

**Social Networks in the Internationalization Process of firms
in Developing Countries**

CELINE NEHME

**A Thesis
in the
John Molson School of Business**

**Presented in Partial Fulfillment of the Requirements
for the Degree of Master of Science (Management) at
Concordia University**

November 2018

© Celine Nehme

CONCORDIA UNIVERSITY
School of Graduate Studies

This is to certify that the thesis prepared

By: Celine Nehme

Entitled: Social Networks in the Internationalization Process of firms
in Developing Countries

and submitted in partial fulfillment of the requirements for the degree of
Master of Science (Management)

complies with the regulations of the University and meets the accepted standards with respect to
originality and quality.

Signed by the final Examining Committee:

Julien Proelss	Chair
Rick Molz	Examiner
Alexandra Dawson	Examiner
Mehdi Farashahi	Supervisor

Approved by Jisun Yu

Chair of Department or Graduate Program Director

November 20th, 2018

Anne-Marie Croteau
Dean of Faculty

ABSTRACT

Social Networks in the Internationalization Process of firms in Developing Countries

Celine Nehme

How can your social network be your catalyst to success? How can “who you know” lead to a faster and more successful internationalization into developing countries? The literature suggests that entrepreneurs of SMEs can highly benefit from their social networks when going abroad. Several studies have been developed around different characteristics of the networks, but not many present empirical evidence describing their changes with time.

This study builds on the extant literature to examine the importance of social networks for the internationalization of SMEs in developing and emerging countries. It specifically focuses on two characteristics of networks: strength of ties and density, both with respect to time.

Ten successful entrepreneurs and managers, each pertaining to a specific industry, were interviewed to support the main arguments of this study. The analysis of their success stories allowed for the understanding of the dynamics of social networks throughout the stages of their internationalization process.

Findings suggest that social networks are not more relevant than a market study for SMEs in the earlier stages of going abroad. It is nevertheless very important to utilize and benefit from networks, especially in early stages, in order to boost the process. Results show that, initially, having strong ties is very important, but that they should decrease in strength with time. However, they unexpectedly do not suggest that the same effect happens to the density of networks.

ACKNOWLEDGMENTS

I'd like to express my sincere appreciation:

To my family, without whom none of this would be possible;

To my supervisor, Pr. Mehdi Farashahi, for guiding me throughout this thesis, but also for being my mentor and advisor, while always encouraging me to look further;

To my committee members, Pr. Alexandra Dawson and Pr. Rick Molz, who provided me with very fruitful advice on the structure and data collection of this study;

As well as:

To all friends and family members who played a role in the finding of the entrepreneurs and managers interviewed for the purpose of this study;

To all the entrepreneurs and managers who took the time to share their success stories, detailing their internationalization into a developing country.

TABLE OF CONTENT

INTRODUCTION	1
LITERATURE REVIEW AND THEORY DEVELOPMENT	4
Stages of internationalization.....	4
SMEs in foreign markets	6
Social networks in developing countries	7
Strength of Ties.....	9
Network Density	11
Bringing Strength and Density together	13
METHODOLOGY	16
Method	16
Sample.....	16
Analysis.....	21
Explicit.....	21
Implicit.....	22
RESULTS	22
Explicit.....	22
Implicit: Coding explained	23
i. Market Study.....	24
ii. Network	26
iii. Personality of Entrepreneur/Manager.....	29
iv. Firm's Driving Forces.....	30
v. Success of the business	33
DISCUSSION.....	34
CONCLUSION.....	41
LIMITATIONS AND FUTURE DIRECTIONS.....	42
References.....	44
Appendices.....	48
Appendix A: Interview Questions	48
Appendix B: Code numbers.....	51
Appendix C: Code Table	53

TABLE OF TABLES

Table 1. SMEs' characteristics abroad with respect to stages of internationalization	5
Table 2. Profile of participants (successful entrepreneurs and managers abroad) and their firms	18
Table 3. Details on participants and their internationalization process.....	19
Table 4. Summary of variables found through coding	24
Table 5. Code appearances with respect to each participant	53

TABLE OF FIGURES

Figure 1. Changes in Strength and Density of the Network with respect to internationalization process.....	15
--	----

INTRODUCTION

Extant literature is dominated by studies on the creation of MNCs, their international expansion and their internationalization process. Despite the fact that Small and Medium-sized Enterprises (SMEs) account for more than 95% of firms in most countries (Chiao et al., 2006), there are limited attention to how SMEs survive and strive when they internationalize. SMEs' small size, and limited resources, knowledge and/or experience have made it very difficult for them to internationalize (Hilmersson, 2014). They are reluctant to take the risks since their survival could be seriously jeopardized (Musteen et al., 2013). As a result, in order to go abroad, SMEs must seek support by either establishing alliances (i.e. joint ventures, mergers...) or be part of a network that would provide them with a competitive advantage (Uzzi, 1997). Social networks become much more important when SMEs are operating in a more uncertain contexts such as developing and emerging economies.

SMEs, per se, are defined in many ways depending on their contexts. Some countries such as Egypt, consider SMEs' sizes to range from 5 to 50 employees, whereas Vietnam considers them to have between 10 and 300 employees (Tung & Aycan, 2008). Most countries in Europe deem it to pertain less than 300 employees, but it still defers within the continent itself. Knowing that the definitions of SMEs differ depending on the environments in question, we decided that, for the sake of this study, we would generalize our SMEs to have 500 employees or less. This will allow us to have a slightly larger scope and to target firms that would still be relatively small in the eyes of other global and giant enterprises that have internationalized around the globe (Mahmood, 2008).

Social networks enable SMEs in many ways to internationalize their activities and develop the kind of advantages that they would not be able to get otherwise, especially not at the same rate. Establishing social networks is an important step for the internationalization of SMEs but the more important and vital step is how entrepreneurs can and should properly manage their social networks in order to have a successful internationalization process over time.

Studies have explored some of the characteristics of social networks and their effects on the internationalization process of SMEs in developing countries. For instance, Coviello (2006) investigated the internationalization of three New Zealander firms through different stages of the process. He looked at the negative relationship between range and density associated with the growth of the companies, as well as the negative relationship between the size of the network and the constraints faced. Similarly, Sasi and Arenius (2008) studied the internationalization of SMEs associated with strong ties. They highlight the importance of having these strong ties at the earlier stages of the process, but more specifically transforming these dyadic relationships to multilateral ones in order to attain substantial international growth. Likewise, Tan (2006) examined the effects of the strengths of social ties on the internationalization of SMEs in China. Musteen et al. (2013) conducted an empirical research on SMEs in Czech Republic, where they studied the link between network density, diversity and strength of ties with respect to the acquisition of foreign market knowledge. Masango and Marinova (2014) examined the importance of pre-established ties to acquire valuable knowledge that would help speed up the internationalization process.

Network density and strength of ties are among those characteristics of social networks that have received special attention in the literature; however, studies have rarely explored their effects with respect to time or the stages of internationalization. This paper is a qualitative effort to explore the importance of networks for SMEs that seek to go abroad. In addition, it will fill in a literature gap by looking at the different social ties with respect to time, and explaining the importance of managing the latter differently throughout different stages of the internationalization process. The suggested hypotheses will serve as guidelines in determining how one's social ties can become the key to success.

Therefore the main questions are:

How does SMEs' social networks allow them to venture internationally, especially in developing countries? How does managing the strength and density of your network throughout the stages of internationalization lead to acquired advantages, and eventually success?

Many important theories will be used in this study. The Uppsala model will show how social networks will allow SMEs to overcome the liability of foreignness in developing countries and gain insidership (Johanson & Vahlne, 2009). The network theory of internationalization will demonstrate how long-term relationships established by the founder can provide the organization with appropriate access to resources given the high level of trust and commitments (Sasi & Arenius, 2008). Also, to fill in the institutional voids presented in developing countries, the institutional theory will explain the significance of social networks. These ties will also minimize the transaction costs between different members of the network (Dyer & Chu, 2003).

In order to validate the proposed hypotheses, this paper conducts a study of entrepreneurs and managers that internationalized and were successful abroad. The longitudinal study of their success stories will allow us to draw some conclusions that could guide future practitioners towards the same goal.

