end of the value chain of these MNCs is hardly given attention. This study brings these firms from low-wage countries to fore. They usually partner with the MNCs to act, for example, as agents, (licensed) distributors, appointed dealers or production and service companies.

While raising interest for research and discussion of international entrepreneurship in African firms, this study also encourages the development of theoretical perspectives that can be used to facilitate the development of policies and improvement of strategy guidelines.

Practitioners can also gain from this study. Rather than develop deliberate strategies to pursue foreign markets, it is observed that SSA firms do not clearly outline their intentions in relation to internationalisation strategy from the outset. That, or they only follow emergent strategies that are mainly influenced by the (random) lack of, or availability of resources (including knowledge), environmental push and pull factors such as FPs, customers, unstable economic conditions, etc. The strategies in these firms therefore emerge depending on existing and occurring circumstances. After all, emergent strategies often occur in complex environments that are challenging and prone to changes (Mintzberg & Water, 1985) as can be said of SSA business environments (e.g. in terms of the complexity and high cost of regulatory processes) (World Bank, 2013). Indeed, confirming the findings of other studies based on SSA countries, Ibeh, Wilson and Chizema (2012), for example, observe that African firms are *strongly* influenced by environmental factors.

The lack of deliberate strategies is probably attributed to the unpredictable nature of many SSA environments. When searching for growth avenues therefore, small businesses in SSA should explore international opportunities with a more deliberate strategy, also for the sake of minimising external influences. This could involve outlining and communicating precise intentions and offering formal controls necessary to realise those intentions. These deliberate strategies should be made whilst taking the nature of the environment into consideration (i.e. technological, political, market, etc.) in order to cater for possible eventualities. In other words, strategies and alternative strategies could be written, while taking possible educated scenarios and eventualities into consideration.

Governments and policy makers are keen to facilitate trade and increase economic growth in SSA. It is found in this study that the arbitrage entrepreneur is rather confined to African markets because she sources her products from more developed economies and sells them locally. To encourage internationalisation of SSA firms within and beyond Africa, firms should be encouraged - through policy and education - to be more innovative (also as determined by Matenge, 2011) and to source and add value locally in order to provide differentiated products for regional and international markets. After all, these countries also enjoy comparative advantages (e.g. from tropical products and cheap labor) that are currently not receiving adequate exploitation by local firms. More importantly, therefore is the need for SSA governments to provide more enabling environments in terms of infrastructure, financial and economic structures, policies and regulations and universal and quality education. They should also facilitate partnerships and networking opportunities and provide more accessible information on regional and international markets to enable faster and sounder decision-making with regards to entering international markets. The recently established African Continental Free Trade Agreement, a trade agreement which is in force between 27 African Union member states and signed in 2018, is a step by African nations that can be expected to facilitate intra-African trade and tackle some of these matters.

### **3.7.2. Further Research**

There is a dearth of academic research on the regional and intercontinental expansion of formal SMEs from Kenya, particularly those that are using other internationalisation activities other than export.

This study faces the following limitations: The selection of the case study firms was based on a listing of self-selecting firms. That means, only the firms that were interested in participating in the survey, were evaluated and ranked. Those firms unaware of this survey, but equally or possibly better placed or qualified as candidates were not reached by this selection. The generalisability of the findings is constrained by the small number of firms and the confinement of selected SMEs within one country. Future research could therefore explore international entrepreneurship in other SSA countries while also taking various modes of internationalisation into consideration. Other studies could also explore the reasons why and how entrepreneurial firms internationalise among more homogenous groups such as firms from the same industry or focus on service firms or only product firms. Also, more

internationalisation researchers should study African firms that have internationalised using other modes of entry other than just export. The literature review for this section also revealed that born globals, early internationalisers or INVs in SSA have hardly been studied. This, in spite of the fact that many firms, including horticultural firms export or form corporations with international investors right from their inception. Because previous studies have focused on the internationalisation of western country firms, little is known about the firms that are actually, the local agents, distributors, sales outlets or affiliated partners on the other end of the value chain of these large multi-nationals. This study highlights these gaps and recommends further research in these areas.

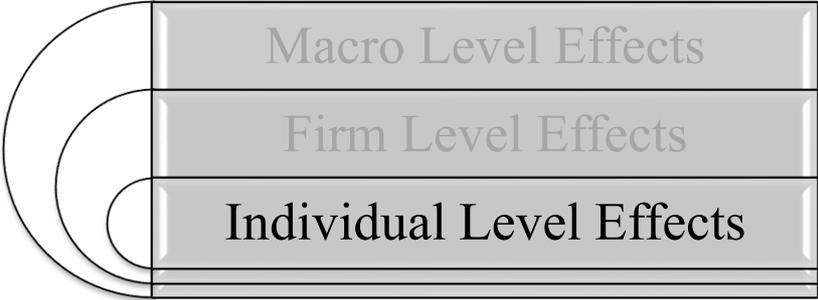
### ***Summary***

The following list offers some key effects of internationalisation on the firm from the perspective of SSA firms and, specifically, Kenyan firms (Chapter 3).

1. Growth and expansion
2. Acquiring an international profile that serves to market firms positively to investors, clients and other stakeholders
3. Knowledge acquisition (learning)
4. Development of networks
5. Increased competition domestically
6. Effects on the management and the organisation
7. Employee development

Having established these effects of internationalisation from a *firm's perspective*, the next section focuses on the *individual perspective (individual level)*. As mentioned previously the employees and management team involved in a firm's internationalisation are the main agents of the entire development process of international expansion. While firms use employees to achieve their internationalisation goals, the question arises as to what the implications of IAs (internationalisation) are for employees. The following two chapters fall under the subject of the effects of internationalisation at the individual level and are made up of a theoretical and an empirical study. These explore how IAs may affect employee career paths both positively (e.g. through the accumulation of HC and SC and diverse skills and in effect giving forth entrepreneurs) and negatively (by affecting career prospects through interruption).

**Figure 8.** Internationalisation Effects: A Multi-Level Perspective



Source: Own illustration (2019)

# 4. International Assignments as a Breeding Ground for Entrepreneurship?\*

## 4.1. Introduction

As illustrated in the previous chapter, expatriate assignments have progressively been playing a key role in the execution of international decentralisation of business strategies in companies (Harvey & Moeller, 2009). Edström and Galbraith (1977) determine that the reasons for international transfer of managers are to fill positions, develop managers and develop the organisation through control and coordination. The reasons behind an individual's decision to go on an IA are often based on intrinsic motives. Among other reasons, expatriates may regard the assignment as an opportunity to improve their careers, an opportunity to acquire further knowledge or as a personal challenge (Stahl et al., 2002; Riusala & Suutari, 2000). Despite their significance in international companies, several authors have established that IAs do not always improve the careers of managers (e.g. Stahl et al., 2002). Career related problems, such as anticipated difficulties finding a suitable position and inadequate advancement opportunities upon repatriation as well as the lack of long-term career planning were found to be the greatest problems in a study of German and French expatriate managers (Stahl & Cerdin, 2004). Furthermore, repatriates lose the status, autonomy, and responsibility that they earned due to the company's internationally decentralised status. Among other reasons, these have been found to lead employees to change employers after repatriation (e.g. Stroh et al., 1998).

While the annual employment turnover rate in Germany is about 25.9 percent (Federal Employment Agency, 2010), that of repatriates after an assignment, is considerably higher. The 2010 Global Relocation Trends Survey found that 38 percent (GRTS, 06.12.2010) of repatriates resigned within one year after their return and the rate of resignation remains almost as high in the two subsequent years after their return (Aldred, 2009). In Europe, similarly high figures can be observed in an empirical study of German and French expatriates, in which 50 percent of the German and one-third of the French expatriates were willing to leave their employers upon return from their assignments. Stahl and Cerdin (2004) further establish that one-quarter of the entire sample would leave their employers under ideal conditions (for comparable results see Suutari and Brewster (2003)).

Despite the verification of this phenomenon, the question of which career path these repatriates take, and the long-term consequences on their careers have not been researched to date (Stahl et al., 2002). Without supporting evidence, existing literature often states simply that returnees change their

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\* Burer, E.C, Schleppehorst, S., Werner A, & Moog P. (2013). Repatriates as entrepreneurs? - A theoretical analysis. *International Journal of Entrepreneurial Venturing*, 5(3), 292 – 309.

employers (e.g. Suutari & Brewster, 2003). It is argued here that repatriates may not only be leaving their employers for other companies but also using their acquired qualifications, skills and social contacts to facilitate the path to self-employment. There are theory-based reasons to presume that repatriates may be taking this occupational choice into consideration.

This argument evolves from the fact that repatriates, particularly as a result of their IA, are endowed with HC, SC and properties of the Jack-of-all trades view, factors that – based on extant literature and as mentioned in the former chapters – play a significant role for entrepreneurs venturing into self-employment (Rauch & Rijdsdijk, 2011; Wiklund & Shepherd, 2008; Davidsson & Honig, 2003; Delmar & Davidsson, 2000). In the first place, expatriates possess qualifications and skills that play a large role in their selection for IAs. Secondly, due to the intercultural relocation preparations before an assignment and the increased responsibility, independence and authority during an IA, expatriates return to their home countries having acquired not only international experience but also, having obtained direct information on cultures, particular markets and environments and having become a “(...) part of a global social network” (Lazarova & Caligiuri, 2001, p. 389). Upon repatriation therefore, they may display the entrepreneurial ability to identify and develop opportunities by taking advantage of the qualifications, skills and social contacts established and earned before and during their IA. This illustrates that repatriates may not only be changing employers – as is often argued in the literature – but are indeed capable of going into self-employment.

Thus, this section focuses on repatriates as potential entrepreneurs and aims to theoretically determine if repatriates are particularly suitable candidates for pursuing self-employment. To address this research question therefore, the Jack-of-all trades view (Lazear, 2004; 2005) the human capital (Becker, 1964; 1962) and the social capital theories (Lin, 2001; Coleman, 1990) are employed.

The rest of this chapter is structured as follows. In the next section, we review extant literature on the opportunity and recognition approach, HC and SC theories as well as on the Jack-of-all trades approach in respect to start-up entrepreneurs and repatriates<sup>4</sup>. Existing relationships are then identified thus conceptually illustrating that repatriates could venture into self-employment. Finally, we conclude with a discussion of our main results, some limitations of our analysis and questions for future research.

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<sup>4</sup> The term *expatriate* pertains to employees who are sent on international assignment for a limited period of time (usually, of more than 6 months). The term *repatriates* however, refers to expatriates that have returned to their home country after an assignment. In the context of this contribution therefore, expatriates and repatriates refer to the same individuals depending on the temporal point of view.

## 4.2. Literature Review

### 4.2.1. Opportunity Recognition and Development Approach

Kirzner (1973) introduced the concept of opportunity discovery and identified this as a core issue in entrepreneurship. Since then, entrepreneurship researchers have made numerous references to opportunity recognition but differ on terminology, definitions, major concepts, models and the operationalisation of the process (Hansen et al., 2011; Ardichvili, Cardozo, & Ray, 2003). Despite the disparity of literature on this subject, researchers agree on the significance of opportunity recognition as a precondition for the successful establishment of business (Ardichvili, Cardozo, & Ray, 2003; Shane & Venkataraman, 2000; Kirzner, 1973). The identification of the right opportunity distinguishes entrepreneurs from other individuals (Bygrave & Hofer, 1991).

It is mainly accepted that recognition *per se* does not mean that the identified opportunity develops into a feasible business. Ardichvili, Cardozo and Ray (2003) therefore conclude that three distinct processes are essential:

- detecting market niches,
- identifying a match between these market niches and the available and suitable resources, and
- the realisation of this match through a business strategy.

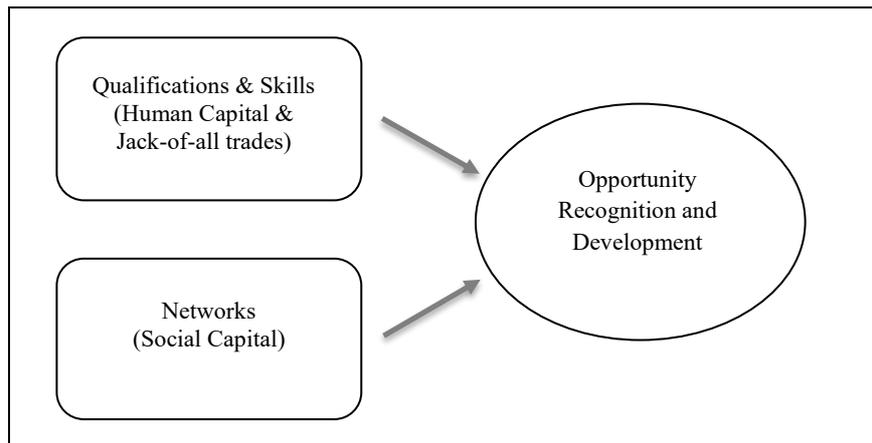
In other words, the recognition of an opportunity is not of value unless it is exploited (Baron, 2006; Ardichvili, Cardozo, & Ray, 2003). It is thus rather referred to as *opportunity recognition and development* (Ardichvili, Cardozo, & Ray, 2003).

In this regard, HC in form of knowledge and experience, as well as SC in form of existing personal networks are often discussed as major aspects that influence opportunity recognition and development. Overall, core results in this field show that “entrepreneurs’ personal networks and previous knowledge, based mainly on work-related experience, are key to the creation of (...) opportunities” (Casulli, 2009, p. 35). Furthermore, several studies indicate that the entrepreneur’s HC profile in terms of educational credentials, prior knowledge and workplace experience enhance the generation of ideas (Baron, 2006; Arenius & De Clerq, 2005). Baron (2006, p. 112) established that “individuals with a broad range of work experience will have greater knowledge about particular industries, markets, technologies, government regulations, and competition than will persons with more limited experience”

Additionally, SC networks have been found to facilitate the identification of opportunities (Singh, Hills, Hybels, & Lumpkin, 1999) and to provide access to resources (such as information, financial or human resources) that can be utilised in order to exploit these opportunities (Davidsson & Honig, 2003; Anderson & Miller, 2003). Since social contacts provide additional information, for example, extended

social contacts are accompanied by richer knowledge (Baron, 2006). Thus, any “(...) participation in more markets should increase the likelihood that a person will gain access to necessary information for opportunity discovery” (Shane, 2003, p. 48). The likelihood of identifying entrepreneurial opportunities also increases with geographical mobility (Delmar & Davidsson, 2000). Mobility can raise the wealth of experience, social contacts as well as access to a larger amount and variety of resources, and thus lead to the discovery and exploitation of opportunities.

**Figure 9.** Opportunity, Recognition and Development



Source: Own illustration (2013)

HC endowment is traditionally operationalised using indicators such as educational attainment or work experience. For the purposes of this chapter, this perspective does not satisfactorily emphasise all the important indicators. For this reason, based on the Jack-of-all trades theory (Lazear, 2004, 2005), the influence of an individual’s engagement in a variety of employment activities, and the broadness of his skills are also examined.

It is proposed herein that repatriates possess qualifications and skills similar to those of start-up entrepreneurs and that both groups are endowed with a rich SC network that enables the identification of market opportunities and their development into viable businesses. The following research questions therefore sum up the aim of this discussion: Are the qualifications, capabilities as well as diversity and quality of repatriate networks comparable to those of entrepreneurs? Following an IA, do repatriates possess the qualifications, skills and networks that can enable the identification and development of market opportunities and consequently enable them to go into self-employment?

#### **4.2.2. The Qualifications and Skills of Start-up Entrepreneurs**

Investments in HC are in the form of schooling or on-the-job training, also referred to as *formal HC*, and in the form of learning by doing or educational experiences, also referred to as *informal HC* (Moog, 2004; Mincer, 1974; Becker, 1964, Mincer, 1962).

The popularity of this theory may be due to its extensive mechanisms (Brüderl, Preisendörfer, & Ziegler, 1992). However, a review of existing literature on the main indicators of HC variables and their effects on the propensity to found new businesses mainly give ambiguous results. These discrepancies may be explained by the different emphases highlighted in the various studies, the distinctive measurements and the divergent samples. Lange, (2010) further states that the conceptual categorisation of the HC concept is also ambiguous. The ensuing discussion shows some results of recent studies. All in all, entrepreneurship research concurs on the significance of HC endowment and its impact on the inclination to start-up is concerned (e.g. Backes-Gellner & Moog, 2008; Davidsson & Honig, 2003).

The indicator, formal education, on the propensity to found a new business does not show uniform results. For example, authors have questioned whether “formal education can affect the likelihood of entrepreneurial entry through (1) the acquisition of skills, (2) credentialing, and (3) sorting people by ambition and assertiveness” (Kim et al., 2006, p. 8). Besides Kim et al. (2006) submit that a deficiency will hinder *entrepreneurial entry* just as much as a surplus. However, apart from hard facts, basic school attendance develops abilities such as communicational and analytical skills, and although these skills do not guarantee the success of self-employed persons, they are necessary for entrepreneurial activities. One may also argue that employed persons need these skills just as much but overall, it may be concluded that advanced educational attainment correlates positively with entrepreneurial activities (Moog, 2004).

Experiences refer to those abilities acquired beyond formal schooling. Schultz (1980) finds that, compared to formal education, learning from experience is less helpful in technologically dynamic sectors. Entrepreneurship literature, however, generally supports the fact that experience does increase the likelihood of becoming an entrepreneur especially if nascent entrepreneurs (a) start their business activities in industries where they were previously employed – an obvious fact according to Evans’ and Leighton’s (1989) and, (b) if they have gained a broad spectrum of experiences and abilities (Brüderl et al., 1992).

As founders are expected to carry out diverse forms of activities (Lichtenstein, Carter, Dooley, & Gartner, 2007), a combination of diverse abilities appears to be most effective. Various high qualifications would not be necessary but basic knowledge in each of these various fields would provide entrepreneurs with a general and entire overview of the business. Lazear (2004; 2005) refers to these new founders as, “Jack-of-all trades”. This implies that individuals with a comprehensive spectrum of qualifications tend to go into self-employment rather than those individuals with specific abilities (Lazear, 2004; 2005). Jack-of-all trades refers to the composition and accumulation of skills that determine the choice between an employed or a self-employed occupation. Lazear (2004; 2005) empirically supports the theory that individuals who innately have and invest in a variety of skills tend to be self-employed (Lazear, 2004; 2005). These individuals have been found to possess basic knowledge in various fields (Lazear, 2004; 2005). Although Silva (2007) disputes Lazear’s results, other

studies have empirically confirmed the same relation (e.g. Wagner (2003) using a sample of the German workforce and Åstebro and Thompson (2011) using a sample of Canadian inventor-entrepreneurs). Similar results have been drawn e.g. by Bublitz and Noseleit (2011) and from a study of the willingness of German students to go into self-employment (Backes-Gellner & Moog, 2008) which concludes that, it is rather the balance of the individual skill sets than the level of their skills that increases students' willingness to become entrepreneurs. Lechmann and Schnabel (2004) contribute likewise when they determine that the number of basic skills required at work is higher for self-employed individuals than for employees. They however go further and determine that self-employed persons require more expert skills (as opposed to basic knowledge and skills) than employees.

Accordingly, when discussing an individuals' disposition to go into self-employment, the HC theory is supplemented by the Jack-of-all trades theory to provide for the aspects discussed above. Prior involvement of repatriates in various activities during their IAs may therefore also lead to the acquisition of a wider set of skills from various fields.

### **4.2.3. The Qualifications and Skills of Repatriates**

Prior to their foreign assignments, repatriates get screened and selected, at best, out of a pool of willing and available experts. As IAs incur high financial and emotional costs, the selection process of the most competent employees, attempts to decrease the expatriate failure rate (Fink, Meierewert, & Rohr, 2005; Mendenhall et al., 1987). Furthermore, this stage is important because it reduces difficulties during the repatriation process (Harris, 1989).

Based on a comprehensive literature review, Mendenhall et al. (1987) conclude that the main selection criterion is the technical ability of the potential expatriate. Besides this, (see also e.g. Anderson, 2005; Stone, 1991) some researchers focus on the expatriate's communicative abilities, previously gained foreign experiences (e.g. Holopainen & Björkman, 2005), professional expertise, methodological and intercultural competence (Kühlmann & Huchtings, 2010), current efficiency in exercising the profession (Harris & Brewster, 1999) as well as the expatriate's and family's adaptability (e.g. Stone, 1991)<sup>5</sup>.

In general, only individuals with particular skills and qualifications, and the potential to establish or further develop or support the foreign office are selected. Additionally, this group of high potentials (Riusala & Suutari, 2000; Harris & Brewster, 1999) is well qualified and usually considers experiences

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<sup>5</sup> Based on a case study approach, Harris and Brewster (1999) further identify the discrepancy between theoretical and practical applied selection mechanisms. Although selecting ideal expatriates should theoretically be grounded by precisely defined criteria and measures and carried out by qualified personnel, the reality is such that, expatriates are recruited rather arbitrarily and eventually matched to the position. It may be argued that this sort of procedure does not just limit the pool of potential expatriates, but causes the selection criteria to be subjective and un-standardized (Harris & Brewster, 1999). Regardless, the selected candidates must meet the required skills and qualification for the IA position.

gained abroad as opportunities to develop individual skills and expertise and to advance their careers (Suutari & Brewster, 2003; Riusala & Suutari, 2000; Tung, 1998; Harris, 1989).

Furthermore, before an international transfer these employees receive relevant training, often to prepare them for the intercultural differences (Harris, 1989; Mendenhall et al., 1987). During their assignment these employees have to fulfil the company's requirements as well as the demands on-site (Kühlmann & Hutchings, 2010). "They have to handle business functions they normally do not touch and thereby learn to understand the interactions of the different functions" (Fink et al., 2005, p. 34). They are often given greater responsibilities (Tung, 1998), possess greater authority and a greater freedom in decision-making (Harris, 1989). In some cases, expatriates are expected to fully manage subsidiaries. They therefore get acquainted with handling a business as a whole, gain leadership experiences as well as expertise that would not have been earned if they were to remain in the home country (Tung, 1998).

The results of a Finnish study show that international assignees particularly, improve their skills in terms of comprehension of the global market, linguistic proficiency, social skills, self-assurance, professional competence and the generation of ideas by expanding their horizons (Riusala & Suutari, 2000).

As suggested by Fink et al. (2005), the extensive and diverse tasks that expatriates have to fulfil, comprise of responsibilities that may qualify a repatriate to take over a management position (see also Riusala & Suutari, 2000). As Harris and Brewster cite Phillips (1992), "(...) there is little or no difference between the personal qualities required for success in managing domestic or international business, but successful development of international business demands a higher level of skills and qualities. This is because managers working abroad will be involved in a wider range of activities, roles and responsibilities than those required in the home market" (1999, p. 489). Thus, often they can be compared to entrepreneurs establishing a facility, office or similar abroad.

This implies that, in carrying out their duties and responsibilities during an IA, repatriates do not only acquire a high HC endowment but also a broad spectrum of diverse skills and abilities (Fink et al., 2005). They become generalists and can therefore be referred to as *Jack-of-all trades*.

In summary, we argue that repatriates take up the role of a Jack-of-all trades and have a high HC endowment because:

- a) as foreign assignment candidates they must display high qualifications,
- b) the preparation for an assignment provides them with additional forms of HC,
- c) the assignment itself expands the expatriates' knowledge, and
- d) the assignment broadens his skill set.

For these reasons, we claim that repatriates possess comparatively similar qualifications and diversity of skills to those of start-up entrepreneurs and may therefore be just as qualified to venture into self-employment. Founded on this argument, the following proposition can be derived:

**PROPOSITION 9:** *When an employee returns from an international assignment, then his human capital endowment and his skill sets will be similar to those of a start-up entrepreneur.*

Moreover, expatriates know the market, competition, customer needs and shortages that the market does not cover. The combination of this knowledge and experience leads to a sensibility and higher attention to market needs (e.g. Brüderl et al., 1992) and opportunity recognition. The additional geographical mobility further promotes the generation of new ideas (Riusala & Suutari, 2000). This leads to the second proposition:

**PROPOSITION 10:** *When an employee returns from an international assignment, then his human capital and his skill sets will be positively associated with opportunity recognition and development.*

#### **4.2.4. The Networks of Start-up Entrepreneurs**

The role of SC, and in effect, the role of social networks in the recognition and development of opportunities has largely been discussed in the literature (Hoang & Antoncic, 2003; Davidsson & Honig, 2003; Greve & Salaff, 2003; Singh et al., 1999). SC networks introduce diverse relations and interactions (Lin, 1999) which in their development and nurture can have positive and in some cases negative effects (Gargiulo & Benassi, 2000). For the sake of this contribution, SC is treated as a mainly positive network effect that is defined as “(...) the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal, 1998, p. 243). The resources, embedded in these networks are highly heterogeneous and can be in both tangible (e.g. human and financial resources) and intangible forms (e.g. ideas, knowledge, authority and social standing (Lin, 1999)). These resources can be accessed through *direct* and *indirect ties* as well as *strong* and *weak ties* (Granovetter, 1973).

While direct ties are characterised by one-on-one relationships and indirect ties involve a third party, who acts as a mediator, the amount of strength is determined by “(...) the amount of time, the emotional intensity, the intimacy and the reciprocal services which characterise the ties” (Granovetter, 1973, p. 1361). Strong ties are made up of cheaper, more reliable (Granovetter, 1985), long-term close-knit relationships of close friends and family members (Elfring & Hulsink 2003), while weak ties, are usually casual acquaintances (Granovetter, 1973).

The *strong and weak ties hypothesis* (Jack, 2005, p. 1236; Granovetter, 1973) suggests that the support and information gained from weak ties are more extensive (Granovetter, 1973), heterogeneous (Casulli, 2009), sporadic and “loose and non-affective” (Elfring & Hulsink, 2003, p. 411). Furthermore, weak ties constantly provide original and diverse forms of information resources as well as opportunities to

meet new people (Granovetter, 1973). Both strong and weak ties are significant in their respective ways and at various stages of developing a firm (Elfring & Hulsink, 2003). For example, in the early stages of development, a firm owner may rely more on family members and close friends for security, (emotional) support (Elfring & Hulsink, 2003) or social status (Anderson & Miller, 2003), to extend the founders' network through indirect ties (Jack, 2005), or to even provide financial resources (Colemann, 1988). With the growth of the enterprise, his reliance on weak ties also grows and becomes relevant for the business (Elfring & Hulsink, 2003; Birley, 1985). These weak ties are usually composed of various stakeholders of institutions or organisations in which an individual has interacted with. They include former colleagues, former employers, business partners, business acquaintances and start-up support organisations (e.g. Davidsson & Honig, 2003; Brüderl & Preisendörfer, 1998).

By nature, the number of strong ties of any given individual is limited (Singh et al., 1999) and its measure lies more in their quality and utility (Jack, 2005) than in the number of interactions which are unlimited in number (Granovetter, 1985); weak ties on the other hand provide more information about market gaps and how to fill them (Elfring & Hulsink, 2003). They can provide resources that cover a large spectrum of possibilities such as, information and advice (Singh et al., 1999; Birley, 1985), innovative ideas, human and financial resources, co-operation or expansion opportunities, etc. The extent to which these irregular, occasional, loose relationships can provide some form of capital or resources depends on the activeness of the potential entrepreneur.

To understand SC further it is necessary to analyse the nature and form of social ties (Adler & Kwon, 2002). Various authors have analysed SC structures through frequency, intensity and multiplexity (multiple roles of each position in the network) of constituent ties (Adler & Kwon, 2002), network density, depth of relationship, instrumental support received and contact quality (Liu & Shaffer, 2005) and size and closeness (Semrau & Werner, 2012; Wang & Nayir, 2006). This analysis will, however, focus on the *size* and *quality* of strong or weak tie networks as these are the most commonly used operationalisation measures and because they can facilitate comprehension under the conceptual nature of this discussion. Besides, the amount of resources that a potential entrepreneur will have available at various stages of the entrepreneurship process is determined by the *size* and *quality* of his SC networks.

As has empirically been validated, the more network ties an individual has, the more the variety and amount of information and resources available to support him in identifying and exploiting opportunities (Singh et al., 1999) at different stages of founding (Greve & Salaff, 2003). Measured as the quantity of "direct links between a focal actor and other actors" (Hoang & Antoncic, 2003, p. 171), network size determines the amount and degree to which resources can be accessed by an entrepreneur or a potential entrepreneur. However, it is not only the size of the stock of SC that matters but the quality in terms of *diversity*.

An entrepreneur has a diverse and balanced SC network, if his social contacts are made up of individuals of broadly dissimilar backgrounds, characters, capabilities, qualifications, inclinations and prospects. According to Backes-Gellner and Moog, “knowing people of all kinds of different business and personal spheres helps to collect and screen the relevant knowledge, get to know the relevant market players, and start relational contracts or gain sufficient credit, all of which are indispensable production factors for a start-up” (2008, p. 8). In the context of start-up entrepreneurs therefore, such diverse contacts could provide increased access to a variety of resources, productive business support and higher basis through which opportunities can be identified and exploited (Anderson & Miller, 2003).

Evidently, SC in form of the size of strong and weak ties and the quality of networks (in terms of diversity) determine to what extent a start-up entrepreneur will be able to identify and develop ideas into possible viable businesses (Davidsson & Honig, 2003; Ozgen & Baron, 2007; Singh et al., 1999). If repatriates possess at least similar SC endowments as start-up entrepreneurs, it can be presumed, based on the SC theory, that expatriates are capable of going into self-employment after they return from an IA.

#### **4.2.5. The Networks of Repatriates**

The SC theory has minimally been applied in the context of expatriates and repatriates (Osman-Gani & Rockstuhl, 2008; Manev & Stevenson, 2001). There are however some empirical studies of expatriate and international student networks and their role in, for example, reducing uncertainty (Osman-Gani & Rockstuhl, 2008), accessing support (Wang & Nayir, 2006), facilitating psychological well-being (Kashima & Loh, 2006) and therefore facilitating adjustment (Farh et al., 2010; Wang & Nayir, 2006), and in effect improving the performance of expatriates at work (Osman-Gani & Rockstuhl, 2008; Kashima & Loh, 2006; Liu & Shaffer, 2005).

Despite the indirect relation to this discussion, the limited literature on SC and expatriates above provides support for our approach by revealing the size and quality of repatriate networks. It also provides insights into the potential resources embedded therein, and which can then be mobilised for entrepreneurial profit (Lin, 2001). For comparison purposes, the main aspects discussed in the case of start-up entrepreneurs above, namely: network size and network quality (in terms of diversity) are discussed below.

In order for expatriates to perform their duties effectively, they are involved in social interactions and must develop social networks (Manev & Stevenson, 2001). Furthermore, for multinational decentralised organisations to function as a single unit, it becomes necessary that expatriates in the remote offices interact and create networks (Manev & Stevenson, 2001). Several studies concur that a larger expatriate SC network positively contributes to adjustment in foreign environments (Wang & Nayir, 2006; Kashima & Loh, 2006). The larger the size of the network the expatriate interacts with, the more diverse

the contacts and the greater the available stock of acceptable behaviours to learn from (Osman-Gani & Rockstuhl, 2008), and the more the knowledge and information to access from. In their empirical investigation of expatriate performance and adjustment through a SC perspective, Liu & Shaffer (2005) focus on Host Country Nationals (HCNs) and find that a higher ratio of HCNs within an expatriate network increases job performance levels. It is thus likely that expatriates develop extensive networks that go beyond home country borders to facilitate adjustment during their IAs and may maintain these relations throughout and after their IAs.

In sum, repatriate networks develop due to an accumulation of contacts typically made up of locals, home country nationals (during and after their assignments) and other expatriates (Osman-Gani & Rockstuhl, 2008). Upon repatriation, access to resources embedded in strong ties would follow in much the same channels as in the case of a start-up entrepreneur or any other individual interested in going into self-employment. The nature of IAs, however, requires that expatriates leave their families (if they go unaccompanied by their immediate families), friends, and other relations in the home country. Although the strength of ties has basically been determined by frequency of contact (Granovetter, 1973), strong ties, in form of family and friends, are linked by emotional attachments and commitment, mostly remaining intact upon repatriation despite the infrequency of physical contact (Jack, 2005). In the case of weak ties nonetheless, infrequency of contact may result in reduced strength of weak ties but not necessarily a complete severing of ties<sup>6</sup>. This may be disruptive to the expatriate's home country networks but results in the initiation of new ones (Adelman, 1988). Figure 10 below depicts the networks of repatriates, where the differences in density of the arrows signify the differences in strength of weak ties.

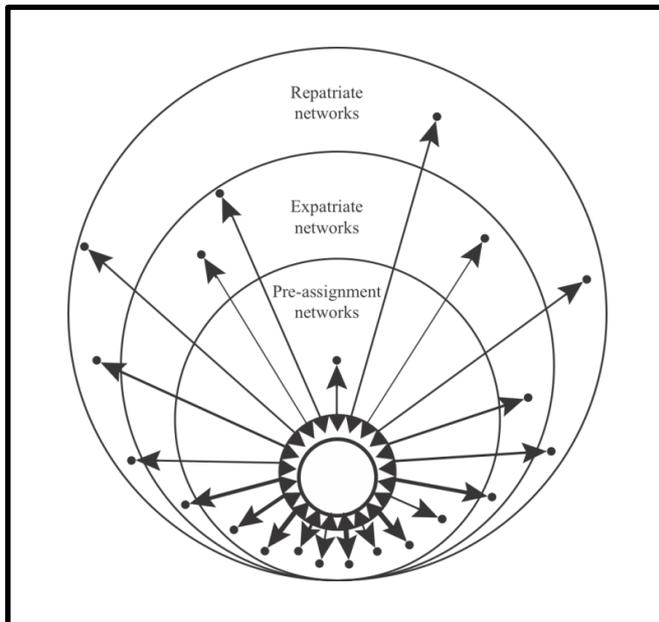
Apart from the stock of SC, the quality of expatriate networks, measured through the degree of diversity, has also been discussed in the expatriate literature. Au and Fukuda (2002) differentiate *relationally diverse* networks from *culturally diverse* networks. They argue that an individual may have a large but culturally homogenous network. Regardless of the size of his network, an expatriate on the other hand would possess heterogeneous networks (i.e. relationally and culturally diverse) because of their exposure to various cultures and environments (Au & Fukuda, 2002; Nohria & Ghoshal, 1997). These authors thus advocate for the development of expatriate networks made up of workmates, customers, and suppliers, and people with other cultural backgrounds to enhance access to information and facilitate their role as emissaries for the company. Some studies have analysed the relationship between network diversity and expatriate adjustment. Manev and Stevenson (2001), for example, look into expatriate

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<sup>6</sup> A lengthy absence from the home country indeed affects the frequency of contact and therefore the strength of ties (Granovetter, 1973). Home ties are therefore disrupted so that – we assume – either contact is completely severed or the strength of the weak ties weakens. Besides, active maintenance of home country contacts e.g. through continuous communication with the home office, is usually encouraged to ease the usually problematic repatriation process (Lazarova & Caligiuri, 2001).

network diversity and differentiate two status groups: local (HCN) and expatriate networks (from the home country and other countries). They also demonstrate that expatriates develop complex networks relating on an individual level and spanning various countries, nationalities and status groups.

**Figure 10.** Repatriate Networks



Source: Own illustration (2016)

The diversity of expatriate SC can also be observed in the interaction of managers in geographically dispersed units (Mäkelä & Brewster, 2009). Among other forms of interactions, cross-border teams and expatriate interactions have been found to be those significantly associated with *affective* and *cognitive* SC<sup>7</sup> and knowledge sharing. The authors conclude that these interactions are especially productive ways of dealing with assignments thus necessitating cooperation, exchange of resources, and innovative behaviour (Nahapiet & Ghoshal, 1998). In an exploratory case study research, Mäkelä (2007) determines expatriate characteristics that lead to higher knowledge sharing. Expatriates displayed relatively rich networks (referring to size and diversity), long-term relationships, high levels of trust, multiplexity and shared knowledge (Mäkelä, 2007).

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<sup>7</sup> Where relational (or affective) SC refers to the potential gain and possible responsibility ingrained in network relationships and includes aspects such as *trust*, *norms* and *sanctions*, *obligations*, and *expectations* (Mäkelä & Brewster, 2009) based on Kang, Morris, & Snell, 2007; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). Cognitive SC on the other hand, refers to social relations where individuals share a mutual reference point as far as cognitive structures are concerned in order for them to be able to identify, comprehend and share unique knowledge (Kang et al., 2007).

Extant literature has revealed that the role of size and diversity of networks for start-up entrepreneurs is invaluable in providing resources (such as ideas, information, human and financial resources) for entrepreneurial activities. Additionally, having discussed networks in the context of repatriates, it becomes clear that the nature of their networks portrays qualities – in terms of size and diversity – that compare to those of start-up entrepreneurs and that can provide similar resources to support business start-up. An IA seems to encourage the formation of large and heterogeneous networks and it is for this reason that this study argues that repatriate networks are similar to those of start-up entrepreneurs.

**PROPOSITION 11:** *When repatriates return from an international assignment, then the size and diversity of repatriate networks will be similar to those of a start-up entrepreneur.*

Due to their exposure to foreign environments, expatriates just like start-up entrepreneurs reduce uncertainty by using their networks to practise “resource and information seeking behaviour” (Liu & Shaffer, 2005, p. 239). The SC earned during international foreign assignment may furnish a returnee with entrepreneurial ideas or facilitate the fulfilment of some entrepreneurial needs just as would be the case for start-up entrepreneurs (e.g. Singh et al., 1999; Davidsson & Honig, 2003). It is therefore posited in this paper that the SC of a repatriate – earned as a consequence of the assignment – will facilitate the identification and exploitation of opportunities.