In the following section, a thorough literature review for various constructs used in this study is presented, accompanied by the corresponding hypotheses. We will then proceed by presenting the methodology used to address the proposed questions, followed by the respective findings.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Since this study aims at understanding the need for social networks, but also their evolution through the internationalization process, we first start by dividing the process itself into two stages. We then draw attention on the indispensable need for social networks, compared to market study, especially for SMEs going into developing countries. We later present the two main constructs of this study, Strength and Density, and show how they should be properly managed with time in order to optimize the benefits that networks have to offer.

Stages of internationalization

The internationalization process is defined as a company's initiative and action in extending its footprint outside of its country of domicile. It is a set of activities that can start from conceptualization through planning and implementing, until becoming accustomed to the new location and has acquired a market share. Products and services are adapted according to the new culture and environment. Though Kimberly (1980) recognizes that there is no linear life cycle for organizations, he does acknowledge the strong similarities in the development of firms in general.

The internationalization of SMEs is comprised of several stages. Kazanjian (1988) proposes a framework composed of four stages. It starts with the conceptualization and development of resources; followed by start-up and commercialization. The third stage refers to a period of growth where the firm also faces the problems that come up along the way. The last stage represents the end of the timeline, where profit will be generated and a relative stability will slow down the growth of the enterprise to match the speed of market growth. Johanson and Wiedersheim-Paul (1975) also suggest a model composed of four stages that they identify as the Establishment Chain. Their different stages are defined according to the involvement of the firm in the market. The first stage represents no commitment of resources and a lack of information concerning the market. The second one shows a fair amount of knowledge and the beginning of a channel in the market. In the last two stages, the firm has controlled information in the market followed by high resource commitment, respectively.

In order to be able to explore the variation of social network effects, we decided to consider two stages (early and late stages) for the internationalization process of SMEs.

The first or “*early stages*” start from pre-internationalization and expands to the beginning of the process, where firms are still establishing themselves in the new markets. During this period, the firm still does not generate profit. It has very few resources with limited understanding of the market. These early stages of internationalization include conceptualization and establishment of the new business relations. At this stage, SMEs lack the experience and are new to the markets where they have no reputation yet.

The “*later stages*” of internationalization happen when the firm has begun to establish itself in the market and profit generation has somewhat started. SMEs have acquired enough knowledge and information regarding their sector and become more familiar with their international markets. They have developed internal channels and invested in the new location(s). At this point, firms have become committed on different levels: they have established a clientele, secured suppliers and obtained necessary resources. Their high engagement makes it hard for them to withdraw from the new place.

	Firm’s Characteristics	Requirements
Early stages	New entrant No profit generated Limited knowledge of the market Limited contacts Lack of local experience	Gather information about market, clients, suppliers...
Late stages	Mature Profit generation Knowledge of market Developed internal channels Acquired clientele Gained contacts Larger network Committed resources	Deepen knowledge of market for new opportunities, ventures...

Table 1. SMEs' characteristics abroad with respect to stages of internationalization

Looking at the table above, we can notice that the needs of a firm change with time. We notice two distinct categories, where the firm's characteristics shift. As such, we can say that dividing the process into two stages, early and late, will highly help us analyze their journey to success.

SMEs in foreign markets

SMEs are relatively small firms with limited resources and market knowledge. In their recent paper, Tan et al. (2018) explain that a firm's decision to go abroad is highly impacted by two types of stimuli: external and internal. External stimuli are related to the market itself, the industry and the environmental specific aspects. Internal stimuli stem from the firm itself, the product and the management. Johnson and Vahlne (1977) explain that for a firm to go abroad, it should have both market-based knowledge, as well as firm-based knowledge. As such, in order to come up with an international strategy, SMEs should conduct a thorough analysis of both internal and external factors (Hill & Westbrook, 1997). The literature highly supports that the study of both factors will result in the choice of entry mode (Brouthers, 2002).

Before going abroad, firms need to be aware of their own potential. They should be able to provide an edge over other existing companies in the local market. As such, SMEs should know what assets they have and should conduct a thorough market research in which they are "searching, prospecting or 'scavenging' for resources" that would fill in their gaps (Hewerdine et al., 2014).

Paying a closer look at external factors, it seems that firms should examine several aspects of the new market: "local regulations" on foreign activities, "state control", "restriction on investment", "bureaucracy of the local government" and the "cultural barrier" that hardens the acceptance of foreigners (Cannavale & Lorenza, 2017, p. 104). Accordingly, Meyer (2009) asserts that institutions can either be "strong" or "weak". A strong one shows high formality, supporting market's growth and development. A weak one shows more informality and uncertainty, lack of transparency and a fragile financial system. Therefore, governmental support plays an important role in the decision to access a country. The literature shows that the two main problems faced by firms in developing countries are "government policies and interventions" and "market-related

problems” (Dass, 1994, p. 19). A study in the Middle East region (i.e. Syria), focused on knowledge-based SMEs, emphasizes that entrepreneurs cannot ignore the “importance of country-conditions” (Ibeh & Kasem, 2011, p. 358). According to the institutional theory, the approaches that firms adopt should be highly based on both social and regulatory contexts, where a market study is crucial for the decision-making.

Therefore when going abroad, SMEs should conduct a market research to gather information regarding all sociocultural, legal and political factors, constituting their external stimuli, but also regarding access to resources and other components required for business operations (Cannavale & Lorenza, 2017).

The next section will thoroughly define social networks and specifically dwells into their high relevance when internationalizing into a developing country.

Social networks in developing countries

A network is defined as a web that connects its members, providing access to both tangible and intangible resources. Coviello (2006) explains that establishing ties from conception is very valuable given that it will allow easier access to the market, distribution channels and referrals to different contacts that can help draw the map from pre-internationalization. An entrepreneur’s early interpersonal ties “form the basis for the establishment of the inter-organizational ties that lead to [...] firms’ cross border activities” (Masango & Marinova, 2014, p.483). These ties will serve as a bridge between the micro and the macro levels, where initial connections will grow in scale (Granovetter, 1973).

In addition, Pinho and Prange (2016) study the synergistic effect between social networks and Dynamic Internationalization Capabilities (DIC). Their findings highlight the importance of networks for Dynamic Capabilities creation and development. Networks can significantly affect SMEs internationalization since they provide them with “people-bound advantages that can help offset deficiencies” (Pinho & Prange, 2016, p.400), as well as a variety of resources and organizational capabilities that go beyond the funding that larger firms have. Social networks

affect strategic choices and performance. Their ties will compensate for institutional voids by “allowing managers to make better sense of their dynamic and competitive environment” (Kiss & Danis, 2010, p.276).

The focus of this study is on emerging and developing countries because of the strong relevance and the significant need of network ties in such environments. Networks provide benefits that cannot be acquired in contexts where the rules and regulations are not well established. According to the institutional point of view, networks provide easier access to the information and knowledge required to do business in emerging and developing markets. Peng and Luo (2000) demonstrate the importance of personal ties to overcome the institutional voids in countries like China or Eastern Europe. Managers rely on these relationships to overcome the uncertainties of the market and deal with aspects such as corruption and bribery. For instance, being part of Blat or Guanxi, which are social networks in Russia and China respectively, will provide primordial advantages to its members, by allowing them to overcome numerous informal constraints. These social ties, built on interpersonal relationships, will facilitate economic exchanges amongst its members.

Given the lack of transparency in the emerging and developing countries, networks serve as an integral source to streamline the internationalization of SMEs and provide them with the required resources from the earliest stages of the process (Musteen et al., 2013). Liability of foreignness is one of the major challenges that new comers seek to overcome. According to the Uppsala model, developing an “insidership” will help the integration of new comers into the networks. Social networks will give them access to a large number of contacts and will provide them with a clearer insight on the market. This way, uncertainties and potential risks they might face will be minimized (Johanson & Vahlne, 2009). Furthermore, entrepreneurs can gain legitimacy and reduce their risks by associating with “well-regarded individuals and organizations” (Hoang & Antoncic, 2003). These links will create and diffuse positive perceptions regarding the firm.

In his extensive empirical study, Uzzi (1997) emphasizes on the importance of embedded relations that create a competitive advantage to firms. He shows that social ties are key elements in the decision-making process and lead to increased economic behavior. Uzzi highlights three major components that come from embedded relationships “trust, fined-grained information and

joint problem-solving arrangements”. These components will allow the firm to get easier access to resources, a high speed of information processing and problem solving, as well as an accelerated invention of new solutions when needed. Trust is one of the main benefits that a firm can get from social ties and can serve as its “governance mechanism” or “strategy” (Dyer & Chu, 2003). Not only does it provide a competitive advantage and a greater number of shared information, but it also reduces transaction costs. When close members of a community engage in a business together, the cost of interactions between them (i.e. cost of monitoring) will tend to be minimized (Jones et al., 1997) since they belong to the same network.