**PROPOSITION 12:** *When repatriates return from an international assignment, then repatriate networks will be positively associated with opportunity recognition and development.*

### **4.3. Conclusion, Limitations and Future Research**

To our knowledge, expatriates or repatriates as a group of potential entrepreneurs has not been researched nor discussed in the literature to this date. This contribution attempts to conceptually fill this research gap.

This theory-based literature review and analysis has illustrated that IAs may initiate a career path of self-employment. Thus, the frequent dissatisfaction that results from poor reintegration practises in companies does not only have to lead repatriates to leave their employers for other employment opportunities. The additional capabilities, experiences and social contacts acquired by an expatriate – and eventually, a repatriate – are indeed prerequisites that start-up entrepreneurs have to demonstrate or possess in order to successfully establish businesses. Since the realisation and exploitation of market opportunities is a precondition for going into self-employment, the opportunity recognition and development approach is applied to answer the research question. Founded on sound theories and extant literature, this paper has looked into research on HC theory and Jack-of-all trades approach as well as the SC theory in the context of entrepreneurship because these theories have been found to facilitate the identification and exploitation of ideas. This paper has also comparatively explored the role of main

aspects of these theories on repatriates and therefore the possibility of repatriates also taking up entrepreneurship as a career path.

It should be noted that although there are other important aspects such as personality factors (Begley & Boyd, 1987; Brockhaus, 1980) and start-up financing (Parker & van Praag, 2007) which impinge on opportunity recognition and development, they have deliberately been omitted from this contribution. This has been done in order to observe the plausibility of significant propositions before venturing into further related studies.

Future research should look integrate these aspects in a more in-depth manner. It should also explore the influence of existing capital endowment of repatriates on the inclination to found. The latter may be worthy of research for two reasons: on the one hand, due to the usually higher income, increased monetary incentives to go on IA, various benefits and allowances and/or premiums and spouse support, expatriates can usually accumulate a relatively high income and stock of capital. This could be argued to provide not only capital but security thus possibly influencing the decision to go into self-employment. On the other hand, a positive correlation could be found between the HC endowments of repatriates and credit lending by banks as has been established in the case of entrepreneurs (e.g. Parker & van Praag, 2007 or Backes-Gellner & Werner, 2007). Additionally, the technological level of the host countries should be taken into account as this factor can largely influence the identification of market gaps and opportunities (for example in respect to the degree of innovation or the type of discerned market needs).

As has been argued, due to their backgrounds, repatriates possess qualities appropriate for international business, and the international social contacts may also play a significant role in the identification of opportunities in international markets. This introduces a further research perspective which could seek to determine to what extent repatriates establish firms that expand business activities internationally upon or right after establishment – the so called *born globals* or *early internationalisers*.

This contribution also carries implications for practitioners. With the most frequent cause of repatriate attrition being poor exertion of the skills acquired during the international assignment (Pattie, White, & Tansky, 2010), repatriates could be sensitised into considering self-employment as a career option to optimise on their acquired skills sets and HC and SC. Furthermore, repatriates may also be targeted (besides university students, women or immigrants) for various start-up support measures.

### ***Summary***

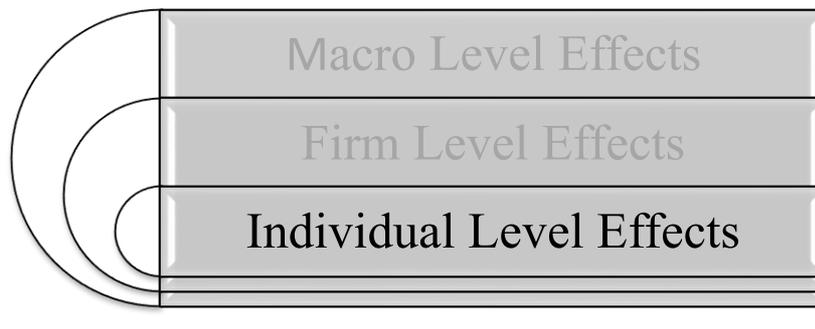
Some of the internationalisation effects at the individual level that can be deduced from the theoretical study above are:

1. HC endowment
2. SC endowment

3. Acquisition of diverse knowledge and skills
4. Poor career prospects within the assigning firm
5. Opportunity Recognition and Development – potential creation of an entrepreneur

This theory-based literature review and analysis has now illustrated that IAs may initiate a career path of self-employment. Chapter 5 below now builds on the key ideas in this chapter to empirically test the implications of IAs on the entrepreneurial intentions of employees.

**Figure 11.** Internationalisation Effects: A Multi-Level Perspective



Source: Own illustration (2019)

# 5. The Effect of International Assignments on Employees' Entrepreneurial Intentions<sup>8</sup>

## 5.1. Abstract

This study deepens the understanding of the underlying mechanisms of how IAs of employees relate to their propensity to leave paid employment for entrepreneurship. Based on HC, SC and the Jack-of-all trades perspective, it is argued that IAs unfold specific environmental features in which employees are better able to acquire necessary skills and diverse knowledge as well as build up diverse networks that are conducive to entrepreneurship. Based on personnel management literature, we also hypothesise that international assignees often return to rather dissatisfying working conditions which additionally promotes their entrepreneurial intentions. We test our hypotheses by applying multiple mediation modelling. As hypothesised, we find that diverse HC and SC endowments as well as poor career prospects positively mediate the relationship between international assignments and entrepreneurial intentions of employees.

## 5.2. Introduction

The majority of new entrepreneurs start their new ventures after a period of employment in established companies (Gompers, Lerner, & Scharfstein 2005; Burton, Sørensen, & Beckman 2002). Consequently, recent entrepreneurship literature has demonstrated a growing interest on how specific working conditions in established firms effect the employees' entrepreneurial decision-making process (e.g., Failla, Melillo, & Reichstein, 2017; Hessels, Rietveld, & van der Zwan 2017; Burton, Sørensen, & Dobrev 2016; Guerra & Patuelli 2016; Åstebro & Chen, 2014; Parker, 2009; Nanda & Sørensen 2010; Hellmann 2007). Surprisingly, however, little is known about IA of employees as a potential environmental factor that may enhance entrepreneurship intentions of employees (Dabic, González-Loureiro, & Harvey 2013) even though it has been argued that such IAs can facilitate the identification and exploitation of new market opportunities and the establishment of international start-ups (e.g. Burer et al., 2013; Werner, 2002). In fact, empirical findings seem to point to a generally positive relationship between cross-cultural experience and the capability of recognising entrepreneurial opportunities (e.g. Vandor & Franke, 2016). Still, literature on behavioral consequences of expatriates with regard to their occupational choice remains scarce to date (Werner, 2002). We intend to fill this gap in research

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<sup>8</sup> Adjusted and edited version:

Schlepphorst, S., Koetter, E.C., Werner, A., Moog, P. & Soost, C. (2020): International Assignments of Employees and Entrepreneurial Intentions: The Mediating Role of Human Capital, Social Capital and Career Prospects. *International Journal of Entrepreneurial Behaviour & Research*. In press.

literature by deepening the understanding of the underlying mechanisms of how such IAs can relate to the propensity of employees becoming an entrepreneur.

In doing so, we use the HC and the SC theories and suggest that HC and SC endowments facilitate the recognition and development of entrepreneurial opportunities (e.g., Kim & Longest, 2014; Davidsson & Honig, 2003). Based on these insights, we then argue that employees with long-term IA experience are able to acquire more specific skills and extensive networks conducive for entrepreneurship than employees without any IA experience (i.e. Takeuchi et al., 2018). In addition, we also apply the Jack-of-all trades perspective, which states that entrepreneurs are well-versed in various fields and skills, i.e., they are Jack-of-all trades (e.g., Backes-Gellner & Moog, 2013; Lazear, 2005; 2004). Thus, we argue that the specific environmental characteristics to which the employees are exposed in IA will positively affect their skill variety and network diversity which, in turn, increases their likelihood of entrepreneurship. Thirdly, we draw from personnel management literature, which suggests that international assignees oftentimes return to rather dissatisfying working conditions in their home country companies (e.g. in terms of unsatisfactory career advancement opportunities, work responsibilities, opportunities enabling the application of acquired knowledge and skills (e.g. Kraimer et al., 2012; Stahl et al., 2002). Thus, a strong incentive to leave paid employment for entrepreneurship may come from negative forces like disruption (e.g. individuals who have been laid off) or frustration (e.g. not being promoted as expected) (e.g. Guerra & Patuelli, 2016). Based on this, it is for example, of little surprise that up to 40-60 percent of international assignees leave the former employer in the first year after repatriation (e.g., Nery-Kjerfve & McLean, 2012; Shaffer et al., 2012).

In line with these arguments, we hypothesise a positive relationship between IAs and entrepreneurial intentions of employees, mediated by diverse HC and extensive SC endowments as well as poor career prospects in the parent company. We test our hypotheses by applying multiple mediation modelling. Our empirical analysis is based on a sample of 223 employees with professional and managerial experience from German-speaking countries (Austria, Germany, Switzerland). Of these, one fifth had returned from at least one long-term IA. As hypothesised, we find strong empirical evidence that diverse HC, extensive SC endowments and poor career prospects mediate the relationship between IAs and entrepreneurial intentions. We therefore conclude that cross-cultural working experience give internationally mobile employees the opportunity to develop new skills and knowledge, which positively affects the employees' opportunity recognition and enhance their entrepreneurial intention.

Our research offers some important contributions. On the one hand, we add to entrepreneurship research literature by identifying a specific group of (skilled and educated) employees with a higher business start-up propensity. Given the stagnating and/or decreasing number of new entrepreneurs in many countries, focussing on this specific group of international mobile employees may be a promising new field of research in entrepreneurship. On the other hand, we contribute to the understanding of cross-cultural working and living experience and how these factors initiate the employees' entrepreneurial

decision-making process in the context of IAs. Thirdly, and to the best of our knowledge, our study is also the first to empirically analyse how and how strong IAs provide a specific environment in which employees can build necessary skills, knowledge and expertise, network relationships and career prospects that are conducive to entrepreneurship. Previous studies, for example, have relied on specific assumptions that IAs provide a good entrepreneurial training ground without empirically testing those specific environmental conditions (e.g. Burer et al., 2013)

The rest of the chapter is structured as follows: In the next section, the underlying framework is explained and hypotheses derived. Then, we describe the sample and the methodological approach before we present and discuss our findings. Last, we summarise the contributions of this study and conclude by offering its limitations while making suggestions for future research.

### **5.3. Literature Review and Hypotheses**

To understand the relationship between IAs and entrepreneurial intention of employees it is necessary to explain IAs and to distinguish between different kinds of employee mobility (Sullivan & Baruch, 2009): IAs can be defined as employee deployments to foreign countries for a limited period of time of no less than twelve months. The term “repatriates” refers to expatriates who have returned to their home countries. In this paper, we refer to employees on such long-term international deployments as international assignees or expatriates (Kraimer et al., 2016). Long-term IAs play a particularly role in foreign markets business (Adler & Barthomolew, 1992). IAs are used by firms to fill positions in foreign units, nurture managers for positions of responsibility, and develop the company (Tungli & Peiperl, 2009) through coordination and control (Minbaeva & Michailova, 2004; Harzing, 2001a), and thus, expatriates are specifically required to ensure that company policies are adhered to (Kraimer et al., 2016).

#### **5.3.1. The Mediating Role of Diverse Human Capital Endowments**

It is common knowledge in entrepreneurship research that broad HC (competences, insights, experiences and skills in various fields) promote the entrepreneurial intentions of individuals (Hsieh, 2016; Backes-Gellner & Moog, 2013; Wagner, 2006; Lazear, 2005; 2004). Lazear (2005; 2004) refers to such an individual as a Jack-of-all trades. This view on entrepreneurship argues that an entrepreneur does not have to master any one skill but rather has to show competencies in a variety of areas. Accordingly, we argue that international assignees are generally well equipped with diverse HC. The rationale for this presumption is threefold:

First, the nature of an IA commonly requires that employees meet particular qualification requirements and possess the necessary (technical) competences, experience and capabilities (Collings et al., 2007).

To be granted this kind of international responsibility, it is commonly required to demonstrate additional capabilities such as communication skills, language and intercultural competences (Caligiuri & Tarique, 2006; Adler & Barthomolew, 1992). Second, depending on individual company pre-assignment policies, employee competences may further be reinforced or supplemented in the form of formal instruction in hard and soft skills such as language, work-related and/or cultural and country-specific subjects (Dickmann & Doherty, 2008). However, pre-assignment trainings are often made available only in ideal circumstances, as recommended in theory, and are not offered by all international firms. Furthermore, employee attendance at such trainings is not obligatory, and time limitations may restrict active participation before an IA (Tungli & Peiperl, 2009). Third – and essential for our study – is the HC endowment acquired during the assignment (Rickleby, 2018). In the course of their IAs, employees acquire international experience in management, and gain interpersonal and communication skills (Kraimer et al., 2009; Fink et al., 2005), e.g. by transferring technical and managerial know-how to foreign units (Bonache & Brewster, 2001), or developing or implementing new systems, procedures or projects, carrying out market research or feasibility studies for the company's or clients' expansion plans. Furthermore, they are often assigned the responsibility of training the local workforce (Martins & Tomé, 2014). Thus, IAs are given more responsibility and authority, enabling them to develop their personalities further, broadening their views on various intercultural aspects (Stahl et al., 2002). In addition, international work allows IAs to acquire direct information on market developments. These employees obtain first-hand knowledge of particular cultural contexts, including information about specific markets and customers, developing extensive global networks (e.g., Lazarova & Caligiuri, 2001). Having these experiences, international assignees are expected to meet a double set of demands; those from the subsidiary abroad and those from the parent company (Kühlmann & Hutchings, 2010). Likewise, international assignees are exposed to diverse and inter-cultural working environments, they are confronted with various international challenges, tasks, duties and responsibilities, as well as novel and diverse roles, thereby earning the opportunity to comprehend the interplay of these functions (Fink et al., 2005). Thus, IAs enrich the scope and diversity of employees' HC (Barry et al., 2004).

Thus, we conclude that, in contrast to employees without international experience, individuals on IAs are educated in this specific learning environment as 'Jacks-of-all trades' because they tend to broaden their work-spectrum and diversify their tasks and skill sets (Rickleby, 2018). We refer to this as the diverse HC of international assignees and argue that it serves as a mediator insofar as it explains the relationship between IAs and entrepreneurial intentions. Consequently, we hypothesise that the impact of IAs on entrepreneurial intentions exists indirectly through the influence of acquired diverse HC.

**H1:** *The relationship between international assignments and entrepreneurial intentions is positively mediated by diverse human capital.*

### **5.3.2. The Mediating Role of Social Capital Endowments**

There is consensus in entrepreneurship research that high SC endowments enhance individuals in developing entrepreneurial intentions (e.g., Greve & Salaff, 2003). We argue that assignees are well endowed with social ties for the following reasons:

Overall, employees who have been transferred to foreign units find themselves in positions that require them to develop networks (e.g. Bozkurt & Mohr, 2011), often being assigned for socialising local employees on company policies, culture, and values (Boyacigiller, 1990). Employees on long-term IAs establish informal communication networks among the international company units as well as links between the home country and governmental or local commercial nodes (e.g. Harzing, 2001b). IAs may utilise their networks, which act as channels within a company (Reiche, 2012), to transfer and receive knowledge (Reiche et al., 2009). Additionally, assignees develop networks to minimise uncertainty in the foreign country (Osman-Gani & Rockstuhl, 2008), gain support enhancing foreign stakeholders' general company perception (Barry et al., 2004) and aid their psychological well-being and adjustment (Farh et al., 2010).

In carrying out their responsibilities in the workplace and in going about their private lives, international assignees may therefore acquire and maintain contacts extending beyond their home countries and thus, their networks will develop to be more extensive than networks of individuals without IA experience (Richardson & McKenna, 2014). Consequently, apart from family ties and close friends, relationships of inter-organisational and intra-organisational home country and foreign country relations will constitute international assignee networks. These relationships include local and foreign non-work relations, as well as local and foreign co-workers, supervisors and business acquaintances (Podsiadlowski et al., 2013). In addition, international assignees' networks usually consist of individuals from various cultures, nationalities, relations and positions (Au & Fukuda, 2002). These relations we refer to as international assignees' SC endowment.

While SC is considered to be durable (Florin et al., 2003), "social bonds have to be periodically renewed and reconfirmed or else they lose efficacy" Adler & Kwon, 2002, p.22). This issue is particularly relevant for international assignees because the physical separation will have (temporary) negative repercussions on the frequency, quality or intensity of their contact with pre-existing business and private relations in their home countries (Richardson & McKenna, 2014). Therefore, IAs may contribute to the disruption of ties (Dickmann & Harris, 2005).

Nonetheless, IAs can modify the individual SC endowments of assignees and enable them to develop new effective and/or useful ties for future occupational opportunities, e.g., when assignees make contact with higher-ranking individuals in their host countries (Bozkurt & Mohr, 2011). Based on that, quantitative and qualitative studies show that international assignees are aware of these prospective positive outcomes on their individual careers and seek to broaden their local and global contacts

(Dickmann & Doherty, 2008). Thus, possible negative effects notwithstanding, IAs will generally enrich the stock of employees' SC. As SC is a pivotal factor in the pursuit of self-employment (Backes-Gellner & Moog, 2013; Davidsson & Honig, 2003), we therefore expect international assignees' social ties to mediate the relationship between IAs and entrepreneurial intentions, proposing the following hypothesis:

*H2: The relationship between international assignments and entrepreneurial intentions is positively mediated by social capital endowments.*

### **5.3.3. The Mediating Role of Poor Career Prospects**

As noted above, it is common knowledge in entrepreneurship research that poor career prospects foster entrepreneurial intentions (e.g., Guerra & Patuelli, 2016). We argue that – though IAs are generally considered to be an enhancement of employee career prospects (Meyskens et al., 2009) – an IA can be a “double-edged sword” (Stahl et al., 2009, p.91). In fact, researchers have found that IAs can negatively affect employees' professional progression, particularly within a company (Wong, 2005). Specific work-related issues (discussed in detail below) often lead to dissatisfaction in the workplace and a tendency to seek better opportunities elsewhere.

Work-related post-assignment expectations among returnees do not always correspond to the realities they face upon repatriation (Olds & Howe-Walsh, 2014). Expatriates generally anticipate positive outcomes from their IAs upon return (e.g., Shaffer et al, 2012). However, several empirical studies (e.g., Kraimer et al., 2009) reveal that repatriates often suffer “(...) the loss of status, loss of autonomy and reduced responsibility, loss of career direction, and lack of recognition of the value of international experience by the company” (Johnston, 1991, p.103). Additionally, international assignees may be denied the opportunity to utilise their acquired knowledge and capabilities (Ren et al., 2013). Although this invaluable and unique HC can be leveraged with other resources to create more value (i.e. resource-based view), this often fails to be the case (Carpenter et al., 2001). Other reasons for reduced job prospects and dissatisfaction include replacement of previous mentors (for example, a new boss replacing a former boss who may have mentored an assignee before an assignment), being out-of-sight and out-of-mind, or low organisational commitment after repatriation (Gregersen & Black, 1996). Consequently, repatriates often experience perceived demotion or underemployment (Ren et al., 2013).

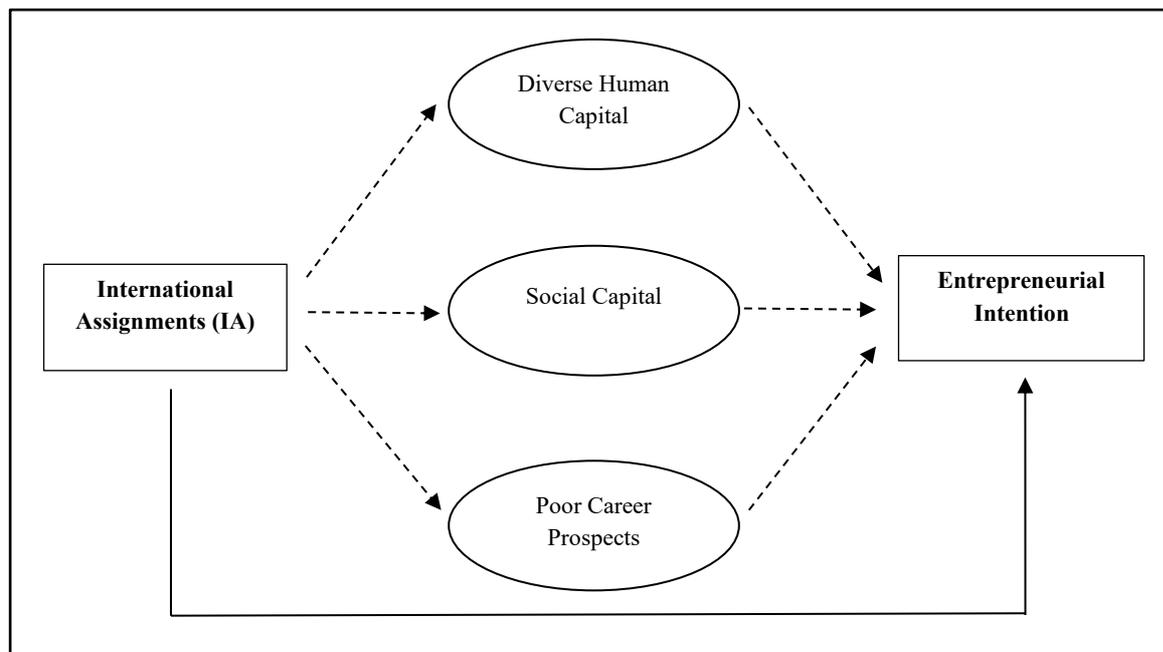
Compared to other groups of employees, the above-mentioned issues have been found to influence the desire of repatriates to change employers (e.g. Allen & Alvarez, 1998). It explains the considerably high employment attrition rate of expatriates upon their return from IAs (e.g. Global Relocation, 2010). Given the argument that career-related problems resulting from IAs may compel international assignees to become dissatisfied with their employers, seeking new career options is expected to also influence the likelihood of leaving the former employer to enter entrepreneurship positively (e.g., Douglas &

Shepherd, 2002). Thus, we follow scholars who have identified dissatisfaction in the workplace as a motivating factor for turnover and subsequent self-employment (e.g., Patzelt & Shepherd, 2011; Hyytinen & Ilmakunnas, 2007). In short, we propose that poor career prospects will play a mediating role in the relationship between IAs and entrepreneurial intentions. Thus, based on the above arguments, we hypothesise:

**H3:** *The relationship between international assignments and entrepreneurial intentions is positively mediated by poor career prospects.*

The conceptual model in Figure 12 depicts the expected relationship between IAs and entrepreneurial intentions, along with the mediating role of diverse HC, extensive SC endowments and poor career prospects. We expect the three mediating variables – *diverse HC endowments, extensive SC endowments and poor career prospects* – to act as mediators.

**Figure 12.** Theoretical Mediation Model



Source: Own illustration (2016)

## 5.3.4. Research Methodology

### 5.3.4.1. Research Sample

In collaboration with the University of Applied Sciences HTW Chur, we collected data using an online survey (between June 2012 and February 2013), targeting professionals and managers in Germany and Switzerland. We applied simple random and the snowball sampling method. The former approach involved the use of headhunters, international employers and relocation companies as multipliers. For our analysis, we used 223 complete responses. Before data collection, which took place between June

2012 and February 2013, we ensured the suitability of our questionnaire by employing well-tested scales and, we consulted independent experts in survey design and methodology. We carried out pretests on a reduced sample. The final sample includes a group of repatriates (n=45, 20.2%) and a control group made up of managers and professionals with no long-term international working experience (n=178, 79.8%). Generally, we collected data regarding the parent company (e.g., size of the company, industry classification) and respondents' personal information (e.g., personal networks, education, stays abroad, career prospects, the propensity to leave the parent company for entrepreneurship).

### **5.3.4.2. Measures and Descriptive Statistics**

As illustrated in Figure 12, the theoretical mediation model consists of three sets of variables: the outcome variable, the independent variable and the mediating variables.

#### **5.3.4.2.1. Dependent Variable**

*Entrepreneurial Intentions* — Our dependent variable is operationalised by self-estimated responses to the question, “how likely is it that the following career changes will take place in your life within the next 24 months: (1) You become full-time entrepreneur, (2) You become part-time entrepreneur?” This operationalisation is based on a question from the German Socio-Economic Panel study (SOEP), an extensive representative longitudinal study of German private households conducted by the German Institute for Economic Research (for a detailed description of the survey see Wagner et al., 2007). The respondents were asked to give their answers on a scale ranging from 1 (it will definitely not happen) to 7 (it will definitely happen). We calculated the mean of these two variables to build the entrepreneurial intentions variable.

#### **5.3.4.2.2. Independent Variable**

*International Assignments* — To catch the effect of IA, we asked the participants whether they have been deployed on IAs for professional purposes and, if so, how long the assignment took place. Based on this, we created a dichotomous variable (value 1 for individuals with long-term IA experience and 0 for the control group). According to our data of a total of 223 completed responses, almost one-fifth (45 participants, 20.2%) had an IA experience of at least 12 months in the past.

#### **5.3.4.2.3. Mediating Variables**

*Diverse Human Capital* — As noted above, the ‘Jack of all Trades’ perspective for entrepreneurship is about competencies across diverse fields. To capture this diversity, we follow the approaches of other researchers who used one or various combinations of (a) the number of jobs an individual has held, and (b) the number of professions practiced (i.e. different fields of professional endeavors, such as accountants, lawyers, marketers, human resource managers, etc.). Additionally, being a ‘Jack of all

Trades' is usually understood as having knowledge and experiences across a variety of trades. Thus, we ask for information on (c) different industry sectors (Åstebro & Thompson, 2011). To get the unbiased interdisciplinary nature of competences, we measured diverse HC using the non-weighted count of these three variables (Hsieh, 2016) divided by the working experience (measured in years). Respondents with more working experience have more time to become 'Jack of all Trades' so we set the count of the variables, number of jobs, number of professions, and number of industry sectors in relation to work experience. The data reveal that, on average, international assignees have practiced 5.11 professions, held 2.31 jobs during their professional lives, and worked in 2.24 industry sectors. On average, the respondents in the control group have pursued 3.96 professions, held 2.01 jobs during their professional lives, and worked in 2.24 industry sectors.

***Social Capital Endowment*** — To measure the scope of individual networks, we adapted a well-tested question from Semrau and Werner (2014). In their study, the respondents were asked to indicate the number of individuals in their home country and in foreign countries that are (have been) particularly useful to their professional careers and that (have) particularly contribute(d) to their occupational achievement. We asked for the frequency of communication with the five most important contacts. Combined, we used the communication frequency with foreign contacts to measure the strength of network ties established thanks to the IA. The descriptive data show that international assignees have, on average, 5.27 contacts in their home countries and 3.87 in foreign countries, which is significantly higher than the control group: 4.66 contacts in home and 1.46 in foreign countries.

***Poor Career Prospects*** — To capture the development of career prospects resulting from IAs, the respondents were asked to evaluate the probability of their own employment conditions worsening within the next 24 months in the context of the company situation (not depending on general economic context). As above, this operationalisation is also based on a question from the SOEP, measured on a 7-point Likert scale ranging from 1 (it will definitely not happen) to 7 (it will definitely happen). Among the international assignees, the average expectation of their individual career prospects in their current workplace is 1.87, with a standard deviation of 1.24, thus, significantly more negative than the control group (average career prospect: 1.51; standard deviation 1.24).

#### **5.3.4.2.4. Control Variables**

We added control variables to our estimation models. Two controls that have been shown to affect entrepreneurial intentions and IA were incorporated: age and firm size. Age is widely considered a significant factor that may affect the probability of establishing a business. In addition, research has identified an inversely U-shaped relationship between the likelihood of becoming an entrepreneur and age. This phenomenon incorporates arguments of greater start-up tendency and risk propensity of younger individuals, while aged individuals are ascribed higher access and possession of resources relevant of founding businesses like social contacts, experience and financial capital but whose risk

appetite reduces. To consider this possible non-linearity effect of age we added its squared term (Lévesque & Minniti, 2006). We control for firm size, considering the fact that small firms in particular yield entrepreneurs (Parker, 2009), through a binary variable that takes the value 1 if the firm is an SME with up to 249 employees and 0 if otherwise. SMEs made up a relatively large portion of the employers in our sample, including 36% of international assignee employers and 69% employers without international experience.

Table 9 shows a variable summary and operationalisation. The descriptive statistics for the entire dataset and the corresponding Bravais-Pearson pairwise correlations are provided in Table 10.

**Table 9.** Summary of Variables

Variable	Question	Scale
<b>Entrepreneurial Intentions</b>	How likely is it that the following career changes will take place in your life within the next 24 months: (1) That you become full-time entrepreneur [and] (2) That you become part-time entrepreneur?	7-point Likert-scale, ranging from “will definitely not happen” to “will definitely happen” for part (1) and (2). [metric]
<b>International Assignments (IA)</b>	How long you have been deployed on international assignments for professional purposes?	Long-term assignments ( $\geq 12$ months) are coded with 1 otherwise 0. [dummy]
<b>Diverse Human Capital</b>	How many jobs, professions, and industry sectors did you have in your entire career?	The answers were summed up and divided by the working experience in years. [metric]
<b>Social Capital</b>	List up to five of the most important individuals who assist you in your professional career and development. (home country or foreign country) How often do you communicate with them? (Evaluation for each mentioned individual).	7-point Likert-scale, ranging from “the contact did not exist anymore” to “daily contact” [metric]
<b>Poor Career Prospects</b>	Evaluate the probability that your own employment conditions will get worse in the next 24 months.	7-point Likert scale ranging from 1 “it will definitely not happen” to “it will definitely happen”. [metric]
<b>Age</b>	How old are you?	Years [metric]
<b>SME</b>	How many has the company?	1-249 employees are coded with 1, otherwise 0. [dummy]

Source: Own analysis (2018)

**Table 10.** Descriptive Statistics and Bravais-Pearson Pair-wise Correlations

		Mean	SD	1	2	3	4	5	6	7
1	SME	.63	.49	1						
2	Age	45.40	11.35	.26**	1					
3	Self-employment	2.02	1.48	-.08	-.17*	1				
4	International Assignment	.20	.40	-.28**	-.03	.13	1			
5	Social Capital	5.09	7.75	-.05	.05	.16*	.26**	1		
6	Diverse Human Capital	.53	.14	-.03	-.18**	.25**	.18**	.07	1	
7	Poor career prospects	1.58	1.24	-.61*	-.14*	.17**	.12	-.05	.14*	1

Source: Own analysis (2018)

## 5.4. Analytical Approach

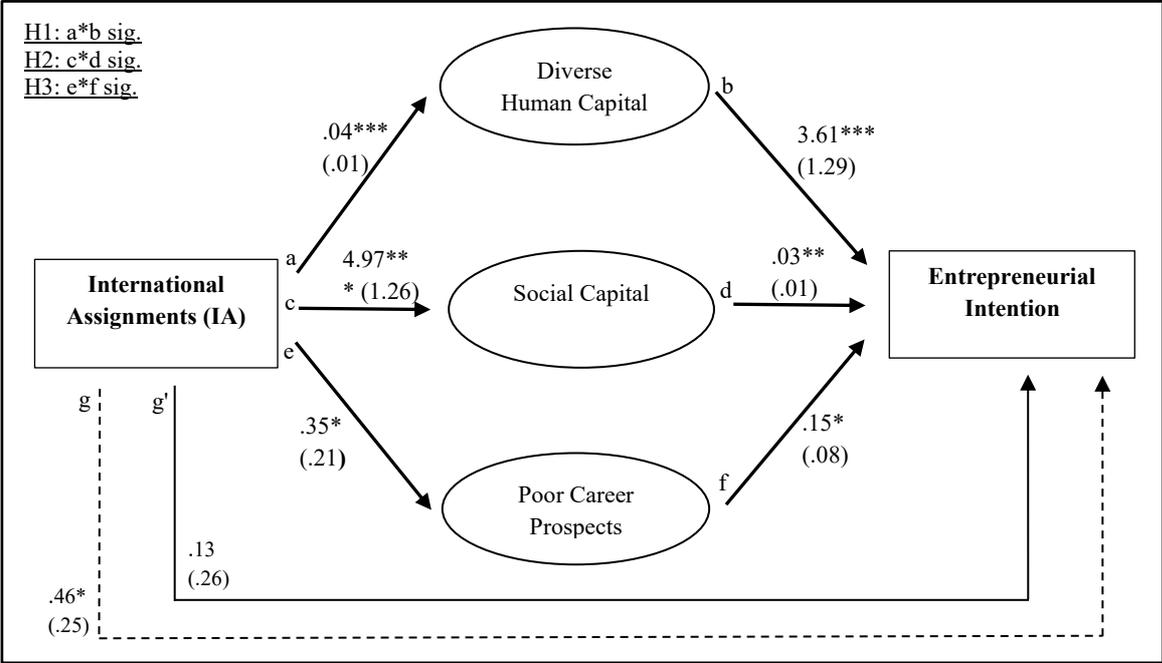
To test our hypotheses, we used a multiple mediator model analysing multiple indirect effects simultaneously instead of testing simple mediation models. This approach reduces the probability of a parameter bias resulting from omitted variables as several tests can be run simultaneously (Judd & Kenny, 1981; for a detailed explanation see i.e. Preacher & Hayes, 2008).

In view of the sample size (223 cases), we followed the recommendation to apply the bootstrapping method for small samples or non-normal distributed data to test mediation effects (Preacher & Hayes, 2008; 2004; MacKinnon et al., 2002). Direct and total effects explain the relationships between the outcome and independent variables (see Figure 13). The total effect determines the relationship between IAs and entrepreneurial intentions when taking the control variables into account but without considering the mediator variables (path g). Direct effects include the mediating variables (paths a, b, c, d, e, f and g'). In this study, both - the total and the direct effect - were calculated using regression models. This is followed by the bootstrapping method to test the significance of the mediation effects. Due to the exploratory character of this study we accept a 10% significance level for statistical relevance.

### 5.5. Empirical Results

The summarised results are presented in Figure 13. The detailed regression tables of each path can be found in Table 10.

**Figure 13.** Multiple Mediation Model Results



\*, \*\*, \*\*\* statistical significance at an error level of 10, 5, and 1 percent, respectively, SE in parentheses.

Source: Own illustration (2016)

We analyse the total effect (path g) of IAs on entrepreneurial intentions. Our results show a positive relationship between IAs (β=.46, p=.067) and entrepreneurial intention. When the three mediator variables diverse HC, SC endowments and poor career prospects are included into the model (path g’; see Table 12), the direct effect of IAs on entrepreneurial intentions is no longer statistically significant (β=.13, p=.615). The total effect reduces from β=.46, p=.067 to β=.13, p=.615 (direct effect) indicating that (some of) the mediating variable might explain the relationship between IA and entrepreneurial intentions.

Indeed, the analyses of the relationship between IAs and the mediating variables (paths a, c, and e) reveal that IAs significantly affect the endowments of diverse HC (β=0.04, p=.006) and SC (β=4.97, p=.000) and poor career prospects (β=.35, p=.090) positively. The same applies to the relationship between the mediating variables and entrepreneurial intentions (paths b, d, and f). There is evidence of a statistically significant relationship between the diversity of HC (β=3.61, p=.006), the scope of social contacts (β=.03, p=.027) and poor career prospects (β=.15, p=.053) and entrepreneurial intentions.

**Table 11.** Overall and Direct Effects on International Assignments

	(1)	(2)	(3)	(4)	(5)
Dependent Variable	Entrepreneurial Intentions	Entrepreneurial Intentions	Diverse Human Capital	Social Capital	Poor career prospects
Constant	1.92 (1.45)	1.09 (1.42)	.13*** (.01)	4.10*** (.57)	1.51*** (.09)
International Assignment	.47* (.25)	.13 (.26)	.04*** (.01)	4.97*** (1.26)	.35* (.21)
Diverse Human Capital		3.61*** (1.29)			
Social Capital		.03** (.01)			
Poor career prospects		.15* (.08)			
SME	.03 (.22)	-.11 (.22)			
Age	.02 (.07)	-.02 (.06)			
Age squared	-.00 (.00)	-.04 (.00)			
F	2.71**	4.21***	7.75***	15.65***	2.91**
R2	.048	.12	.03	.07	.01
Observations	223	223	223	223	223

SE in parentheses; \*  $p \leq .10$ , \*\*  $p \leq .05$ , \*\*\*  $p \leq .01$ : Own analysis 2018.

To conclude, we observe three mediation effects for long-term IAs: The relationship between long-term assignments and entrepreneurial intentions is mediated by diverse HC, SC endowments, and poor career prospects. As discussed above, the bootstrapping method tests these mediation effects for statistical significance (paths a\*b, c\*d, e\*f). The statistical significance is tested with 5,000 bootstrap samples on a 90% bias-corrected confidence interval level. To put it in simple terms, a mediation effect is significant if zero is not within the respective range of the bootstrapping confidence interval. In fact, the bootstrap estimation results given in Table 4 show that diverse HC, a large stock of SC endowments, as well as poor career prospects mediate the relationship between IAs and entrepreneurial intentions. Thus, the results are in accordance with hypotheses H1, H2 and H3.