When integrated into a network, the need for accumulated experience to enter a market is less relevant. Commitment to the interpersonal ties will lead to an increase in knowledge dissipation, which will facilitate the internationalization process for SMEs (Johanson & Vahlne, 2009).

Given the above findings, we propose that:

H1: Social Networks are more important than Market Study for SMEs internationalizing into developing countries.

The existent literature emphasizes on the importance of social networks and their characteristics. Some of the main variables that are addressed in this literature are Strength, Centrality, Density, Size and Range. This study focuses on Strength and Density since these two constructs have not been thoroughly studied in parallel, with respect to time. Most of the literature presents theoretical approaches on how their dynamics change, but none truly observe the way they change throughout the stages of a firm’s internationalization.

Strength of Ties

The strength of a tie is defined as a “combination of the amount of time, the emotional intensity, the intimacy, and the reciprocal services which characterize the tie” (Granovetter, 1973, p. 1361).

Strong ties lead to more trust, mutual confiding and a higher willingness to help. They are generally the outcome of long-term relationships, family members or very old friends. Upon studying SMEs in Czech Republic, Musteen et al. (2013) confirm that the stronger the ties, the easier the coordination between network members, and the more effective the knowledge exchange between them. Information is trustworthy and it happens more freely and frequently. When there's a high interpersonal relationship between two entrepreneurs, the transfer of tacit know-how is very likely to happen given the powerful bond between both parties that is mainly based on trust (Freeman, 2010). According to the network theory of internationalization (Sasi & Arenius, 2008), long-term relationships established by the founder will provide the organization access to resources given the high level of trust and commitment. The stronger the ties, the more knowledge of foreign market firms have prior to internationalization (Musteen et al., 2013).

Nevertheless, strong ties are not always advantageous. The stronger the ties between two individuals, the higher the possibility of having similar circles, leading to information overlap (Granovetter, 1973). It will limit the establishment of new contacts, keeping the network at a limited size and subsequently minimizing the opportunities and the knowledge acquired in a new country.

Weak ties are created through a strong tie (mutual friend), or "through associations, such as alumni, workplace and professional associations" (Freeman, 2010, p. 77). Weak ties are not based on trust but could nevertheless lead to shared information and knowledge amongst parties. They are very important for widening the network and creating more distant relationships. Weak ties are crucial for creating new opportunities and being integrated into new places (Granovetter, 1973).

The literature presents some evidence supporting the change in the strength of ties with time. Sasi and Arenius (2008) demonstrate that the first phases of internationalizing should be associated with stronger ties, but that, if maintained throughout the process, become a limitation for international growth. Similarly, Kiss and Danis (2010) state that early stages should be composed of the biggest amount of strong ties in order to speed up the establishment of the firm.

However, these strong ties become harmful in the later stages since they will limit entrepreneurs' flexibility in exploring new opportunities.

Given the above descriptions of Strength of ties drawn from the literature, we established a relationship suggesting changing the characteristics with time. Drawing from Table 1 that describes the features of SMEs in developing countries throughout the stages, we understand that the requirements at the beginning of the process are different from the ones at the end. As such, entrepreneurs need more trustworthy information at the beginning. They need to understand the market and not just collect abundant amount of information. But towards the later stages, they will have to explore new venues and get connected to more people and ideas. Therefore, we suggest that strong ties are more appropriate in providing benefits to entrepreneurs in the early stages of going abroad, while weaker ties would satisfy the requirements in the later stages of the process.

Hence, we propose the following hypothesis:

H2: Social ties of SMEs are stronger at the early stages of internationalization than at the later stages.

Network Density

Density refers to the extent to which members of the network are connected. In other words, it is “the ratio of existing relationships among network members to the total number of possible relationships” (Musteen et al., 2013, p. 753) or “the proportion of links present relative to those possible” (Marsden, 1990, p. 453). Density is very often associated with structural holes, which represent the gap or the void between two individuals that have complementary information (Burt, 2004). Structural holes and density have a negative relationship: the denser the network, the less structural holes and vice versa.

High density, or high closure, is when most of the members are linked to each other. The higher the density, the more trust between individuals. Nevertheless, the denser the network, the more

limited the amount of new information: it becomes homogeneous and redundant (Musteen et al., 2013) and the access to new valuable knowledge decreases in efficiency.

Low density, or low closure, is characterized by few direct connections between members. Low density or sparse networks provide heterogeneity amongst members, leading to higher information diversity as well as greater number of new ideas and learning experiences (Musteen et al., 2013). As demonstrated by Soulsby and Clark's (1996), it is very important for SMEs to have a low-density network because it provides a large number of information that is associated with a greater insight on the local market. Musteen et al. (2013) also confirmed that SMEs that are part of low diversity networks have a more complete image of the market, but also of the competitors, customers and opportunities that are presented. A lower density will lead to a larger network, which will result in a higher knowledge acquisition. Given that not all members of the network know each other, there will be a larger number of structural holes: expansive and non-redundant information will constitute a competitive advantage to the firms (Singh et al., 2000). This will allow SMEs to expand into different sectors and industries thanks to the influential contacts established (Masango & Marinova, 2014). There is a positive relationship between structural holes and new comers' identification of ideas and opportunities (Singh et al., 2000).

The literature presents some evidence supporting the change in the density of the network with time. Coviello (2006) argues that high density at the beginning will lead to trust and an increased willingness to help between members. However, if its intensity does not decrease as we shift stages in the process, it will challenge the growth of the firm.

As such, just as we proposed a hypothesis for the Strength of ties, we looked at the above descriptions of Density of Networks drawn from the literature, and established a relationship suggesting changing its characteristics with time. Also based on Table 1 that describes the features of SMEs in developing countries throughout the stages, we understand that the requirements at the beginning of the process are different from the ones at the end. Therefore, we suggest that a high density is more appropriate in providing benefits to entrepreneurs in the early

stages of going abroad, while low density would satisfy the requirements in the later stages of the process. As such, we propose the following hypothesis:

H3: The density of SMEs' social network at the early stages of their internationalization is stronger than at the late stages.

After having defined our two main constructs separately, we will now combine them together in order to understand the importance of shifting the characteristics of your network with time. This paper will aim at showing how this combination will be very beneficial for entrepreneurs in their journey to success abroad.

Bringing Strength and Density together

After thoroughly examining the characteristics of Strength of ties and Density of Networks with respect to time, this paper proposes a combination of both that would provide the ultimate configuration for a successful internationalization process. We argue that as we shift in the stages of going abroad from early to late, we should decrease both Strength and Density.

At the *earlier stages* of internationalization, an entrepreneur's network is very strong and dense since it is comprised of the closest people to him/her. This is crucial to get a good kick-start in the new market given that the advantages of high strength and high density are very similar. A *strong and dense network* will be associated with trust and confidence, but also by easy coordination between the players and a high willingness to help. All the members of the circle will be very close. This will lead to an effective knowledge exchange accompanied with a free and frequent flow of information. Having a tight network as such will allow firms to enter a new market with knowledge and speed they could not have acquired otherwise. Local insights and advice on how to deal with different obstacles will be provided accordingly. This primary configuration will facilitate the beginning of the internationalization process, especially in emerging and developing countries, given the ill-defined rules and regulations. New comers will

not be able to understand the local culture and their way of doing things unless provided by someone with that prior knowledge. Informal practices such as bribery, corruption or others will only be shared to the entrepreneurs or managers by those that belong in the same trustworthy circle.

But, in the *later stages* of internationalization, the main mistake that entrepreneurs and managers tend to make, is sticking with the configuration of their initial network. Entrepreneurs assume that since they were able to highly benefit from a strong and dense network at the beginning, maintaining the same relationships can still provide them with the same amount of advantages they were receiving early on. We propose that they do not. Social networks provide many advantages, however, if they are kept the same throughout various stages of internationalization process, there will be stagnation of growth. SMEs that were doing so well at the beginning will not be able to succeed on a long term unless they adapt themselves. All the information that could have been shared in the circle was already shared in the early stages. Keeping this network configuration will lead to redundant and homogeneous knowledge, where the web is bounded in size. This will minimize new opportunities and limit the introduction of new contacts. As such, Sarasvathy (2014) explains the “Lemonade principle” as being able to foresee surprises through the extensive network created. She also describes the “Pilot-in-plane” effect that refers to controlling the future by interacting with others. Hence, in order to connect with the highest number of people, the circle has to become less strong and less dense in order to grasp the biggest amount of contacts and opportunities in the new market.

As a result, the final hypothesis that this study presents states that:

H4: The combination of stronger ties and higher density is more advantageous for the effects of Social Networks in the early stages of the internationalization process.

Figure 1 below is a visual representation of the expected changes in the characteristics of social networks with respect to time. It shows that as we move along stages, strength and density need to decrease in order to optimize the advantages provided by the networks.

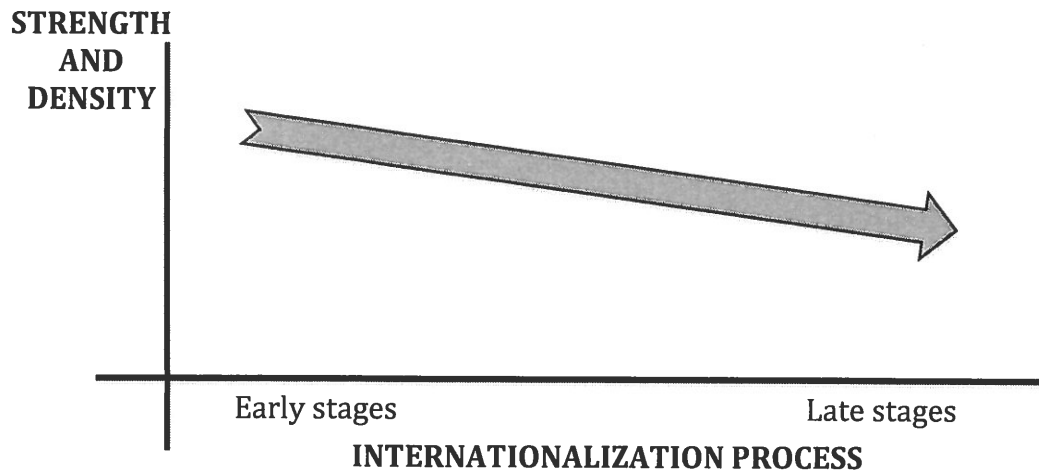


Figure 1. Changes in Strength and Density of the Network with respect to internationalization process

After thoroughly going through the existing literature and proposing some hypotheses, we will proceed by explaining the methodology used to collect data for this study, before presenting the respective results.

METHODOLOGY

Method

Given the nature of the research, we needed to conduct a study that gives a retrospective into the internationalization process of SMEs. We therefore decided to conduct semi-structured interviews with managers and entrepreneurs in developing countries in order to capture the relevant events in their journey to success abroad. According to Whitley and Kite (2013), personal interviews provide a high rate of response and motivation as well as clarity and good visualization of events. This type of interview will facilitate the flow of the conversation by allowing some flexibility where the interviewee can express himself beyond the scope of each question (the interview questions are presented in Appendix A).

The use of secondary sources of data, is not very relevant in this case given the need for reliable sources to understand how networks change with time. Developing countries do not usually hold a very large and extensive amount of data that could be used for analysis, especially for international activities of entrepreneurs. We therefore found that interviews will be the most appropriate method to collect data for this research.

Sample

Finding participants with all the required qualifications was a real challenge. It was especially intense since this thesis is based on developing countries (while we live in Canada) but also in terms of accessibility of those managers and entrepreneurs to us. Therefore given these obstacles, the final number of participants is 10 and they are all originally Lebanese. We were nevertheless able to get participants each of who pertain to a different industry. Coincidentally enough, we had to put our social network into play in order to get access to the right people. After struggling for the first couple, it became a “snow-ball effect” where one participant led to another.

Given that the research involves human subjects, our study was very carefully conducted according to the ethical guidelines required by the Research Ethics Unit of Concordia University in Montreal, Canada. All participants were made aware of the importance of their contribution to the literature and their potential guidance for future practitioners. In addition, all traces of their identities are kept confidential throughout this study and are only accessible by us. As a confirmation, the interviewees also signed a Consent Form that describes their free will in participating in this study while making them aware of their ability to withdraw the information they provided. All interviews conducted ranged between 10 and 45 minutes, depending on each one, respectively. They were audiotaped and later on transcribed for the purpose of data analysis.

By nature, entrepreneurs and managers of successful companies abroad are very busy and hard to get a hand on. In addition, many of them like to keep the way they do things private or out of strangers' hands. Despite the fact that we just needed a story telling approach from the participants (no financial data or personal information needed), one of them felt that the information he shared with us was not safe and a couple of days after his interview, he called us many times to make sure we delete any trace of it (which, of course, we did). This is just an anecdote reflecting the toughness of the data collection.

The table below presents the list of participants from which our results were drawn. For each one of them, we stated the position the interviewee has in the firm to reflect how they assisted the process. The year the firm was establishment and the number of employees are needed to estimate the age and size of the SMEs. Naturally, we also included the type of business and industry to understand how they operate and to compare the way they each achieved success.

	Position in firm	Establishment Year	Number of Employees	Type of Business	Type of Industry
1	Owner & CEO	2010	160	Service	Restaurant
2	Regional Manager	2000	275	Service	Online recruiting platform
3	Owner & CEO	2007	34 full-timers 400 part-timers	Service	Event planning
4	General Manager for Middle East and Africa	1943	214 retail stores	Retail	Kids Clothes
5	Owner & Managing Director	1985	150	Retail	Multi-brand sportswear & sports equipment
6	Chairman & President	1987	50 countries	Manufacturing & Distribution	Three different industries
7	Owner & CEO	1999	300	Retail & Distribution	Aesthetic
8	Owner & CEO	2000	70	Distribution & Service	Dentistry
9	Part-owner & Project Manager	2001	350	Construction	Construction
10	Owner & CEO	2000	300	Retail & Distribution	Alcohol & Energy drinks

Table 2. Profile of participants (successful entrepreneurs and managers abroad) and their firms

The next table (Table 3), provides more details of each firm's internationalization process. It allows us to understand further when they went abroad, where to, as well as the trigger that led them to go abroad.

	Started			Internationalized		How?
	Industry	Where	When	Where	When	
#1	Restaurant	Lebanon	2010	Kuwait Dubai	2013 2014	Kuwaiti was visiting in Lebanon came to them given their uniqueness in region. FNB operators only are candidates because of their expertise. Got many request from people visiting Lebanon. A personal friend who has work in Cyprus pitched the idea and they started with a seasonal booth.
#2	Online recruiting platform	Middle East/ Persian Gulf region	2000	North Africa		Personally went and studied the market, understanding the culture first-hand (different approaches in Egypt and Morocco, for example).
#3	Event planning	Lebanon	2007	Kuwait Iraq	2011 2014	A client saw a wedding in Lebanon and asked her if she could plan one in Kuwait Through corporate events: multinational companies start adding her in the bids of Kuwait since they already worked with her in Lebanon.
#4	Kids Clothes	Lebanon	1943	100s of locations		Stores in hundreds of locations mainly through partnerships (mostly with smaller operators to maintain control). A lot of Iraqis go to Lebanon; the brand had a good reputation locally and with dealing with instability and challenges (from Lebanon), which allowed them to succeed in Iraq.
#5	Multi-brand sportswear & sports equipment	Lebanon	1985	Iraq-erbil Cyprus	2010 2013	Contact was a very close childhood friend; Proximity (30 minutes away from Lebanon); very low prices at the time (recession).
#6	3 different industries (distribution)	Lebanon	1987	50 countries		They have a Business Development team that haunts for the best distributors.
#7	Aesthetic	Lebanon	1999	UAE Singapore	1999 2002	Lebanon was too small of a market. Plastic surgery was still taboo in this middle east
#8	Dentistry	Qatar	2000	Bahrain	2000	He was fixing a Bahraini Sheikh's teeth (a member of the ruling family) in Qatar and she asked him to start in Bahrain.
#9	Construction	Qatar	2001	Abu Dhabi Maghreb Dubai	2003 2007 2010	Through a contact from Qatar. Two huge projects were acquired from connections to banks. Had a lot of Lebanese friends there & the government facilitates business in the industry.
#10	Alcohol & Energy drinks	Lebanon	2000	Iraq Jordan	2012 2013	From the brand's success in Lebanon, started getting people to want it in their country. From the brand's success in Lebanon, started getting people to want it in their country.