**Table 12.** Mediation Effects of International Assignments

Mediation	Effect	Bootstrap SE	Lower-level Bootstrap CI	Upper-level Bootstrap CI
➤ TOTAL (a*b+c*d+e*f)	.32	.18	.16	.55
➤ Diverse Human Capital (a*b)	.13	.08	.04	.30
➤ Social Capital (c*d)	.14	.07	.05	.29
➤ Poor Career Prospects (e*f)	.05	.05	.00	.20

Source: Own analysis (2018)

## 5.6. Conclusions and Implications

This study seeks to determine whether IAs affect employees' entrepreneurial intentions. Our analysis follows entrepreneurship research, which has established that diverse skills and abilities (e.g. Lazear 2005; 2004), as well as a broad SC endowment (e.g. Backes-Gellner & Moog, 2013) and poor career prospects (e.g. Sharafizad & Coetzer, 2016) are antecedents of entrepreneurship. Because we expect that international working experience not only enhances the development of both diverse HC and broad SC endowments but also negatively influences the career prospects of employees within a company, we surmise that these factors mediate the relationship between IAs and entrepreneurial intentions. Our empirical findings reveal that skill diversity and broad networks, as well as poor career prospects all resulting from IAs, play an important role regarding the aspirations of long-term assignees to enter self-employment.

Two major implications result from this study. First, our investigation contributes to the entrepreneurship literature by linking IAs to entrepreneurship and thereby identifying and introducing a new group of potential entrepreneurs. Considering the fact that entrepreneurs are economic cornerstones because they encourage development and rejuvenation (Fritsch, 2008), international assignees who are mainly highly qualified individuals may be able to make considerable contributions to the quality and economic efficiency of their ventures.

Second, the results of this study intend to stimulate discussion on this topic and would like to encourage further research to support the effective utilisation of acquired entrepreneurial capabilities that repatriates bring with them, i.e., to generate new firms such as born globals or early internationalisers. Considering the international nature of their experiences and networks, repatriates may in fact be expected to seek to pursue foreign markets upon or soon after the inception of their firms (Madsen & Servais, 1997). Indeed, international companies are specifically promising for economic progress as they have been associated with more growth, jobs, innovativeness and competitiveness (EIM, 2010).

Beyond that, our results have practical implications for employees and employers. If employees become aware of the entrepreneurial benefits of an IA as established in this study, they may proactively pursue opportunities for IAs in order to utilise the acquired experiences and resources, for taking up entrepreneurial activities.

For expatriate employers, however, there are opportunities in (international) corporate entrepreneurship, including the establishment of business ventures and the introduction of innovative activities within existing organisations (Antoncic & Hisrich, 2003), referred to as intrapreneurship. Indeed, the enterprising activities of these employees may extend beyond home country borders, considering their international experience and cross-border network-building. This entrepreneurial acumen can be utilised to facilitate (international) corporate entrepreneurship (Bosma et al., 2010).

## **5.7. Study Limitations and Future Research**

To the best of our knowledge, our study is the first to highlight the entrepreneurial ambitions of international assignees. It thus provides initial insights into this topic. However, our study is not without limitations and leaves room for more comprehensive research. Within the research literature that contributes to explaining entrepreneurship, entrepreneurial intentions are considered a pivotal element for entrepreneurial activities (Guerrero et al., 2008). However, the entrepreneurial process involves additional significant factors, in particular perceived desirability and feasibility (Krueger & Brazeal, 1994). By taking these deciding factors into consideration in future research, entrepreneurial intentions of IAs may be measured in more detail. Moreover, our data set does not allow us to explore the question as to whether IAs subsequently lead to actual entrepreneurial action and/or success. We also encourage researchers to further develop the mediating model in this study that explains how IAs contribute to entrepreneurial intentions but take the following factors into account: personal factors influencing start-up ambitions, like intrinsic factors such as personality traits and attitudes (Krueger et al., 2000), financial capital and family circumstances (Dunn & Holtz-Eakin, 2000). Such a design would also address self-selection effects. Further investigation should also be done to determine the extent to which international HC and international SC resulting from IA experience are antecedents for the founding of international new ventures/global start-ups (McDougall et al., 1994). In addition, our model may be further supplemented with characteristics of the seconding organisation and external conditions like culture, physical and institutional infrastructure. Moreover, future research could deal with specific effects on the mother companies (thread of losing high qualified employees to become entrepreneurs, potential competitors).

We also recognise the rather small size of our sample which has served to provide initial evidence on this subject. Obviously, a more comprehensive sample, or panel data containing a larger group of international assignees would be necessary to validate our current findings. It could also include other forms of IAs like frequent travel, commuting and extended business trips or self-initiated expatriation (Demel & Mayrhofer, 2010). We invite researchers to take these additional research steps, because those alternative IA experiences could have the same effects, especially, they also receive the opportunity to expand their networks (Minbaeva & Michailova, 2004).

Moreover, we are aware that the dataset consists of self-reported data reflecting the subjective perceptions of interviewees, probably resulting in problems from biased perceptions that may jeopardise outcomes. Nevertheless, this instrument is common and widely accepted in entrepreneurship research (Peng & Luo,

2000), particularly in the absence of reliable data sources (official directories). Brush and Vanderwerf (1992) provide proof that self-reported data can be considered valid and reliable.

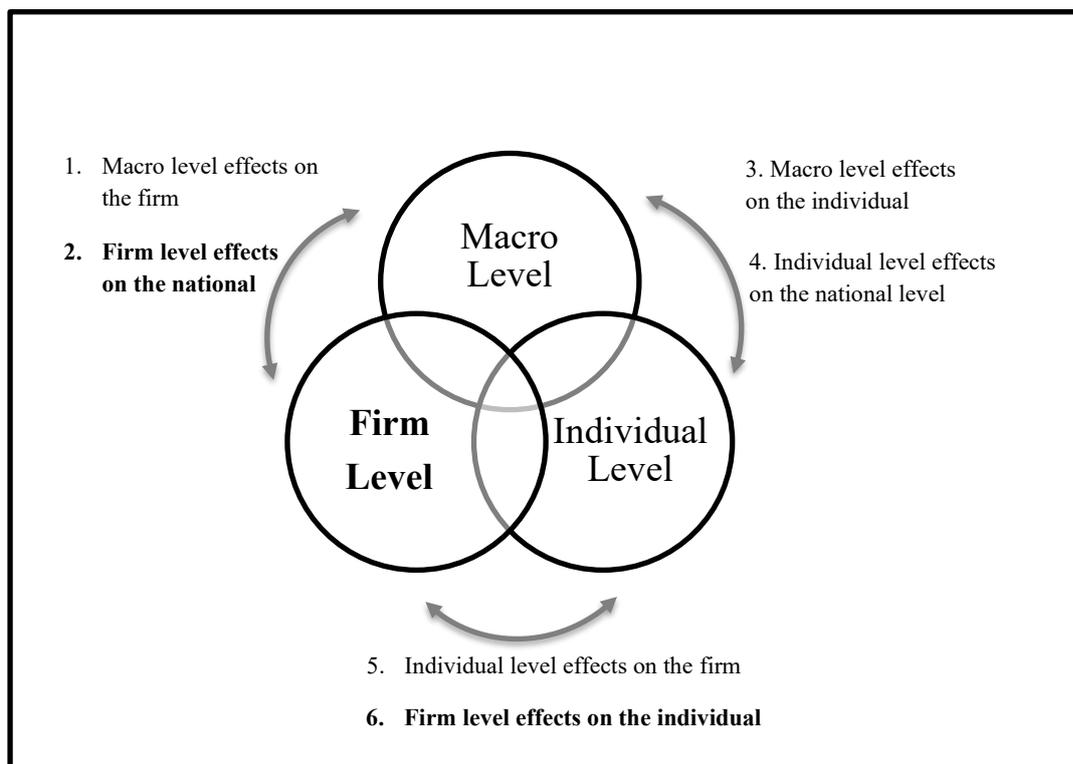
Finally, cultural differences have not been taken into account in our study. Investigating cultural distance between host and home countries presumably provides further interesting insights. Assignments to emerging markets may have other effects on HC and SC endowments and career prospects – and, thus, on entrepreneurial intentions – than assignments to developed countries. However, our sample consists of individuals from German-speaking countries that have principally been found to show low levels of self-employment (OECD, 2015), which raises the question of whether the results in this study would have differed had the sample consisted of assignees from other cultural backgrounds where entrepreneurship rates are higher. Future research may consider trans-national and trans-cultural comparative studies on international assignees and entrepreneurial intention or the actual establishment of a firm.

The biases and limitations mentioned in this section might have the potential to reduce the generalisability of our findings. But as we understand our study as an initial research, we aimed to provide first insights into the recognition of international assignees as potential entrepreneurs. We hope that our work will encourage comprehensive studies to further this subject.

## 6. Concluding Remarks

This dissertation set out to investigate some of the major effects of firm internationalisation by taking a multi-level approach and applying three perspectives, namely the *macro level*, *firm level* and the *individual level*. This was borne out of a futile search for a comprehensive investigation of the subject in the literature, and the need to understand the effects of such an inexorable and imposing event and phenomenon as internationalisation of firms and especially that of SMEs.

**Figure 14.** Interaction Between the Perspectives of Internationalisation Effects



Source: Own illustration (2019)

Figure 14 above shows how the three perspectives interact. Although they may each act independently, the effects are rarely felt in isolation. Indeed, any actions taken at each level affect the other levels invariably and vice versa. Because these interactions cover expansive economic and business topics that would go beyond the scope of this study, they are described below only briefly:

1. **Macro level effects on the firm** - The *macro-level* is expected to systematically cause effects at the *firm* and at the *individual levels* (see Figure 15 below) because it is the nature of political ideologies, party platforms and government policies when implemented. The effects at the *macro level* also influence the *firm level* as far as the economic, structural, institutional, social, political, and technological well-being of a country, past, present and future, affects firms and their expansion behaviour.

2. ***Firm level effects at the national level*** – these refer to the singular or aggregated effects of firm internationalisation on an economy. When single large corporations enter a market, they may be so large as to be in a position to lobby for their own interests (e.g. to influence policy or affect industry development) (Pausenberg, 1983). Alternatively, to influence policy for their own interests, they may, for example, use political will to leverage the bargaining power that they may have due to their ability to provide substantial employment, improve livelihoods in their operating environments, or transfer technology and other know-how to local residents (Ramamurti, 2004). Aggregated effects of firm internationalisation on the other hand, can be determined objectively through economic indicators such as GDP, FDI, balance of trade, import, export, and employment levels. This is shown in the theoretical section where the relationship between firm internationalisation and its effects at the *national level* was presented. The list is likely to be inexhaustive for the scope of this thesis, but the existing literature mainly includes: economic growth, increased productivity, enabling of access to resources and capital and HC development as some of the major effects of firm internationalisation as impacted at the *national* or *macro levels*.

3. ***Macro level effects on the individual*** – although this is one of the areas that did not form the focus of this study, it is included in this discussion to show the effects that are felt by individuals (or from the point of view of the government), by a workforce as a result of operations of trade and FDI; or as a result of actions taken to increase economic growth and development through cross-border activities. For example: changes in education and training policies to encourage the development of a particular skill-set in the labour force, to attract investors or facilitate the production of a given resource. A government may also make immigration policy adjustments to meet such labour needs etc. Also, by way of example, entering trade agreements may affect individual mobility, availability of employment, level of wages, etc.

Also, this study expects that repatriates of IAs or persons with international work experience, who may have the potential to become (international) entrepreneurs may be significant targets for entrepreneurship. Tapping on this kind of employee resource, as has been established in this study, should be considered by governments and government agencies to enhance entrepreneurship.

4. ***Individual level effects at the national level*** – although this is an area that was also not a focus of this study, it is included here to illustrate how employees, entrepreneurs and a workforce, in general, with educational or work experience overseas may influence national or macro-economic developments. For example, in regard to occupying government and other policy-making positions, or gaining employment or self-employment positions in the private sector that may benefit from the exposure of international experiences and networks (e.g. through innovativeness),

Further, although educated and skilled individuals in and by themselves are not sufficient to attract investment, they are a significant part in providing an enabling environment for investors (OECD, 2002). In the same way, a low-skilled and low-educated population may also attract investors that are seeking cheap labour. In other words, the influence of HC development is significant in affecting national macroeconomic matters. Further, because of the confirmed positive effects of entrepreneurship on

economic development (Naudé, 2013; Acs, 2006; Caree & Thurik, 2003), governments have increasingly seen the need to encourage international entrepreneurship and innovation. The establishment of new businesses within an economy has been found to drive economic prosperity by increasing innovative capacity, improving employment rates, increasing competition and reducing poverty (Battilana & Casciaro, 2012), to name but a few. Government policies have therefore increasingly become supportive of individuals seeking to start and maintain businesses with international operations. Governments may, for example, facilitate financial and capital access, provide access to professional expertise and facilitate registration and protection of patents (e.g. Minniti, 2008). All of these such factors can be expected to, in turn, affect economic development e.g. FDI, trade and minimising un-employment levels.

5. ***Individual level effects on the firm*** – this is an area of study that has so far received a lot of attention by international management, international human resource management and IA Management scholars. This refers to the role of expatriates and international assignees, management of international firms and other employees that are directly involved with the internationalisation of a firm, and the effects of their actions on the firm. As revealed in previous chapters, the literature has often focused on the firm and how, for example, it can manage, and raise efficiency and performance within the context of assigning employees for IAs. The study of the effects on the employee per se, has been given little credence, leaving a research gap that this thesis also attempts to fill.
6. ***Firm level effects on the individual*** – the studies in Chapters 5 and 6 have established that employees especially those directly involved in the internationalisation of a firm (i.e. through IAs) acquire similar (main) characteristics to those of an entrepreneur. Generally speaking, it is determined as theorised, that international assignees endow their HC value and obtain new and diverse networks that would facilitate their SC endowment. Despite these positive effects, there is evidence of unfavourable consequences of going on IAs. These include poor career prospects that may influence the decision to remain with a firm and raise the propensity to pursue an avenue of self-employment and entrepreneurship especially because IAs could have bred a fertile ground that enables opportunity recognition and development.

This study was focused on firm internationalisation effects at the *national level*, the *individual* and at the *firm level* i.e. as boldened in the diagram 14 above. Therefore, although the two-way relationships between each paired element have been mentioned briefly above, the main focus – as in the entire thesis – will remain with the effects of firm internationalisation at the three levels.

## **6.1. Firm and Macro Level Effects**

Depending on the extent of international involvement, the aggregated effects of firm foreign involvement within a given country have been found to mainly affect economic growth, the ability (or not) to access resources, productivity levels, technology and capital, as well as impact on the overall HC development (Melitz & Ottaviano, 2008; Melitz, 2003; Borensztein, De Gregorio, & Lee, 1998; Balasubramanyam, Salisu, & Sapsford, 1996, etc.). Spill-over effects resulting from these named effects, as well as those effects that would

influence social, cultural, health-related, political matters etc., were not raised in this study because this would go beyond the scope of this research. Even in developing countries, SMEs as revealed in this study have similar bearing on an economy even though the influence of informal businesses may minimise potential influence.

Increased importation of processed goods or machinery and equipment, and the relatively high export of primary goods by firms (*firm level*), for example, will affect the trade deficit of an economy as well as (un)employment levels. In other words, if firms are rather exporting primary goods and value addition is offshored in foreign countries, then a country's trade deficit is affected negatively, employment opportunities are lost to foreign countries, and innovation or technological opportunities are lost to other countries. Similarly, increased FDI and local manufacturing would also affect various aspects of the economy. In turn, a prospering economy, attracts investors, provides a more conducive and enabling environment for doing business for both foreign and local firms. The actions of the firms, that bear these national effects are themselves, however, largely influenced by “good” or “bad” national economic policies, the economic well-being of a country and lack or availability of certain resources.

## **6.2. Firm Level Effects**

With the help of the Uppsala model, the effects of firm internationalisation are investigated specifically for SSA firms because the SSA region remains a largely neglected area of study in the internationalisation and entrepreneurship literature. The insights offered in this study reveal that growth and performance remain the main reasons for internationalisation as in the case of earlier studies from other regions. In the process of internationalisation, firms acquire knowledge and employees are able to develop their human capital through international exposure. Firms develop and utilise their networks to access various forms of capital. They attract clients, customers and potential investors and indeed use their international profile as a marketing tool for further (international) business activity. In other words, internationalisation increases the international profile of the firms – something that is considered to bear positive effects in the local Kenyan or SSA environment.

External effects come in the form of competition, both within and outside of Kenya. Because some major institutional structures (in many SSA countries) still fail to manage and minimise informal businesses, and regulate activities and quality of incoming foreign services and products, registered firms such as those in the Kenyan case studies face many competition-related challenges. In seeking to maintain an international profile while following rules and regulations of the country, for example, particular transaction costs are incurred that other competitors as those described above (informal businesses), would not be dealing with.

## **6.3. Firm and Individual Level Effects**

The intersection between the individual and firm level refers to the influence of the firm on the employees personal and career paths, and on the other hand, the influence of employees in an international or internationalising firm.

As established theoretically and empirically, when a firm expands its activities beyond its home country, it must employ or deploy employees to the foreign units to carry out various tasks. The implications for employees as shown in this study are as follows: these tasks, along with the environment and circumstances cause these individuals to develop their HC and SC acumen as well as broaden their capabilities and disciplines (as opposed to specialise in only one field) (Burer et al., 2013; Mäkelä & Brewster, 2009; Suutari & Brewster, 2003; Manev & Stevenson, 2001; Riusala & Suutari, 2000; Tung, 1998; Harris, 1989). Also, because these characteristics have been associated with entrepreneurs (Davidsson & Honig, 2003; Wagner, 2003) it can be assumed that, a further effect of firm internationalisation is entrepreneurship. Indeed, the international experiences and international networks can be expected to lead or support international entrepreneurship.

When a firm internationalises, individuals or employees also affect its course and other developments. As illustrated in this work, the role of the employee can be observed in their capacity as decision-makers (usually management) or in other capacities that influence the strategic process of internationalisation e.g. as technical staff and trainers or consultants. Individual effects on the firm can also be observed through entrepreneurship. This can be said of owner managers who determine whether and how a firm will pursue international markets. Also, an employee may, through his/her international experiences, become an independent entrepreneur or a corporate entrepreneur. Such an employee, given the opportunity and resources, may affect further firm development by providing innovative ideas not only for products or services but also for processes, methods and procedures of work.

## 6.4. Implications

Studying the effects of internationalisation at the three levels also means that there are implications for the agents of each of these levels. As with the focus areas of this study (*firm and individual levels*), the major implications are intended for the firms themselves and for the employees. Also, because specific implications have already been discussed and provided for each study (Chapters 3,4 and 5), this section only mentions those that are relevant in broader terms.

This deals with the assessment of firms and employees. Companies may apply the results of this study in carrying out internal performance measures for the company itself and for the employees. Firstly, awareness especially for SSA firms about the outcomes of internationalisation may aid in taking more strategic approaches to internationalisation with clear expectations of what results to expect (goals). Secondly, these results can help companies outline realistic measures from which to base performance levels. For example, due to conscious deliberation ignited by this study, a company may determine that growth and performance (which use standard indicators for evaluation) are not the only results expected from an international unit or indeed, from a manager. It may become clear that acquisition, documentation and preservation of international knowledge and network building are also integral parts of growth and expansion. As a result, goals and measures for evaluation may be put in place to encourage growth and leveraging of such resources. Thirdly, awareness of the effects of internationalisation may help to mitigate future undesired effects.

This study is also relevant for employees. It can create awareness for possible outcomes of internationalisation and thus enable employees evaluate themselves personally as well as professionally. They may apply the results of this study in the decision-making process with regards to accepting one or any consecutive IA. Also, employees may consciously “absorb” international knowledge and experience by turning tacit knowledge to explicit knowledge through the physical documentation of events (Eraut, 2000). Similarly, an internationalising firm can serve as a platform for creating (lasting) networks both for personal and professional development and gain – and possibly for any future entrepreneurial activities.

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## Appendix I

### Expert Interview guidelines for the study of Kenyan SME internationalisation, motives and outcomes

The research aims to determine:

- the general process and pattern of internationalisation of Kenyan SMEs
- the motives for internationalisation
- the impact of internationalisation on the SME
- the internal and external problems faced by the SMEs
- the international/regional employee assignment management practices in SMEs

Research Questions

- How do Kenyan SMEs internationalize?
- Why do Kenyan SMEs internationalize?
- What are the outcomes of internationalisation?
- What are/were the internal and external problems faced due to internationalisation the SME?
- How is the firm managing expatriation of employees?

## **Part I: Introduction**

### **1. Expert details**

1. Please give your name and age.
2. What are your qualifications?
3. What position do you hold in the company?
4. How long have you been working for the company?

### **2. The Top 100 Survey**

5. What is the Kenya Top 100 Mid—sized Company Survey and when was it first carried out?
6. Has it run every year since then?
7. What are the aims of the survey?
8. How do you define a mid-sized company?
9. Why did you qualify it as such?
10. What percentage of the companies you surveyed would you call internationalized i.e. have operations in form of import, indirect and direct export, direct investment in another country, joint venture with companies outside the country, contract agreements with companies outside the country, etc.

## **Part II: The internationalisation of mid-sized firms**

### **3. Internationalisation process and behavior of firms**

- What industries are commonly involved in international activities?
- What process they commonly take? How do they internationalise?

### **4. Motivation behind internationalisation of these firms**

- Why do these mid-sized firms expand operations internationally?

### **5. Strategies of firms as far as internationalisation is concerned**

- Do these medium-sized firms have short-, medium- or long-term strategies to internationalise?
- What role do strategies play in the internationalisation process?

### **6. Success factors**

- Factors that have contributed/could contribute to the success of internationalisation of these firms
- Availability or lack of resources. Which?

### **7. Challenges faced**

- What internal barriers do these companies face?
- What external barriers do these companies face?

### **8. Outcomes**

- What are the consequences of internationalisation? Positive and Negative

### **8. Government/Institutional support**

- Are there systems or programs put in place by the government to support mid-sized or any other company internationalisation?

- Are there systems or programs put in place by other institutions to support mid-sized or any other company internationalisation?
- Role of EAC and the COMESA

### **9. International assignment of employees/assignment management**

- What role employees play in the internationalization process of these mid-sized firms?
- How do they manage their employees beyond borders?

## Appendix II

### Interview guidelines for the study of Kenyan SME internationalisation, motives and outcomes

The research aims to determine:

- the general process and pattern of internationalisation of Kenyan SMEs
- the motives for internationalisation
- the impact of internationalisation on the SME
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- the international/regional employee assignment management practices in SMEs

Research Questions

- How do Kenyan SMEs internationalize?
- Why do Kenyan SMEs internationalize?
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- What are/were the internal and external problems faced due to internationalisation the SME?
- How is the firm managing expatriation of employees?

#### Part I: General information about the company

##### 1. Respondent details I

11. Please state your name and age.
12. What are your qualifications?
13. What position do you hold in the company?
14. How long have you been working for the company?
15. Have you lived, worked or studied outside the country?
16. For how long?

##### 2. History of the company

17. In which year was the company founded?
18. What is/are the main activity/activities of the company?
19. In what industry does the company fall into?
20. What is the company's present legal status?
21. Have there been changes in the legal status of the firm since the establishment of the firm?
22. In which countries does the company currently have operations?
23. How many full-time employees are currently employed in the company?
24. How many part-time employees are currently employed in the company?
25. Turnover: Approximately how many employees leave the company each year?

## **Part II: The internationalisation process**

### **3. Company internationalisation background**

*Explain the importance of this section to the dissertation and the need to maintain chronological development*

26. Are you **currently** involved in any of the following internationalisation activities:
  - a. Import: *If yes, since when? Where from? What exactly?*
  - b. Indirect export (through an intermediary): *If yes, since when? Where to? What exactly?*
  - c. Direct export: *If yes, since when? Where to? What exactly?*
  - d. Solo venture direct investment (subsidiary): *If yes, since when? In which country? What exactly?*
  - e. Joint venture direct investment: *If yes, since when? Where? What exactly?*
  - f. Licensing of product or service: *If yes, since when? Where? What exactly?*
  - g. Contracting: *If yes, since when? Where? What exactly?*
  - h. Franchising: *If yes, since when? Where from? What exactly?*
  - i. Other: \_\_\_\_\_
27. In detail, could you please chronologically elaborate on the process the firm has taken since the first internationalisation activity?

*Interviewer Checklist:*

  - *Why (at each stage or activity)*
  - *When*
  - *What kind of business activities*
28. Was the internationalisation process a continuous positive growth or have you experienced negative growth?
29. Do you have any plans to expand international operations?
30. Why or why not?

### **4. Effects of Internationalisation /Motives**

31. What was the initial motive for deciding to internationalize?
32. Have these motives changed since then? *If yes, how?*
33. What caused these changes?

### **5. Strategy**

34. Did the company have a specific internationalisation strategy when it was founded?
35. Does the company currently have an internationalisation strategy?
36. *If yes, what are the short- and medium-term internationalisation strategies of the company?*
37. What long-term plans do you have as far as internationalisation is concerned?

## 6. Success Factors

38. Would you say the internationalisation of the company has been a success?
39. What approximate sales volume did you record at the end of 2010? *If interviewee hesitates, ask them to offer a range.*
40. What percentage of your sales is generated outside the country? If interviewee hesitates, offer ranges e.g. 0-20%, 21-40%, etc.
41. What major factors led to the successful internationalisation steps you have so far taken?
42. What role did the availability of resources or the lack of it play in your decision to internationalize?
43. To what extent did your (international) social networks affect your decision to internationalize?
44. How has Information and Communication Technology (ICT) influenced the rate or degree of internationalisation?
45. What kind of previous international experience does the management of the company have?
  - a. Work experience outside Kenya
  - b. Studies outside Kenya
  - c. Lived outside Kenya
  - d. Frequent international travel
  - e. No previous international experience
  - f. I don't know
46. What role, in your opinion have employees played in the success of the internationalisation process?
47. What are/have been the main (company) internal barriers in the initial or further internationalisation and when did they occur?
48. What about external barriers? At what stage did they occur?

## 7. Outcomes

49. What impact has internationalisation had on the success of the company?
50. What are the chances and opportunities that have opened as a result of internationalisation?
51. What problems have you experienced **as a result of** internationalisation?

## 8. Government/Institutional Support

52. What role have government policies played in the internationalisation process of your company?
53. Do you use any public/government supported programs fostering internationalisation? If so, which ones?
54. Would the company be just as successful if it had not received any support from the government?
55. What effects have these support programs had on the company?
56. Have the EAC or COMESA played any role in the internationalisation process of the company or in the decision to internationalize?
57. Have the EAC and/or COMESA played a role in enhancing the regional transfer of employees?

## Part III: International Assignments

### 9. International assignment of employees

*Explain what you mean by International assignments/regional assignments = transfer of employees outside the country for a limited period of time lasting at least three months. Anything below three months will be considered a business trip.*

58. About how frequently, would you say, do international business trips occur per month?
59. Approximately how many employees are presently working in your foreign offices?
60. How many employees are currently on international assignments?

61. How often do new international assignments occur per year on average?
62. On a scale of 0 to 10, how would you rate the main objectives for sending employees on international assignment
  - a. For strategic purposes
  - b. For technological purposes
  - c. For functional purposes
  - d. For developmental purposes
63. Generally speaking, what are the major duties and responsibilities of employees on assignment?
64. Why do you choose to use employees from the head office in the foreign stations instead of local employees?
65. In what circumstances do you use local employees in the foreign offices?
66. Do you face any challenges when seeking employees to go on international assignments?

*If other questions arise, or the need for further details arises may I contact you once again? Thank you.*

### **Part III: Respondent II Details**

1. Please state your name and age.
2. What are your qualifications?
3. What position do you hold in the company?
4. How long have you been working for the company?

### **International Assignment Management**

*(Questions 1 – 9 may have been answered by Interviewee I – skip if so)*

*Explain what you mean by International assignments/regional assignments = transfer of employees outside the country for a limited period of time lasting at least three months. Anything below three months will be considered a business trip.*

1. About how frequently, would you say, do international business trips occur per month?
2. Approximately how many employees are presently working in your foreign offices?
3. How many employees are currently on international assignments?
4. How often do new international assignments occur per year on average?
5. On a scale of 0 to 10, how would you rate the main objectives for sending employees on international assignment
  - a. For strategic purposes
  - b. For technological purposes
  - c. For functional purposes
  - d. For developmental purposes
6. Generally speaking, what are the major duties and responsibilities of employees on assignment?
7. Why do you choose to use employees from the head office in the foreign stations instead of local employees?
8. In what circumstances do you use local employees in the foreign offices?
9. Do you face any challenges when seeking employees for international assignments?
10. What criteria are employed when selecting staff for international assignments?
11. Does the company offer any training, language or cultural familiarisation programs for employees preparing to go for international/regional assignments?
12. Does the company assist employees intending to go on international/regional assignment in sourcing visa, work permits and other documents?
13. What kind of support, if any, does the company offer expatriated employees during the assignment?

14. What kind of support, if any, do you offer the relocating families? Are these services outsourced from relocation firms?
15. How do you monitor/manage the performance of employees on international assignments?
16. What kind of support if any is provided upon return from an international assignment?
17. Do you take any measures to manage or obtain knowledge acquired by employees who were outside the country for more than 3 months?
18. Is there a tendency for employees to leave the company shortly after their return from the international assignment?
19. What are the challenges faced when managing internationally transferred employees?
20. Do you anticipate any expansion in the numbers of staff working in the foreign offices?
21. Do you anticipate any expansion in the number of international assignments?
22. *If yes*, do you anticipate any human resource management problems in the future due to increasing number of staff for international assignments?

*If other questions arise, or the need for further details arises may I contact you once again? Thank you.*

## Appendix III

### Survey for managers and technical staff on the challenges and effects of international assignments on careers paths



Universität Siegen

Lehrstuhl für ABWL, insb.  
Unternehmensnachfolge

Prof. Dr. Petra Moog

Hölderlinstr. 3

D-57068 Siegen



Hochschule für Technik und Wirtschaft HTW Chur

Schweizerisches Institut für Entrepreneurship

Prof. Dr. Christian Hauser

Comercialstr. 22

CH-7000 Chur

Telefon +41 81 286 39 24

## Vertraulich / Confidential

### Befragung international agierender Fach- und Führungskräfte zu Herausforderungen im Rahmen ihrer Auslandstätigkeit und ihrer beruflichen Laufbahn

## Fragebogen

15. Mai 2012

Christian Hauser, Tanja Heublein, Elizabeth C. Koetter, Petra Moog, Ruth Nieffer, Susanne Schlepphorst, Arndt Werner

F	Fragen	Filter
Intro	<p><b>EINLEITUNG</b></p> <p>Wie gehen international agierende Fach- und Führungskräfte mit Herausforderungen im Ausland um? Wie wirken sich die internationalen Erfahrungen auf die berufliche Laufbahn aus?</p> <p>Ziel der Befragung ist es, Strategien und Handlungsoptionen zu entwickeln, die international agierende Fach- und Führungskräfte befähigen, mit den Herausforderungen im Rahmen ihrer Auslandstätigkeit umzugehen und ihre berufliche Laufbahn erfolgreich zu gestalten.</p> <p>Bei Interesse senden wir Ihnen gerne die Ergebnisse der Studie zu. Ferner werden wir Sie voraussichtlich im 4. Quartal 2012 herzlich zu einer kostenlosen Teilnahme an einer Veranstaltung zum Thema einladen.</p> <p><i>Das Bearbeiten der Fragen wird höchstens 30 Minuten in Anspruch nehmen.</i></p> <p>Die Informationen werden von uns absolut vertraulich und anonym behandelt, an Dritte nicht weitergegeben und ausschliesslich in aggregierter Form ausgewertet und publiziert.</p>	Alle

Text	Zunächst möchten wir gerne etwas mehr über Ihre derzeitige berufliche Tätigkeit sowie Ihren beruflichen Werdegang erfahren.	Alle
F1	<p><b>Bitte klicken Sie sämtliche Ihrer beruflichen Abschlüsse an:</b></p> <p>[Mehrfachnennungen sind möglich]</p> <ol style="list-style-type: none"> <li>1. Kein Berufsabschluss, im Beruf angelernt</li> <li>2. Abgeschlossene Ausbildung / Lehre</li> <li>3. Meisterprüfung</li> <li>4. Magister, Lizentiat, Staatsexamen, Diplom, Bachelor- oder Masterabschluss an einer Universität, Fachhochschule oder Berufsakademie</li> <li>5. Promotion, Habilitation</li> <li>95. Sonstige: _____</li> </ol>	Alle
F2	<p><b>Welcher Art von Erwerbstätigkeit gehen Sie derzeit nach?</b></p> <p>[Wenn Sie mehr als eine berufliche Tätigkeit ausüben, beantworten Sie die Frage bitte für Ihre derzeitige berufliche Haupttätigkeit.]</p> <ol style="list-style-type: none"> <li>1. Abhängig beschäftigt / angestellt</li> <li>2. Selbstständig</li> <li>3. Nicht erwerbstätig</li> </ol>	Alle
F3	<p><b>In welchem Wirtschaftszweig ist das Unternehmen, für das Sie derzeit arbeiten, überwiegend tätig?</b></p> <p>[Der hier verwendete Begriff „Unternehmen“ gilt sinngemäss für alle Arten von Organisationen. Wenn Sie mehr als eine berufliche Tätigkeit ausüben, beantworten Sie die Frage bitte für Ihre derzeitige berufliche Haupttätigkeit.]</p> <ol style="list-style-type: none"> <li>1. Landwirtschaft, Forstwirtschaft, Fischerei</li> <li>2. Bergbau und Gewinnung von Steinen und Erden</li> <li>3. Energie- und Wasserversorgung; Abwasser- und Abfallentsorgung; Rückgewinnung</li> </ol>	Alle

	4. Verarbeitendes Gewerbe (Industrie) 5. Baugewerbe 6. Handel 7. Verkehr und Lagerei 8. Information und Kommunikation (inkl. IKT) 9. Beherbergung und Gastronomie (Tourismus) 10. Finanz- und Versicherungsdienstleistungen 11. Wirtschaftliche und freiberufliche Dienstleistungen (inkl. Unternehmensberatung) 12. Erziehung und Unterricht (inkl. wissenschaftliche Dienstleistungen) 13. Gesundheits- und Sozialwesen 14. Sonstige Dienstleistungen 15. Organisationen ohne Erwerbscharakter (inkl. internationale Organisationen) 16. Öffentliche Verwaltung 95. Sonstige: _____	
F4	<b>Wie viele Beschäftigte hat das Unternehmen insgesamt? (Im Inland und im Ausland zusammengenommen)</b> [Falls Sie es nicht genau wissen, genügt eine Schätzung] 1. bis 9 Beschäftigte 2. 10 bis 49 Beschäftigte 3. 50 bis 249 Beschäftigte 4. 250 bis 499 Beschäftigte 5. 500 bis 999 Beschäftigte 6. 1'000 bis 2'499 Beschäftigte 7. 2'500 bis 4'999 Beschäftigte 8. 5'000 bis 9'999 Beschäftigte 9. 10'000 oder mehr Beschäftigte	Alle
F5	<b>In welchem Land liegt der (Haupt-)Sitz (Mutterhaus) des Unternehmens? {= Stammland}</b> [Nur eine Antwort möglich] 1. Deutschland 2. Liechtenstein 3. Österreich 4. Schweiz 95. Sonstiges _____	Alle
F6	<b>Seit wann sind Sie in dem Unternehmen beschäftigt?</b> [Falls Sie Selbstständiger sind, geben Sie bitte an, seit wann Sie Ihre jetzige Tätigkeit ausüben.] _____ [Jahr]	Alle

F7	<p><b>In welchem Bereich arbeiten Sie bzw. welcher (Haupt-)Abteilung sind Sie zugeordnet?</b></p> <p>[Mehrfachnennungen möglich]</p> <ol style="list-style-type: none"> <li>1. Geschäftsleitung</li> <li>2. Allgemeine Verwaltung/allgemeine Dienste</li> <li>3. EDV, Informatik</li> <li>4. Einkauf</li> <li>5. Finanzen</li> <li>6. Forschung &amp; Entwicklung, Planung</li> <li>7. Kundendienst/After Sales Support/Technische Schulung/Technischer Support</li> <li>8. Logistik/Lager</li> <li>9. Marketing/Product Marketing</li> <li>10. Personal</li> <li>11. Produktion/Fertigung/Qualitätskontrolle</li> <li>12. Produktmanagement</li> <li>13. Vertrieb/Auftragsabwicklung/Pre-Sales Support</li> <li>95. Sonstige: _____</li> </ol>	Alle
F8	<p><b>In welcher Position sind Sie in dem Unternehmen tätig? Sind Sie...</b></p> <p>[Nur eine Antwort möglich]</p> <ol style="list-style-type: none"> <li>1. ... im oberen Management / Kader (z.B. Vorstand, Geschäftsleitung)?</li> <li>2. ... im mittleren Management / Kader (z.B. Bereichsleitung, Hauptabteilungsleitung)?</li> <li>3. ... im unteren Management / Kader (z.B. Gruppenleitung, Werkstatteleitung)?</li> <li>4. ... in einer Fachposition, d.h. mit fachlicher, aber ohne disziplinarische Weisungsbefugnis (z.B. Projektleitung)?</li> <li>5. ... in einer Ausführungsposition, d.h. ohne fachliche und disziplinarische Weisungsbefugnis?</li> </ol>	Alle
F9	<p><b>Über wie viele Jahre Berufserfahrung verfügen Sie insgesamt?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung; Angabe in ganzen Jahren; Berufsausbildung und Praktika werden nicht dazugezählt; Bei Bedarf hier ein Beispiel (?)]</p> <p>Berufserfahrung: _____ [Jahren]</p> <p>Bsp.: Herr Mustermann absolvierte nach Beendigung seines Studiums diverse Praktika und war seit dem Jahr 2002 als Software-Entwickler tätig, wobei er zunächst als Programmierer arbeitete. Danach war er als Projektleiter für die Spieleentwicklung zuständig und anschliessend als Produktmanager „Adventure-Games“ in den USA. Trotz seines Erfolgs in der IT-Branche stieg er aus diesem Beruf aus und machte sich mit einem innovativen Konzept in der Erlebnisgastronomie selbstständig. Somit verfügt Herr Mustermann zum heutigen Zeitpunkt (2012) insgesamt über 10 Jahre Berufserfahrung. Er hat bislang vier Stellen besetzt und war in zwei Berufen in zwei Branchen tätig.</p>	Alle
F10	<p><b>In wie vielen unterschiedlichen Stellen, Berufen und Branchen waren Sie in Ihrer bisherigen beruflichen Laufbahn tätig?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung; Bei Bedarf hier ein Beispiel (?)]</p> <p>Stellen: _____ [Anzahl]</p> <hr/>	Alle