Table 3. Details on participants and their internationalization process

As indicated in Tables 2 and 3 the selected firms are not very small, purposely. We opted for ones that were relatively important in their industries, while still committing to our definition of SMEs, as to having less than 500 employees. However, it is interesting to recognize that, regardless of them all being successful, they are not free of failures. Many of our studied firms have had failed internationalization processes in some countries: whether it was because “the war started” (participant #5) or “we ended up closing [...] because for it to stay alive we need[ed] a lot of resources and manpower” (participant #9), we chose to focus on the successful ventures for the purpose of this study. As such, given the scope of this study, we chose to target firms with relatively wide market range, in order to optimize the kind of information and knowledge that we could get from each one of them. Despite our time constraints, we were able to interview managers/owners of firms from various industries, which itself has further enriched the sample and the results of this study.

Additionally, all our participants are aged between 30 and 60 years old. We made sure not to target very young managers, as we wanted to examine a relatively rich timeline of success. The opposite is true as well, as we did not target an older crowd, simply for the sake of being able to reflect today’s modern approaches of doing business, whether through communication means, the tools used, or the worldwide organizations that they could be part of. As such, it was important for us to interview them first-hand because of the crucial relevance in understanding how they played a role in the firm’s success, but more importantly how their social networks assisted them and changed with time.

Table 3 allows us to visualize the details of the selected successful internationalization processes. The ‘how’ column in the table shows that each participant was pushed to go abroad for a different reason, but we can see that it also differs within each company as well. For instance, paying attention to our first participant, we can see that there were different reasons for internationalizing to each location. He decided to open in Kuwait in 2010 because of his reputation in Lebanon that was noticed by tourists. The same approach led him to go to Dubai the next year. For both of the latter, he only appointed FNBs to take over his restaurant chain in these new locations. However, when he decided to go to Cyprus, it was his social network (close friend) that proposed the idea and also acted as active partner there. Therefore, we can say that the entry mode chosen by our managers or entrepreneur highly depend on the firm’s internal

capacity, but also on ‘who they know’ (i.e. social network). Understanding how entry modes are affected by social networks is not the main focus of this study, however, we could recognize their influences through the interviews.

Analysis

The ten interviews done with the listed participants above constitute the core of our methodology, giving us access to valuable data to examine our hypotheses.

Social network is the main focus of this study for SMEs’ internationalization, specifically two of its main characteristics: strength of ties and density. As such, some data was collected explicitly through straightforward questions; but the main part of deciphering the interviews was done implicitly through coding.

Explicit

In order to be able to visualize how strength of ties and density change with time, we started by asking explicit questions to understand their dynamic.

The strength of the network’s ties is measured by calculating the frequency of contact between two players (Hypothesis 1). Therefore based on Granovetter (1973)’s scale, we divided the answers into three distinctive categories: Often (at least twice a week); Occasionally (more than once a year but less than twice a week); Rarely (once a year or less). All participants were asked to provide a scale for both the early and the later stages of their internationalization process.

Similarly, another explicit question was regarding the Density of their Networks (Hypothesis 2). All participants were asked to describe how interconnected the contacts in their web were. Again, a scale was used: Not Dense (people barely knew each other in your initial circle), Fairly Dense (Some knew each other), Relatively Dense (Most of them knew each other), or Extremely Dense (everyone knew everyone). Again, all participants were asked to provide a scale for both the early and the later stages of their internationalization process.

Implicit

Since it's a semi-structured interview, participants have a relative freedom to talk about their experience when going abroad. Therefore, in order to pinpoint the different variables that played a potential role in the internationalization process of each interviewee, we wrote down around 60 codes that detail all the factors that were mentioned (found in Appendix B).

After preparing the extensive list, we constructed a table (found in Appendix C) that demonstrates the amount of times each variable was mentioned in each interview. The table was a very crucial component of the analysis. It allowed us to understand the importance each variable played in each process abroad, but it also allowed for the comparison of the participants between each other (i.e. with respect to industries).

RESULTS

The results will be presented under the two same sections as the analysis above: explicitly answering the questions and implicitly through coding. Naturally, the second part will be the heaviest.

Explicit

Each participant was asked to provide a scale describing the Strength of their ties for the early and late stages of their process abroad. As a result, eight out of our ten participants showed a decrease in the amount of communication (whether it shifts from Often to Occasionally or from Occasionally to Rarely) when comparing both stages. The only participants that demonstrate the opposite effect (i.e. increase in the amount of communication with time), are participants #4 and #6. The table 2 that summarizes each interviewee's profile shows that these two participants are mainly Distributors and Manufacturers. Consequently, these findings can be justified by the need of these entrepreneurs and managers to increase their communication's frequency as their business grows. Reports, sales activities, etc., all become part of the daily interactions between the participants and their contacts.

Unfortunately, the second explicit question that measures the Density of the network does not seem to be very helpful. Only one interviewee (participant #8) explains that, with time, his network became sparser and he practically knew everyone in this new location, given the small size of the country he internationalized to. It created a web where most people knew each other or knew of each other.

The Coding part of this study will allow us to understand this dynamic further.

Implicit: Coding explained

Earlier in the paper, we detailed our need to codify the interviews to be able to obtain substantial results. After preparing the large table of codes (Appendix B) with respect to each participant, we decided to classify the interpretation of these codes into five main sections that respectively reflect the findings of the study: Market Study; Network; Firm's Driving Force; Personality of Entrepreneur/Manager; and Success of the Business.

Before providing details about each of the variables found under each of our five main sections (i.e. Market Study, Network, ...), we summarized them briefly in the following table. The table (and the detailed explanation that follows) is presented according to the importance of each variable. This means that the ones that appeared in the biggest numbers of interviews are Market Study, followed by Network, Personality and finally Firm's driving force. The last main section (Success) is one that is obviously in all of our interviews (since they are all successful entrepreneurs and managers). We nevertheless deemed necessary to include it as a variable to understand how each participant views his/her success internationally.

i. MARKET STUDY	Gathering Information	Opportunities Competitors Risks Legal Procedures GDP Culture
	Stability	Market stability Currency
	Proximity	
	Partner Haunting	
ii. NETWORK	Benefits	Potential Opportunities Introduction to Contacts Risk and uncertainty reduction Information Gathering
	Types of Network	Diaspora Events (networking, exhibitions...) Winning Awards Part of Global Network Associations
	Network Growth	Around business
iii. PERSONALITY OF ENTREPRENEUR/MANAGER	Traits	Social Risk-taker
	Personal Interaction	Being the first contact
iv. FIRM'S DRIVING FORCE	Resources	Team Time Money Knowledge
	Competitive Edge	Reputation Dividing tasks in different locations
v. SUCCESS OF THE BUSINESS	Exposure Revenue Generation	

Table 4. Summary of variables found through coding

i. Market Study

Market research is an important point that comes up in every single interview and is mentioned almost 100 times throughout all of them. It seems like no entrepreneur decides to go abroad without this step.

Our findings show that Market Study can be expressed in many ways when going abroad. This step is usually very important in the early stages of the process. Entrepreneurs or managers want to understand the market before deciding to internationalize. As such, they gather information about the potential environment, look at the stability, but also the proximity of this new location.

Depending on their industry and line of work, a market study can also be used to haunt for partners. In this section, we detail the results found from our interviews regarding market study and the variables associated with it.

Gathering information (mentioned in 7 out of the 10 interviews) shows to be the major purpose of Market study. *Opportunities* and *Competitors* are two variables that are always taken into account when collecting information:

- “First [you] study the market, the competition, interviewing people and customers to gather information” (participant #2)
- “It’s an opportunity that you have to take” (participant #5)
- “Many competitors [do that] but I don’t” (participant #3)

Other important things to know about your market are the *Risks* and *Legal procedures* (each in 4 out of 7 interviews):

- “The legal setup is an extremely important factor in going abroad” (participant #2)
- “Especially in unstable places where you might expect wars, where the government doesn’t help” (participant #10).

Looking at the *GDP* and the country’s *Culture* are also essential:

- “We check for GDP and salary per individual. Our products have to be worth less than 15% of his or her monthly income” (participant #10)
- “I remember I used to go out randomly to pubs and restaurants alone in Morocco to talk about random topics with people to understand the common stuff that happen in the business landscape in Morocco” (participant #2).