	Berufe: _____ [Anzahl]  <hr/> Branchen: _____ [Anzahl]																									
F11	<p><b>Wie wahrscheinlich ist es, dass innerhalb der nächsten 24 Monate die folgenden beruflichen Veränderungen für Sie eintreten?</b></p> <p>[Bitte geben Sie die Wahrscheinlichkeit auf einer Skala von 0 bis 100 an. Mit den Werten zwischen 0 und 100 können Sie die Wahrscheinlichkeit abstufen.]</p> <p>(0 = wird mit Sicherheit nicht eintreten, 100 = wird mit Sicherheit eintreten)</p>	Alle																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th colspan="2" style="text-align: center;">Das wird in den nächsten 24 Monaten...</th> </tr> <tr> <th style="text-align: left;">Dass Sie ...</th> <th style="text-align: center;">... mit Sicherheit nicht eintreten</th> <th style="text-align: center;">... mit Sicherheit eintreten</th> </tr> </thead> <tbody> <tr> <td>... in Ihrem jetzigen Unternehmen einen beruflichen Aufstieg schaffen?</td> <td style="text-align: center;">0</td> <td style="text-align: center;">100</td> </tr> <tr> <td>... sich in Ihrem jetzigen Unternehmen beruflich verschlechtern?</td> <td style="text-align: center;">0</td> <td style="text-align: center;">100</td> </tr> <tr> <td>... sich hauptberuflich selbstständig machen bzw. freiberuflich tätig werden?</td> <td style="text-align: center;">0</td> <td style="text-align: center;">100</td> </tr> <tr> <td>... sich nebenberuflich selbstständig machen bzw. freiberuflich tätig werden?</td> <td style="text-align: center;">0</td> <td style="text-align: center;">100</td> </tr> <tr> <td>... von sich aus eine neue Stelle suchen?</td> <td style="text-align: center;">0</td> <td style="text-align: center;">100</td> </tr> <tr> <td>... Ihren Arbeitsplatz verlieren?</td> <td style="text-align: center;">0</td> <td style="text-align: center;">100</td> </tr> </tbody> </table>		Das wird in den nächsten 24 Monaten...		Dass Sie ...	... mit Sicherheit nicht eintreten	... mit Sicherheit eintreten	... in Ihrem jetzigen Unternehmen einen beruflichen Aufstieg schaffen?	0	100	... sich in Ihrem jetzigen Unternehmen beruflich verschlechtern?	0	100	... sich hauptberuflich selbstständig machen bzw. freiberuflich tätig werden?	0	100	... sich nebenberuflich selbstständig machen bzw. freiberuflich tätig werden?	0	100	... von sich aus eine neue Stelle suchen?	0	100	... Ihren Arbeitsplatz verlieren?	0	100	
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F12	<p><b>Wie häufig waren Sie in Ihrer bisherigen beruflichen Laufbahn in folgenden Formen beruflich veranlasst im Ausland?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung. Sollten Sie in einer der genannten Formen nicht beruflich veranlasst im Ausland gewesen sein, geben Sie bitte eine 0 ein.]</p> <ol style="list-style-type: none"> <li>1. _____ [Anzahl] Dienstreisen ins Ausland, bis zu 3 Monate</li> <li>2. _____ [Anzahl] Entsendungen ins Ausland, länger als 3 Monate bis zu 12 Monaten</li> <li>3. _____ [Anzahl] Entsendungen ins Ausland, länger als 12 Monate bis zu 60 Monaten</li> <li>4. _____ [Anzahl] Entsendungen ins Ausland, länger als 60 Monate</li> <li>5. _____ [Anzahl] Tätigkeit im Ausland mit ausländischem Arbeitsvertrag</li> <li>6. Nein, bisher nicht beruflich veranlasst im Ausland gewesen</li> </ol>	Alle																								
F13	<p><b>Wenn Sie an Ihre bisherigen Auslandsaufenthalte denken: Wie lange bleiben Sie im Durchschnitt beruflich veranlasst im Ausland?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung]</p>	Filter F12																								

	<ol style="list-style-type: none"> <li>1. Bei Dienstreisen ins Ausland durchschnittlich ca. __ [Tage; max. 90]</li> <li>2. Bei Entsendungen ins Ausland durchschnittlich ca. __ [Monate]</li> <li>3. Bei Tätigkeit im Ausland mit ausländischem Arbeitsvertrag durchschnittlich ca. __ [Monate]</li> </ol>	
F14	<p><b>In welchen Weltregionen liegen die Länder, in denen Sie beruflich veranlasst gewesen sind?</b> [Mehrfachnennungen sind möglich]</p> <ol style="list-style-type: none"> <li>1. West- und Nordeuropa</li> <li>2. Südeuropa</li> <li>3. Osteuropa und Zentralasien (ehemaliger Ostblock)</li> <li>4. Naher Osten und Nordafrika (arabische Länder)</li> <li>5. Afrika südlich der Sahara</li> <li>6. Australien, Neuseeland, Ozeanien, Japan, Singapur</li> <li>7. Sonstiges Asien (ohne Japan, Singapur)</li> <li>8. Nordamerika (USA/Kanada)</li> <li>9. Lateinamerika und Karibik (inkl. Mexiko)</li> </ol>	Wenn F12 ≠ 6
F15	<p><b>Befinden Sie sich derzeit für mindestens 3 Monate beruflich veranlasst im Ausland?</b></p> <ol style="list-style-type: none"> <li>1. Ja</li> <li>2. Nein</li> </ol>	Wenn F12 ≠ 6
Text	Im Folgenden möchten wir gerne etwas mehr über Ihren letzten beruflich veranlassten Aufenthalt im Ausland erfahren, der länger als 3 Monate gedauert hat.	Wenn F12 ≠ 1, 6
F16	<p><b>In welchem Jahr begann Ihr letzter beruflich veranlasster Aufenthalt im Ausland, der länger als 3 Monate gedauert hat? Bitte geben Sie auch die Dauer dieses Aufenthaltes an.</b> [Falls Sie es nicht genau wissen, genügt eine Schätzung]</p> <p>_____ [Jahr] _____ [Dauer in Monaten]</p>	Wenn F12 ≠ 1, 6
F17	<p><b>In welchem Bereich haben Sie in dieser Zeit gearbeitet bzw. welcher (Haupt-)Abteilung waren Sie zugeordnet?</b> [Mehrfachnennungen möglich]</p> <ol style="list-style-type: none"> <li>1. Geschäftsleitung</li> <li>2. Allgemeine Verwaltung/allgemeine Dienste</li> <li>3. EDV, Informatik</li> <li>4. Einkauf</li> <li>5. Finanzen</li> <li>6. Forschung &amp; Entwicklung, Planung</li> <li>7. Kundendienst/After Sales Support/Technische Schulung/Technischer Support</li> <li>8. Logistik/Lager</li> <li>9. Marketing/Product Marketing</li> <li>10. Personal</li> <li>11. Produktion/Fertigung/Qualitätskontrolle</li> <li>12. Produktmanagement</li> <li>13. Vertrieb/Auftragsabwicklung/Pre-Sales Support</li> <li>95. Sonstige: _____</li> </ol>	Wenn F15 = 2

F18	<p><b>In welcher Position waren Sie in dieser Zeit tätig? Waren Sie...</b></p> <p>[Nur eine Antwort möglich]</p> <ol style="list-style-type: none"> <li>1. ... im oberen Management / Kader (z.B. Vorstand, Geschäftsleitung)?</li> <li>2. ... im mittleren Management / Kader (z.B. Bereichsleitung, Hauptabteilungsleitung)?</li> <li>3. ... im unteren Management / Kader (z.B. Gruppenleitung, Werkstattleitung)?</li> <li>4. ... in einer Fachposition, d.h. mit fachlicher aber ohne disziplinarische Weisungsbefugnis (z.B. Projektleitung)?</li> <li>5. ... in einer Ausführungsposition, d.h. ohne fachliche und disziplinarische Weisungsbefugnis?</li> </ol>	Wenn F17 ≠ 1
F19	<p><b>Haben Sie seit Ihrem letzten beruflich veranlassten Aufenthalt im Ausland das Unternehmen gewechselt oder sind Sie weiterhin für dasselbe Unternehmen tätig?</b></p> <ol style="list-style-type: none"> <li>1. Ja, ich habe das Unternehmen gewechselt.</li> <li>2. Nein, ich bin weiterhin für dasselbe Unternehmen tätig.</li> </ol>	Wenn F15 = 2
F20	<p><b>Wie viele Beschäftigte hatte das Unternehmen, für das Sie zuletzt beruflich veranlasst im Ausland tätig waren, insgesamt? (Im Inland und im Ausland zusammengenommen)</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung]</p> <ol style="list-style-type: none"> <li>1. bis 9 Beschäftigte</li> <li>2. 10 bis 49 Beschäftigte</li> <li>3. 50 bis 249 Beschäftigte</li> <li>4. 250 bis 499 Beschäftigte</li> <li>5. 500 bis 999 Beschäftigte</li> <li>6. 1'000 bis 2'499 Beschäftigte</li> <li>7. 2'500 bis 4'999 Beschäftigte</li> <li>8. 5'000 bis 9'999 Beschäftigte</li> <li>9. 10'000 oder mehr Beschäftigte</li> </ol>	Wenn F19 = 1

F21	<p><b>Eine beruflich veranlasste Tätigkeit im Ausland ist mit spezifischen Herausforderungen verbunden. Bitte geben Sie bezüglich Ihres letzten beruflich veranlassten Auslandsaufenthaltes an, wie Sie die folgenden Herausforderungen bewerten.</b></p> <p>[Mehrfachnennungen möglich]</p> <p>(1 = sehr kleine Herausforderung, 7 = sehr grosse Herausforderung)</p> <table border="0" style="width: 100%;"> <tr> <td>Anpassung an die landestypischen kulturellen Gepflogenheiten</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Eingewöhnung der Familie</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Eingliederung in das Unternehmen im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Einfinden in die berufliche Rolle im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Sprachkenntnisse</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Abwicklung administrativer Angelegenheiten beim Länderwechsel</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Organisation der privaten Finanzen, Versicherungen und Altersvorsorgen</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Pflege bestehender beruflicher Kontakte im Stammland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Knüpfen neuer beruflicher Kontakte im Stammland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Knüpfen neuer beruflicher Kontakte im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Pflegen bestehender beruflicher Kontakte im Gastland</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Anpassung an die landestypischen Geschäftsgepflogenheiten</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>Umgang mit den landestypischer rechtlichen Rahmenbedingungen</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> </table>	Anpassung an die landestypischen kulturellen Gepflogenheiten	1	2	3	4	5	6	7	Eingewöhnung der Familie	1	2	3	4	5	6	7	Eingliederung in das Unternehmen im Gastland	1	2	3	4	5	6	7	Einfinden in die berufliche Rolle im Gastland	1	2	3	4	5	6	7	Sprachkenntnisse	1	2	3	4	5	6	7	Abwicklung administrativer Angelegenheiten beim Länderwechsel	1	2	3	4	5	6	7	Organisation der privaten Finanzen, Versicherungen und Altersvorsorgen	1	2	3	4	5	6	7	Pflege bestehender beruflicher Kontakte im Stammland	1	2	3	4	5	6	7	Knüpfen neuer beruflicher Kontakte im Stammland	1	2	3	4	5	6	7	Knüpfen neuer beruflicher Kontakte im Gastland	1	2	3	4	5	6	7	Pflegen bestehender beruflicher Kontakte im Gastland	1	2	3	4	5	6	7	Anpassung an die landestypischen Geschäftsgepflogenheiten	1	2	3	4	5	6	7	Umgang mit den landestypischer rechtlichen Rahmenbedingungen	1	2	3	4	5	6	7	Wenn F12 ≠ 1, 6
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Text	Nachfolgend beschreiben wir Ihnen einige Situationen, denen Sie in Ihrer beruflichen Tätigkeit vielleicht schon einmal begegnet sind.	Alle																																																																																																								
F22	<p><b>Wenn Sie an Ihre eigene berufliche Tätigkeit denken: Welche der folgenden Situationen haben Sie nie, selten, manchmal, häufig oder immer erlebt?</b></p> <p>[Mehrfachnennungen möglich]</p> <p>(1 = nie, 2 = selten, 3 = manchmal, 4 = häufig, 5 = immer, 8 = gehört nicht zu meinem Aufgabenbereich, 9 = Antwort verweigert)</p> <p><b>Ausschreibung und Auftragsvergabe</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Im Rahmen einer Ausschreibung sind die Leistungen/Produkte so spezifiziert, dass ein bestimmter Bieter gegenüber anderen potenziellen Bietern gezielt begünstigt wird</td> <td style="text-align: center; padding: 5px;">1</td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">3</td> <td style="text-align: center; padding: 5px;">4</td> <td style="text-align: center; padding: 5px;">5</td> <td style="text-align: center; padding: 5px;">8</td> <td style="text-align: center; padding: 5px;">9</td> </tr> <tr> <td style="padding: 5px;">Im Vorfeld einer Ausschreibung wird für eine verdeckte Gegenleistung angeboten, die Leistungen/Produkte so zu spezifizieren, dass ein Bieter gegenüber anderen potenziellen Bietern gezielt begünstigt wird</td> <td style="text-align: center; padding: 5px;">1</td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">3</td> <td style="text-align: center; padding: 5px;">4</td> <td style="text-align: center; padding: 5px;">5</td> <td style="text-align: center; padding: 5px;">8</td> <td style="text-align: center; padding: 5px;">9</td> </tr> <tr> <td style="padding: 5px;">Im Rahmen einer Ausschreibung werden von der ausschreibenden Stelle für eine verdeckte Gegenleistung zusätzliche Informationen angeboten (z.B. zusätzliche Details zu Art und Umfang der Leistungserbringung, Preise von Konkurrenzangeboten), die einen Wettbewerbsvorteil gegenüber anderen Bietern verschaffen</td> <td style="text-align: center; padding: 5px;">1</td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">3</td> <td style="text-align: center; padding: 5px;">4</td> <td style="text-align: center; padding: 5px;">5</td> <td style="text-align: center; padding: 5px;">8</td> <td style="text-align: center; padding: 5px;">9</td> </tr> <tr> <td style="padding: 5px;">Im Rahmen einer Ausschreibung wird gegen eine verdeckte Gegenleistung der Auftragserhalt in Aussicht gestellt</td> <td style="text-align: center; padding: 5px;">1</td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">3</td> <td style="text-align: center; padding: 5px;">4</td> <td style="text-align: center; padding: 5px;">5</td> <td style="text-align: center; padding: 5px;">8</td> <td style="text-align: center; padding: 5px;">9</td> </tr> </table>	Im Rahmen einer Ausschreibung sind die Leistungen/Produkte so spezifiziert, dass ein bestimmter Bieter gegenüber anderen potenziellen Bietern gezielt begünstigt wird	1	2	3	4	5	8	9	Im Vorfeld einer Ausschreibung wird für eine verdeckte Gegenleistung angeboten, die Leistungen/Produkte so zu spezifizieren, dass ein Bieter gegenüber anderen potenziellen Bietern gezielt begünstigt wird	1	2	3	4	5	8	9	Im Rahmen einer Ausschreibung werden von der ausschreibenden Stelle für eine verdeckte Gegenleistung zusätzliche Informationen angeboten (z.B. zusätzliche Details zu Art und Umfang der Leistungserbringung, Preise von Konkurrenzangeboten), die einen Wettbewerbsvorteil gegenüber anderen Bietern verschaffen	1	2	3	4	5	8	9	Im Rahmen einer Ausschreibung wird gegen eine verdeckte Gegenleistung der Auftragserhalt in Aussicht gestellt	1	2	3	4	5	8	9	Alle																																																																								
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	Die Auftragsvergabe wird an die Bedingung geknüpft, dass weitere, vom Auftraggeber festgelegte Beteiligte einbezogen werden, für die sich der Auftragnehmer ansonsten nicht entscheiden würde	1	2	3	4	5	8	9	
	Im Rahmen einer Auftragsvergabe fordert der potenzielle Auftraggeber ein Sponsoring oder eine Spende für eine Angelegenheit, die ihm persönlich nahe steht	1	2	3	4	5	8	9	
<b>Umgang mit Geschäftspartnern</b>									
	Ein Geschäftspartner bietet an, einen überhöhten Betrag in Rechnung zu stellen, um die Differenz zwischen dem tatsächlichen und dem überhöhten Preis zu teilen	1	2	3	4	5	8	9	
	Ein Geschäftspartner bietet eine verdeckte persönliche Zuwendung an, wenn eine mangelhafte Lieferung/Leistung akzeptiert wird	1	2	3	4	5	8	9	
	Ein Geschäftspartner bietet ein Geschenk an, das die allgemeinen gesellschaftlichen bzw. unternehmerischen Gepflogenheiten in Art oder Wert übersteigt	1	2	3	4	5	8	9	
	Ein Geschäftspartner möchte auf Ihre Kosten eine Reise unternehmen oder an einer Veranstaltung teilnehmen, die überwiegend seinem privaten Interesse dient	1	2	3	4	5	8	9	
	Sie werden von einem Geschäftspartner eingeladen, auf seine Kosten eine Reise zu unternehmen oder an einer Veranstaltung teilzunehmen, die überwiegend Ihrem privaten Interesse dient	1	2	3	4	5	8	9	
<b>Umgang mit öffentlichen Institutionen</b>									
	Für eine Genehmigungs-/Lizenzerteilung wird von einem Amtsträger eine verdeckte Gegenleistung verlangt	1	2	3	4	5	8	9	
	Im Rahmen einer behördlichen Kontrolle (z.B. Polizei-, Steuerkontrollen) wird von einem Amtsträger eine verdeckte Gegenleistung verlangt	1	2	3	4	5	8	9	
	Zur Bereitstellung eines Anschlusses (z.B. Elektrizität, Telefon, Wasser o.ä.) wird von einem Amtsträger eine verdeckte Gegenleistung verlangt	1	2	3	4	5	8	9	
	Bei der Zollabfertigung wird von einem Amtsträger eine verdeckte Gegenleistung verlangt	1	2	3	4	5	8	9	
Text	Nachfolgend werden vier kurze Fallbeispiele geschildert. Bitte kreuzen Sie an, wie Sie das Verhalten der einzelnen Akteure beurteilen und welche rechtlichen Konsequenzen das Handeln Ihrer Meinung nach zur Folge hat.								Alle