Stability is mentioned in 4 out of the ten interviews. But not all of them view it from the same perspective. Market stability is an important factor for three of the four participants:

- “We also look at the stability of the country and whether their currency is stable” (participant #10).

But only participant #5, who is based in Lebanon, sees instability as an opportunity (i.e. Iraq, Syria...) since he is used to doing business in an unpredictable place, giving him an edge:

- “In Lebanon, we have a very reputable name and are doing very well. So when someone wants to open a business, especially in places like Iraq, they won’t go look for potential business in Europe or Dubai but they will rather go to unstable countries too”.

Proximity of the new location is seen as an important factor for four out of the ten participants. The analysis of the codes shows that distributors do not deem this variable as a necessity, but it plays an important role for SMEs that deal with Operations and Logistics:

- “It’s just 30 minutes away” or “Imagine it’s just 2 hours away. You can go there and manage logistics in a heartbeat” (participant #5).

Partner Hunting seems to also be the reason three interviewees go for a market study. When going abroad, participants that actively hunt for partners (#4, #6, #10) in their market research are either in the retail or the distribution business, which explains the need for a successful partner:

- “We have a business development team. They search and look for distributors all over the world” (participant #6).

Analyzing our codes showed that market study plays a very important role in the decision to internationalize but also in the process itself. In the next section, we pay attention to Networks that seem to be very beneficial to entrepreneurs and managers who have internationalized in developing countries.

ii. Network

The concept of Network is mentioned in all of the interviews except one (#6). The latter’s business revolves around distribution and manufacturing, mainly dealing with distributors on a daily basis. His distributors are found through Market Study.

The main findings under this section show that benefits are associated with networks every time they are mentioned. We will therefore start by listing the most relevant advantages that managers

got from their respective networks and proceed in presenting different ways they acquired or formed their networks throughout their internationalization process.

Benefits of networks are revealed in nine interviews. These benefits appear to be in the earlier stages of the internationalization process through different ways.

The main benefit is spotting *Potential and Opportunities* (mentioned in 8 of 9 interviews) where entrepreneurs:

- “Hear from people [they] know that this or this place is doing well [while] others are not” (participant #5).

Networks also lead to the *Introduction to Contacts* (mentioned in 7 of 9 interviews):

- “Because you need a sponsor there, some people introduced me to a couple of locals” (participant #9).

But it also allows for *Risk and Uncertainty Reduction* (in 5 of 9 interviews):

- “At the beginning [we talked] often. You see, I wanted to make sure I was doing the right thing” (participant #2).

Information Gathering, mentioned in 5 of 9 interviews, not only appears when doing a Market Study (i.e. previous section (i)), but it is also a benefit that can be acquired from using networks

- “They started telling me I was crazy to pay this much [...] so I started adjusting accordingly” (participant #2);
- “At first, since he was my only contact when I landed in Singapore, he was the first one I go to for advice” (participant #7).

Another subsection that we can add here would be the **Type of Networks**. Our interviewees describe the way they acquire and form their networks when going abroad.

Out of the nine participants that mention networks, five of them mention the *Lebanese Diaspora* as a main go-to type of network, whether through connections or embassies. For example:

- “Our network within Lebanon and the big Lebanese diaspora abroad led us to our partners” (participant #4)
- “You can go to the embassy [...] they will guide you” (participant #5).

It seems like it’s not just a question of easy communication and similar mindset but trust and financial benefits as well (mentioned in 3 out of the 5 interviews). For example they say:

- “We speak the same language and we understand each other. We have the same mindset” (participant #5);
- “There are also financial perks associated with that [i.e. they will, by default, have bank accounts in Lebanon too]” (participant #4).

Another way to network is *through events* such as exhibitions, since they “play a really huge role in meeting people, [...] clients, and business opportunities” (participant #10). Interviewee #2 explains that “Most of the managers that try to expand abroad look for events, networking events [...] because most of the time you won’t have the luxury of knowing people”.

Interestingly, two of our participants had their own story to tell about their social networks:

Participant #3, who works in the event planning industry, saw her network grow around her through winning national and international *awards*: “more exposure [from] recognition [...] created a big network for me”.

Participant #7, in the cosmetic industry, is “part of YPO – Young Presidents’ Organization – which is a *global business network association* that introduce[d] [him] to tons of people with completely different backgrounds, cultures and mindsets”.

Another important point that we should add in this section is the way **Network growth** is happening with time. For eight out of our ten participants, it appears that each respective network tends to develop and grow around him/her. This variable can be associated with the Density of the network, which was not explicitly answered when asked about to our participants. It will help

us understand the way this characteristic (H3) evolves (which we will elaborate on in the Discussion part).

As such, it seems that networks provide a lot of benefits to entrepreneurs and managers wanting to internationalize. More importantly, our findings show that networks can be created and extended in many ways, distinctive for each person. Thus, it appears that the personality of the entrepreneur plays a significant role in his/her journey to success abroad, leading us to our next section.

iii. Personality of Entrepreneur/Manager

The study shows that half of our interviewees describe that ‘who they are’ plays an important role in their success. Entrepreneurs and managers deem that being Social (3 out of the 5 participants) and a Risk-taker (2 out of the 5 participants) is necessary when internationalizing.

- “I got repetitive requests to go work in Baghdad. Since I’m a risk-taker, I couldn’t say no.” (participant #3).

But the main finding that appears from analyzing the codes seems to be related to the frequency of contact. Results show that communication between the interviewees and their contacts is mentioned more than 70 times. This is a measure of the Strength of ties, which we defined earlier, to be related to the amount of communication.

A key variable is *Personal Interaction*, appearing in 6 out of the 10 interviews. Entrepreneurs insist that whether it is with a client, a partner or the location itself, they should always take the initiative of being the *first contact*:

- “The most important thing to do at first is personal contact. So I went there to meet with clients and be the first contact” (participant #3),
- “The key is that I went and had lunch with him, had dinner [...] I personally believe that personal contact is the most important thing whether I’m hiring people or clients” (participant #9),
- “Especially [...] since I’m in the service industry, personal contacts are very important” (participant #3).

As such, since we are interested in looking at how strength changes with time, we can realize that there is an emphasis on early communication. Maintaining strong links towards the later stages of the process does not seem to be relevant to our participants. This should mean that communication is stronger at the beginning, which touches on our second Hypothesis. This verifies the finding from our explicit questions, demonstrating that the strength of ties tends to decrease with time. We will elaborate on this point later on in the discussion.

In addition to all the above factors that incentivize SMEs to go abroad, (Market, Network, the Manager or Entrepreneur), our interviews show that there are also internal factors that are specific to each firm. They represent the assets or driving forces that push and encourage the internationalization.

iv. Firm's Driving Forces

The study shows that all SMEs have something that drives them to go abroad. The firms' internal capacities are highlighted in all interviews, and are repeated almost fifty times throughout. The main variable that seems to play a big role in the internationalization process is Resources, mentioned by all, whether it is through Team, Time, Knowledge or Money. But other factors that encourage SMEs to go abroad show to also include having a Competitive Edge, a Reputation as well as being able to separate tasks (i.e. Conceptualizing vs Implementing).

Analyzing the codes to pinpoint the use of **Resources** allows us to understand the driving forces behind a firm's internationalization.

Team seems to be one of the most important (in 8 of 10 interviews). Participant #2 explains:

“We studied the market and the economy, the competitive landscape of the market and realized that no one can add value to us by partnering with them. So we decided to go solo and have our own entity over there. This was optimal because we had enough resources in our previous region, [such as my team] and other teams, to go and plant the brand.” It's viewed as an asset: “People who have seen my events usually request the same team to be sent to them” (participant

#3). “We want to train them and educate them and motivate them. The international conference does a lot of work for us” (participant #6)

It appears that almost all participants consider having a team that reflects their vision and drive a key to success, or even success by itself. Participant #5 even describes “I measure my success by how much I can grow my team. The bigger it is, the more money you will end up making, the better your name will become. It’s all about the team. [...] Get me a thousand people that think like me, we can open all around the world”. This shows that the bigger the team, the bigger the network around the business. But when entrepreneurs and managers try shaping their team’s vision and way of thinking according to theirs, it is no longer a business network but it creates a social network. Therefore, it is relevant for us to distinguish between the ties that are being born and nurtured around the work itself (business network); from those that are developing interpersonally (social network). Nevertheless, participant #5 also refers to internationalizing as a way to mitigate risks and save personnel: “Just like [the war] in 2006, [...] we decided to spread our risk so that is not confined to just one country, so we can preserve personnel”

Time (in 6 of 10 interviews) also seems to be an important Resource: it is either viewed as an asset that the firm has “I had to invest time to get to know people here” (participant #2); or as a precious resource that should not be wasted: “There are two choices. Either don’t lose anything financial, and take your time to do your market study and of every details, [...] [which] takes a lot of time. And it’s up to you to choose: Time or Money? For me, it is always going to be time. Time is the most precious thing ever and I wouldn’t give it up. So we took the decision to go, even if we lose a bit, we will learn along the way. But it’s better than losing time.” (participant #5).

The previous quote leads us to acknowledge another significant Resource: *Money* (in 3 of 10 interviews) “We invested a lot of time and money in phase number 1, which is gathering information” (participant #2); or “Imagine the marketing budget for a container is \$30,000. I told them I want advertisement worth \$100,000” (participant #10).

The final relevant Resource that appears in half our interviews is *Knowledge*: “No one can add value to us by partnering with them” (participant #2), “In our line of work, even if we prepare a

design for something [a building], even if doesn't go through, we keep it because we can use it somewhere else" (participant #9).

Looking at the above findings, it seems that the team is very important in deciding if a firm has the capacity to go to a specific location. Entrepreneurs seem to invest the most time and money in the first stage of the process, more specifically to gather information about a market.

Another driving force of internationalization that appears throughout the interviews is having a **Competitive Edge** (in 8 of 10 interviews). This edge is manifested differently depending on the industries of the SMEs. *Reputation* appears to be the main attracter of opportunities abroad. Six of our ten interviewees believe that the name they have built for themselves allows them to be recognized and wanted internationally: "We were the only specialized burger joint and it was probably the best in Lebanon, even in the Middle East. [...] People started knowing about us, not just in Lebanon, but everyone who came to visit also found out about us" (participant #1); "We have become a name in the market, which is equal to quality and integrity and we are basically the oldest company in the industry" (participant #7); "In Lebanon we have a very reputable name and are doing very well" (participant #5); "The services we offer, as architects, are visible to all. So if you like what you see, you're going to want to talk to me. [...] My structures speak for me" (participant #8). Hence, a firm's reputation plays an important role in terms of providing a competitive edge to SMEs. But a good reputation can also stem from the people you are associated with. As such, if an entrepreneur or manager is part of a network that is composed of important people with a reputable name, their association will allow for an easier access to information, contacts or other benefits. Therefore the more you are associated with a respectable network, the easier and the faster the internationalization process will be (i.e. YPO).

Interestingly, the results also show that those that are able to **divide the tasks** of their business (i.e. design in HQ versus implementation in location) tend to go abroad easier.

"So the first stage of an event is the concept and that's something I did from Lebanon [because this is our area of strength]. Second stage is implementing the concept and of course having a

flawless operation” (participant #3). It seems to be the case for the online platform, the event planning firm, the construction firm, but also the SMEs that are in retail tend to choose locations from which Operations can be managed rapidly: “Usually when you go abroad, because it’s a retail industry, one of the hardest things is Operations”(participant #5). Therefore being able to accomplish parts of the work in the place of origin of the SMEs, allows them for easier internationalization. We can nevertheless argue that this is industry specific since it’s not applicable to all; but it is also context specific: the new location could provide entrepreneurs with cheaper solutions, which would perhaps make them reorganize the way they do business.

After examining both the internal and external factors that push SMEs to internationalize into developing countries, we look at what they view as success abroad to get a clearer understanding of their process.

v. Success of the business

Since this paper only studies successful ventures in developing countries, we thought it would be relevant for us to understand what each entrepreneur or manager views as success when going abroad.

Examining the codes shows that, when asked about their success stories, participants use different stages to describe them. The reference to difference stages comes in the form of “beginning” versus “now” or “later”. These differences are mentioned more than 60 times throughout the interviews. This means that there is an alteration between the ways things are done at the start versus at the end. As such, dividing the process into two stages seemed to be very helpful to understand the way entrepreneurs and managers deal with networks and other strategic approaches to succeed.

Each participant was asked what he/she deemed to be international success.

Some say “Revenue is very important because you want to keep on moving and building and growing” (participant #9). Others say it is exposure since “There’s a brand image that you need

to maintain” (participant #4). Participant #3 elaborates by stating, “The more I expand the more I am successful. The more events, the merrier. I’d rather have 30 small events than a big one. Specially because I’m in a service industry, and in this specific industry it’s from ear to ear, you know? So I would love to be everywhere, even if there’s zero budget.”

Nevertheless, half our participants believe that both *Exposure* and *Revenue Generation* are crucial when going abroad: “It’s more revenue related but also exposure, meaning from ‘ear to mouth’, and [that’s how] you start being recognized” (participant #8); “We want to have the maximum exposure to be able to have a bigger income [...] both of these are complementary” (participant #4).

In the next part of this paper, we will determine how success of the business can be linked to the stages of the internationalization process, but more importantly to Social Networks.

DISCUSSION

The purpose of this study is to understand the role that Social Networks play in the internationalization of SMEs going to developing countries. We proposed four hypotheses that we tried to validate. Our first one refers to the relevance of Social Networks that exceeds the relevance of Market Study when going to a developing country (H1). Our next two hypotheses propose that Strength of ties (H2) and Density (H3) are more important at the beginning of the process. The last hypothesis implies that combining the two previous characteristics would increase the benefits or advantages (H4) that networks can provide.

In order to verify our assumptions, we decided to conduct interviews with entrepreneurs and managers of successful SMEs that went to developing countries. Reaching our contacts was a real challenge, but we ended up with a diverse sample of ten, where each interviewee pertains to an industry, though nevertheless all being Lebanese.

Our results start by highlighting the significance of Market Study: none of our participants go abroad without gathering information about the opportunities, the competition, the population's needs or culture. According to the Uppsala model (Johanson & Vahlne, 2009), SMEs venturing into a developing country suffer from the liability of foreignness. As new comers, they will need to understand the dynamics of this new location essentially at the beginning of the process, meaning at the earlier stages of internationalization. Having a stable market and currency is a very valuable characteristic required, except for the firms that are experienced in unstable environments and see it as an advantage. As such, Market study is very important in the early stages of the internationalization process. But it seems that SMEs look at additional specific characteristics of the market depending on their industry. For those who deal with Logistics and Operations, proximity is an important factor but for those that are in the Distribution and Manufacturing sector, Partner Haunting is a major point in their market study.

Additionally, all of our participants used their Social Network in a way or another when internationalizing, except for one that haunts for distributors through Market Research. They all associate networks with benefits, whether through spotting opportunities, being introduced to contacts, gathering information or limiting uncertainties in the foreign market. Looking back at the Network theory of internationalization (Sasi & Arenius, 2008), it seems that our findings validate the advantages that stem from relationships. The benefits acquired from the networks appear to play a bigger role at the beginning, especially when the SME is still in its early stages and requires the biggest amount of support. We also notice that there is a common variable that keeps being repeated in most of our interviews: information gathering. It is one of the main factors that push for market study but is also a main advantage that can be obtained through networks. As such, we can argue that using your network in the market study phase will provide entrepreneurs with faster and cheaper results. Consequently, having faster and cheaper results means that Time and Money are being saved. Now looking back at the table 3 summarizing our findings, we notice that these two variables are, indeed, two of the main resources that drive an SME to internationalize. Thus, we can say that, a way to optimize the use of your social network would be by using it to gather information in the earlier stages of the process in order to maximize the benefits and get a successful kick-start.

Participants invest more in the earlier phase of their process in order to understand the market and its environment. As such, using your network to gather information will save entrepreneurs and managers both time and money.