F23	<p>Ein Unternehmer möchte auf seinem Grundstück in {= Stammland} eine zusätzliche Lagerhalle bauen. Um den Bau noch im laufenden Geschäftsjahr beginnen zu können, bittet der Unternehmer den zuständigen Beamten, den Bauantrag möglichst rasch zu bearbeiten. Nachdem der gewünschte Termin eingehalten werden kann, bedankt sich der Unternehmer bei dem Beamten für die zuvorkommende Behandlung mit einer Flasche Wein im Wert von ca. EUR 30.-, welche dieser dankend annimmt.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure?</p> <p>(1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="252 548 1396 616"> <tr> <td>Verhalten des Unternehmers</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des Beamten</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge?</p> <p>[Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden]</p> <ol data-bbox="252 817 790 1041" style="list-style-type: none"> <li>Keiner von beiden macht sich strafbar</li> <li>Nur der Unternehmer macht sich strafbar</li> <li>Nur der Beamte macht sich strafbar</li> <li>Beide machen sich strafbar</li> <li>Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmers	1	2	3	4	5	6	7	Verhalten des Beamten	1	2	3	4	5	6	7	Alle
Verhalten des Unternehmers	1	2	3	4	5	6	7											
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F24	<p>Ein Container mit verderblichen Waren im Wert von EUR 100'000.- steckt beim Zoll im Ausland fest. Der zuständige Zollbeamte teilt dem Unternehmen mit, dass die erforderlichen Zollpapiere nicht ordnungsgemäss seien. Dieser Sachverhalt könnte jedoch schnell und unbürokratisch durch eine verdeckte Zahlung in Höhe von EUR 250.- an den Zollbeamten persönlich gelöst werden. Da bei einer weiteren Verzögerung der Zollabfertigung der Totalverlust der Ware droht, kommt das Unternehmen der Forderung des Zollbeamten nach.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure?</p> <p>(1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="252 1422 1396 1489"> <tr> <td>Verhalten des Unternehmens</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des Zollbeamten</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge?</p> <p>[Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden. Für das Ausland wird angenommen, dass die gleichen rechtlichen Vorschriften gelten wie in {Stammland}; Mehrfachnennungen sind möglich]</p> <ol data-bbox="252 1736 949 1933" style="list-style-type: none"> <li>Keiner der Beteiligten begeht eine Straftat</li> <li>Der Zollbeamte macht sich im Ausland strafbar</li> <li>Das Unternehmen macht sich im Ausland strafbar</li> <li>Der Zollbeamte macht sich in {Stammland} strafbar</li> <li>Das Unternehmen macht sich in {Stammland} strafbar</li> <li>Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmens	1	2	3	4	5	6	7	Verhalten des Zollbeamten	1	2	3	4	5	6	7	Alle
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Verhalten des Zollbeamten	1	2	3	4	5	6	7											

F25	<p>Ein Unternehmer möchte international aktiv werden und kontaktiert deshalb im Ausland einen selbstständigen Handelsvertreter, welcher für verschiedene Unternehmen auf dem lokalen Auslandsmarkt präsent ist. Um den Abschluss des Kommissionsvertrags zu feiern, lädt der Unternehmer seinen neuen Handelsvertreter in die VIP-Lounge zu einem Fussballländerspiel ein.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure?</p> <p>(1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="252 472 1402 539"> <tr> <td>Verhalten des Unternehmers</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des ausländischen Handelsvertreters</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge?</p> <p>[Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden. Für das Ausland wird angenommen, dass die gleichen rechtlichen Vorschriften gelten wie in {Stammland}; Mehrfachnennungen sind möglich]</p> <ol data-bbox="252 779 1142 981" style="list-style-type: none"> <li>1. Keiner der Beteiligten begeht eine Straftat</li> <li>2. Der ausländische Handelsvertreter macht sich im Ausland strafbar</li> <li>3. Der Unternehmer macht sich im Ausland strafbar</li> <li>4. Der ausländische Handelsvertreter macht sich in {Stammland} strafbar</li> <li>5. Der Unternehmer macht sich in {Stammland} strafbar</li> <li>6. Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmers	1	2	3	4	5	6	7	Verhalten des ausländischen Handelsvertreters	1	2	3	4	5	6	7	Alle								
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F26	<p>Ein Unternehmen beteiligt sich im Ausland an einer öffentlichen Ausschreibung. Um den Zuschlagsentscheid zu seinen Gunsten zu beeinflussen, beauftragt das Unternehmen einen lokalen Mittelsmann, einem hochrangigen ausländischen Beamten eine Uhr im Wert von EUR 8'000.- zukommen zu lassen. Der Beamte sorgt daraufhin dafür, dass das Unternehmen den Auftrag in Höhe von rund EUR 5 Millionen erhält.</p> <p>Wie beurteilen Sie das Verhalten der einzelnen Akteure?</p> <p>(1 = völlig inakzeptabel, 7 = völlig akzeptabel)</p> <table data-bbox="252 1319 1402 1420"> <tr> <td>Verhalten des Unternehmers</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des ausländischen Beamten</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> <tr> <td>Verhalten des Mittelsmannes</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> <td>7</td> </tr> </table> <p>Welche rechtlichen Konsequenzen hat das Handeln der einzelnen Akteure Ihrer Meinung nach zur Folge?</p> <p>[Gefragt wird nach der geltenden Gesetzeslage, nicht nach der Wahrscheinlichkeit einer strafrechtlichen Verfolgung durch die Behörden. Für das Ausland wird angenommen, dass die gleichen rechtlichen Vorschriften gelten wie in {Stammland}; Mehrfachnennungen sind möglich]</p> <ol data-bbox="252 1659 1035 1928" style="list-style-type: none"> <li>1. Keiner der Beteiligten begeht eine Straftat</li> <li>2. Der ausländische Beamte macht sich im Ausland strafbar</li> <li>3. Das Unternehmen macht sich im Ausland strafbar</li> <li>4. Der lokale Mittelsmann macht sich im Ausland strafbar</li> <li>5. Der ausländische Beamte macht sich in {Stammland} strafbar</li> <li>6. Das Unternehmen macht sich in {Stammland} strafbar</li> <li>7. Der lokale Mittelsmann macht sich in {Stammland} strafbar</li> <li>8. Kann ich nicht beurteilen</li> </ol>	Verhalten des Unternehmers	1	2	3	4	5	6	7	Verhalten des ausländischen Beamten	1	2	3	4	5	6	7	Verhalten des Mittelsmannes	1	2	3	4	5	6	7	Alle
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Text	<p>Viele Geschäftsleute berichten, dass in gewissen Situationen informelle Zahlungen oder Geschenke „unter der Hand“ erwartet werden, damit es zu einem Geschäft kommt.</p>	Alle																								

F27	<p><b>Was ist Ihre Meinung zu folgenden Aussagen?</b></p> <p>[Mehrfachnennungen möglich]</p> <p>(1 = trifft überhaupt nicht zu, 7 = trifft voll und ganz zu)</p> <p>Informelle Zahlungen oder Geschenke „unter der Hand“ sind zu rechtfertigen, wenn ...</p> <p>... dadurch einer guten Sache gedient wird 1 2 3 4 5 6 7</p> <p>... dadurch Arbeitsplätze gesichert werden 1 2 3 4 5 6 7</p> <p>... dadurch niemand direkt geschädigt wird 1 2 3 4 5 6 7</p> <p>... der dadurch Geschädigte dies nicht anders verdient 1 2 3 4 5 6 7</p> <p>... man durch die Umstände dazu gezwungen wird 1 2 3 4 5 6 7</p> <p>... Gefahr für Leib und Leben besteht 1 2 3 4 5 6 7</p> <p>... die Mitbewerber dieses Mittel auch anwenden 1 2 3 4 5 6 7</p> <p>... es den kulturellen Gepflogenheiten des Landes entspricht 1 2 3 4 5 6 7</p> <p>... sich dadurch bürokratische Hemmnisse überwinden lassen 1 2 3 4 5 6 7</p>	Alle
F28	<p><b>Welche der folgenden Aussagen treffen für das Unternehmen zu, für das Sie derzeit arbeiten?</b></p> <p>[Mehrfachnennungen möglich. Wenn Sie mehr als eine berufliche Tätigkeit ausüben, beantworten Sie die Frage bitte für Ihre derzeitige berufliche Haupttätigkeit; Mehrfachnennungen sind möglich]</p> <ol style="list-style-type: none"> <li>1. Die Unternehmensleitung spricht das Thema Korruption intern und extern aktiv und offen an und sendet das klare Signal, dass informelle Zahlungen oder Geschenke „unter der Hand“ in keiner Form geleistet werden</li> <li>2. Im Unternehmen gibt es schriftlich festgehaltene Geschäftsgrundsätze und Verhaltensregeln (z.B. Code of Conduct), in denen der Umgang mit Korruptionsrisiken geregelt ist</li> <li>3. Als Mitarbeitender bin ich vertraglich verpflichtet, konkrete oder vermutete Korruptionsfälle zu melden</li> <li>4. Verstöße gegen gesetzliche, regulatorische und interne Vorschriften werden konsequent verfolgt und haben arbeitsrechtliche Konsequenzen zur Folge bis hin zur fristlosen Entlassung</li> <li>5. Im Unternehmen finden Schulungen statt, in denen die Mitarbeitenden auch zum Thema Korruptionsvermeidung fortgebildet werden</li> <li>6. Im Unternehmen gibt es eine Stelle, welche die Einhaltung gesetzlicher, regulatorischer und interner Vorschriften überwacht (z.B. Compliance Officer/Compliance Komitee)</li> <li>7. Das Unternehmen verfügt über eine unabhängige Stelle, an die sich Mitarbeitende, Kunden oder Lieferanten bei konkreten oder vermuteten Korruptionsfällen vertraulich wenden können (z.B. Ombudsstelle, Whistleblowing-System)</li> </ol>	Alle
F29	<p><b>Haben Sie bereits an einer oder mehreren Schulungen zum Thema Korruptionsvermeidung teilgenommen?</b></p> <ol style="list-style-type: none"> <li>1. Ja, an einer</li> <li>2. Ja, an mehreren</li> <li>3. Nein</li> </ol>	Wenn F28 = 5
F30	<p><b>War die Teilnahme an der Schulung/den Schulungen verpflichtend oder haben Sie freiwillig daran teilgenommen?</b></p> <ol style="list-style-type: none"> <li>1. Die Teilnahme war immer verpflichtend.</li> <li>2. Die Teilnahme war teils verpflichtend, teils freiwillig.</li> <li>3. Die Teilnahme war immer freiwillig.</li> </ol>	Wenn F29 = 1 o. 2

Text	Lassen Sie uns nun noch zu einem anderen Themenbereich kommen:	Alle									
F31	<p><b>Haben Sie schon einmal Geschäftsideen gehabt, egal ob zur Verbesserung eines Produktes/einer Dienstleistung oder für ein neues Produkt/eine neue Dienstleistung?</b></p> <p>1. Ja 2. Nein</p>	Alle									
F32	<p><b>Haben Sie konkrete Massnahmen ergriffen, um mindestens eine dieser Geschäftsideen für Ihre persönlichen Zwecke voranzutreiben (z.B. Marktforschung betreiben, Gespräche mit potenziellen Kunden aufgenommen, einen Business-Plan erstellt o.ä.)?</b></p> <p>1. Ja 2. Nein</p>	Wenn F31 = 1									
F33	<p><b>Sind Sie schon einmal selbstständig oder freiberuflich tätig gewesen?</b></p> <p>1. Ja 2. Nein</p>	Wenn F2 = 1,3									
F34	<p><b>Sind Sie vor Ihrer aktuellen Selbstständigkeit schon einmal selbstständig oder freiberuflich tätig gewesen?</b></p> <p>1. Ja 2. Nein</p>	Wenn F2 = 2									
F35	<p><b>Geben Sie bitte an, ob eine oder mehrere der genannten Personengruppen selbstständig erwerbstätig sind oder waren.</b></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">1. Ihre Eltern (Vater, Mutter oder beide)</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: center;">Ja</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: center;">Nein</td> </tr> <tr> <td style="border-bottom: 1px solid black;">2. Sonstige Familienmitglieder (z.B. Geschwister, Onkel, Tante)</td> <td style="border-bottom: 1px solid black; text-align: center;">Ja</td> <td style="border-bottom: 1px solid black; text-align: center;">Nein</td> </tr> <tr> <td>3. Freunde / enge Bekannte</td> <td style="text-align: center;">Ja</td> <td style="text-align: center;">Nein</td> </tr> </table>	1. Ihre Eltern (Vater, Mutter oder beide)	Ja	Nein	2. Sonstige Familienmitglieder (z.B. Geschwister, Onkel, Tante)	Ja	Nein	3. Freunde / enge Bekannte	Ja	Nein	Alle
1. Ihre Eltern (Vater, Mutter oder beide)	Ja	Nein									
2. Sonstige Familienmitglieder (z.B. Geschwister, Onkel, Tante)	Ja	Nein									
3. Freunde / enge Bekannte	Ja	Nein									
F36	<p><b>Wie viele Personen gibt es in {Stammland} und im Ausland, die Ihnen bei Ihrer beruflichen Entwicklung besonders nützlich sind/waren bzw. die besonders viel zu Ihrem beruflichen Erfolg beitragen/beigetragen haben?</b></p> <p>[Falls Sie es nicht genau wissen, genügt eine Schätzung. Bitte geben Sie eine 0 ein, falls im Inland oder im Ausland keine Person für Ihre berufliche Entwicklung wichtig ist oder war.]</p> <p>ca. _____ [Anzahl] Personen in {Stammland}</p> <p>ca. _____ [Anzahl] Personen im Ausland</p>	Alle									

F37	<p><b>Bitte stellen Sie bis zu fünf der wichtigsten Personen vor, die Ihnen bei Ihrer beruflichen Entwicklung besonders nützlich sind/waren bzw. die besonders viel zu Ihrem beruflichen Erfolg beitragen/beigetragen haben. Bitte charakterisieren Sie diese jeweils mithilfe der folgenden Merkmale.</b></p> <p>Person 1: [F37 – F39; Jeweils eine Antwort möglich]          Person 2: [F37 – F39; Jeweils eine Antwort möglich]          Person 3: [F37 – F39; Jeweils eine Antwort möglich]          Person 4: [F37 – F39; Jeweils eine Antwort möglich]          Person 5: [F37 – F39; Jeweils eine Antwort möglich]</p> <p><b>In welcher Beziehung stehen Sie zu dieser Person?</b></p> <p>[Dropdownliste]</p> <ol style="list-style-type: none"> <li>1. Familienmitglied in {Stammland}</li> <li>2. Familienmitglied im Ausland</li> <li>3. Freund in {Stammland}</li> <li>4. Freund im Ausland</li> <li>5. Vorgesetzter in {Stammland}</li> <li>6. Vorgesetzter im Ausland</li> <li>7. Arbeitskollege in {Stammland}</li> <li>8. Arbeitskollege im Ausland</li> <li>9. Bekannter in {Stammland}</li> <li>10. Bekannter im Ausland</li> <li>11. Geschäftspartner in {Stammland}</li> <li>12. Geschäftspartner im Ausland</li> <li>95. Sonstige _____ (Mentor, Professor o.ä.)</li> </ol>	Alle
F38	<p><b>Wie häufig kommunizier(t)en Sie mit dieser Person ungefähr?</b></p> <p>[Dropdownliste]</p> <ol style="list-style-type: none"> <li>1. täglich</li> <li>2. mindestens einmal wöchentlich</li> <li>3. mindestens einmal vierzehntägig</li> <li>4. mindestens einmal monatlich</li> <li>5. seltener als einmal pro Monat</li> <li>6. der Kontakt besteht nicht mehr</li> </ol>	Wenn F37 = 1-12; 95
F39	<p><b>Welche Staatsangehörigkeit hat diese Person?</b></p> <p>[Länderliste (Dropdownliste)]</p> <p>_____</p>	Wenn F37 = 1-12; 95
Text	Jetzt möchten wir Sie noch um Ihre persönliche Meinung zu den nachfolgenden Aussagen bitten.	Alle

F40	<p><b>Was ist Ihre Meinung zu folgenden Aussagen?</b></p> <p>(1 = trifft überhaupt nicht zu, 7 = trifft voll und ganz zu)</p> <p>Jeder ist sich selbst der Nächste 1 2 3 4 5 6 7</p> <p>Um eine gute Idee durchzusetzen, spielt es keine Rolle, welche Mittel man verwendet 1 2 3 4 5 6 7</p> <p>Man sollte nur dann seine wahren Absichten zeigen, wenn es einem nutzt 1 2 3 4 5 6 7</p> <p>Wer sich für die Zwecke anderer ausnützen lässt, ohne es zu merken, verdient kein Mitleid 1 2 3 4 5 6 7</p> <p>Ein weitgestecktes Ziel kann man nur erreichen, wenn man sich manchmal auch etwas ausserhalb des Erlaubten bewegt 1 2 3 4 5 6 7</p> <p>Man kann ein Versprechen brechen, wenn es für einen selbst vorteilhaft ist 1 2 3 4 5 6 7</p> <p>Man soll seine Bekanntschaften unter dem Gesichtspunkt auswählen, ob sie einem nützen können 1 2 3 4 5 6 7</p> <p>Grundsätzlich ist es günstiger, seine wahren Absichten für sich zu behalten 1 2 3 4 5 6 7</p>	Alle
Text	Und zum Schluss möchten wir Sie noch um einige Angaben zu Ihrer Person bitten:	Alle
F41	<p><b>Bitte geben Sie Ihr Geschlecht an:</b></p> <p>1. Männlich</p> <p>2. Weiblich</p>	Alle
F42	<p><b>In welchem Jahr sind Sie geboren?</b></p> <p>_____ [Jahr]</p>	Alle
F43	<p><b>Welche Staatsangehörigkeit haben Sie?</b></p> <p>[Mehrfachnennungen sind möglich]</p> <p>[Länderliste aufführen - Dropdownliste]</p>	Alle
<p><b>Ende</b></p> <p>Herzlichen Dank, dass Sie bereit waren, Ihre Zeit zur Verfügung zu stellen und uns so viele wertvolle Informationen zu Ihrer beruflichen Tätigkeit sowie Ihrem beruflichen Werdegang gegeben haben.</p> <p>Falls Sie Interesse an den Ergebnissen der Studie und/oder einer kostenlosen Teilnahme an einer Veranstaltung zum Thema haben, teilen Sie uns bitte Ihre E-Mail-Adresse mit: _____ [E-Mail-Adresse] oder senden Sie eine E-Mail an <a href="mailto:forschung@htwchur.ch">forschung@htwchur.ch</a></p>		