The results of codifying transcripts show that networks are mainly used at the early stages of the process. They either come in play before a market study, just to “pinpoint” potential; or more importantly within the Market Research phase itself. Interviewees used their network to gather information about the new place, and grew their social networks accordingly. None of our participants solely rely on “Who they know” as a mean to succeed but rather exploit them when studying their new market. Larson & Starr (1993) define “Network Culling” as the screening of one’s ties to see which ones are useful for your business. As a matter of fact, one of our participants (in the online platform industry) explicitly explains the latter. He believes that every project should be divided into 3 phases: the first is market study and data collection, second is submitting a business plan and going back to the market to validate it, and finally the execution of the plan. The decision that should come out of the first phase is whether to internationalize or not. This decision should depend on 3 parts of the market: legal, resource and commercial. He argues that you should use your network in the first phase to gather information about the 3 parts. Ideally, you should have ties that operate in each of the 3 parts. If not, this is where you go gather your own information by personally taking the initiative to fill in the blanks that your network could not. He goes beyond that by explaining that if your personal contact fits under the legal part, then the frequency of interaction should decrease with time between you (the entrepreneur) and your contact, since the biggest role it will be playing is at the beginning when still setting up the business abroad. But if your link fits under the commercial part, the frequency of contact is supposed to increase if you want to keep expanding your business. It is only after you study the market that you know what you need in that new place. “You might have a canon but only need a rifle” (participant #2). So it is very important to understand the forces you need before proceeding. As such, when looking at our first hypothesis (H1), stating that Social Networks are more relevant than Market Study when internationalizing into a developing country, we can conclude that our findings do not support it: even through social networks are highly important in succeeding, they do not overcome the need for a market study.

The above arguments can be linked to a section of our results, which is the Firm's Driving Forces. When paying a close look at our code table (Appendix C), we find that variables associated with these driving forces (i.e. resources...) are ones that are very much repeated in all our interviews. These results are very reasonable as it is crucial for a firm to be aware of what it has before deciding to go abroad. Knowing what resources it has, as well as its competitive edge over others, should be the prerequisite of any action. Naturally, the most relevant resources to succeed depend on each firm, but also each industry and context. As such, this paper acknowledges that resources are unique to each firm and can be utilized in different manners, but chooses not to elaborate on these differences. Generally speaking, enterprises' way of doing things very much varies according to the assets or advantages it has. Factors such as entry mode will highly be affected by the internal capacity of a firm. It plays a direct effect on the internationalization process but also on the use of networks. Reaching out to specific contacts can perhaps highly be correlated to what you need as a firm or what you are missing. A deeper study regarding the effect of internal abilities on the use of social networks could be highly beneficial for the future.

Furthermore, our data shows that you can establish or develop a network in many ways.

The use of the Lebanese Diaspora as a Social Network is a very important variable in our study (keeping in mind that all our participants are Lebanese). It can be manifested through the people you know or simply by going to embassies for assistance. In their paper on *Entrepreneurship through Social Networks*, Aldrich and Zimmer (1986) state that "Immigration, especially chain immigration, may establish densely connected communities of co-ethnics who cooperate when confronted with host hostility". This could explain why so many of our interviewees identify with people from the same origin; associating culture, mindset, trust, and even financial benefits with them. Consequently, we can say that this Diaspora is a very sparse network composed of players that are not mostly connected (touching on our Hypothesis 3 on Density). Now looking at this Diaspora with respect to time, we can say that regardless of whether the entrepreneur is in the early or late stages of the internationalization, a Diaspora will remain, by definition, a sparse network, unless the SME itself started in the place of origin. As such, by opening in Lebanon first, you can create a dense network at the beginning that will

dissipate into a sparser network when going abroad. But generally, our findings showed that this is not usually the case: whether entrepreneurs are starting from their place of origin or not, the Diaspora (or embassies) can be accessible and utilized from anywhere in the world.

In addition, it seems that entrepreneurs don't always have a network to begin with, but can create their own (or at least expand it), by going to events such as exhibitions, for networking purposes. These events are very helpful in replacing preliminary Social Networks since they allow participants to meet people, clients, suppliers, etc... to grow their circle. As a matter of fact, 80% of our interviewees saw their network grow around them and their businesses, putting them at the middle of it. This means that, when picturing a web of connections, we can place our manager in a central position. Hite & Hesterly (2001) look at the evolution of companies' networks and describe how the firm is at the center of the network as the focal actor (Powell & Smith-Dowerr, 1994; Wasserman & Faust, 1994), confirming our findings. Deepening our understanding, we could link the latter to the importance of having an incredible team as a driving force for SMEs (referring to Team as a main variable in table 3). Since entrepreneurs see their network grow around theirs, it would be very relevant for them to have their internal network reflect their success. As such, interviewees try shaping their team according to their mindset and vision, which leads to creating a very dense internal web, that can be considered to be a form of social network instead of purely and entirely a business one. This is an interesting finding that should perhaps be studied further in the literature.

Networks can also be created from your exposure. Winning national and international awards is one way to expand your network around you. Though this is not a case that happens often, one that happens more is being part of a global elite network (i.e. YPO – Young Presidents' Organization). It allows its members access to a huge social network all around the world, where they can benefit from an abundant amount of resources such as information, contacts or even financial advantages... Our results indicate that most of our participants find exposure to be an important factor in their success. As such, to be able to get the most exposure possible, entrepreneurs should look to widen their circle in order to reach a bigger audience. Looking back at the characteristics of the network from the theory development, we can say that density should decrease with time if we want more exposure. It will lead to more opportunities,

and the introduction to new heterogeneous ideas that were not at arms' length. The less the members are interconnected, the more access to new information. Therefore, if exposure is mostly seen as success, then the best way to achieve that is by managing your social network in a manner that would optimize its benefits, making it a sparser network in the later phases of the internationalization.

The last three paragraphs look at the different ways one can create or expand a network. Whether through a diaspora, events or others, it seems like most members of the web are not connected. This implies that regardless of what stage of internationalization an SME is at, the network does not seem to be dense. Linking that to the preliminary explicit questions asked to our participants about their change in network density, we do not have enough evidence to support the fact that it should be denser at the beginning than towards the end. Therefore our third hypothesis (H3) is only partially supported.

When explicitly asked about how the Strength of their ties (H2) changed with time, most of our participants verify that it decreases. This is later on validated through coding, which emphasize on the need for our entrepreneurs to be the first contact (whether with a location, a client or a supplier), implying that stronger communication is required at the beginning. As a matter of fact, Wiedersheim-Paul et al. (1978) explain in their paper entitled *The First Step in Internationalization* that "direct personal contact" is one of the most effective ways to exchange information, especially when faced with uncertainty. Linking that to the initial literature review, we can argue that the relevance of being the First Contact depends on the context. As such, being the first contact in China for instance will play a major role in developing a social network because of all the informalities in the country. Therefore having strong network ties at the earlier stages will provide managers with access to many advantages such as information and trust. As opposed to that, if analyzing how this would play out in Canada, we can say that being the first contact does not really play an important role: the high formality in the way of doing business implies that whoever is the first contact would not truly matter.

We can conclude that, when internationalizing into developing countries, an entrepreneur or manager's social network ties should be stronger at the beginning, supporting our Hypothesis 2.

Looking at what we just discussed, we now know that our second hypothesis, stating that Strength of ties decreases with time, is supported; but the third one, stating that Density decreases as well, is only partially supported. Having strong network ties at the beginning will undoubtedly allow for greater access to information, contacts, and other benefits. But it seems that our findings show that, even at the earlier stages of the internationalization process, we have a low density. This slightly contradicts the existent theory that demonstrates how a network should be denser and stronger at the beginning than at the end. Our results nevertheless indicate that a lot of benefits can be acquiring even if the network is sparse at the beginning. More interestingly, it suggests that, by default, we are all part of huge social networks that are very dispersed in the world. But most of the information required for internationalization could be gathered from the Diaspora or through embassies' assistance. As such, our findings show that even though the configuration of our network in the later stages of the process matches with the theory, the early stages do not. We can therefore say that Hypothesis 4 is only partially supported.

This study's objective was to understand the role that social networks play in the internationalization process of SMEs, and how relevant they are in developing countries. Our study has found that even though social networks, per se, provide an extended list of advantages, they should be used wisely within the market study phase. However, the main interest of this paper was to study the change in the characteristics of social networks throughout the stages of the process. Special attention was given to Strength of ties and Density of the network. We proposed that their intensity should decrease with time. Nevertheless, we were able to solely support that Strength decreases throughout the stages of internationalization. We were not able to fully support that density decreases as well, but our findings interestingly indicate that having a sparse network at the beginning can still provide benefits. In addition, we also found that not having a social network at all can still be replaced by some alternatives, and be created along the way.

CONCLUSION

For years, the use and characteristics of social networks have been given a lot of attention. This paper attempts to demonstrate the importance of these networks in the internationalization process of SMEs going to developing countries. It offers a longitudinal approach that describes how they should be utilized and managed with time.

This study highly contributes in filling a literature gap concerning social networks with respect to time in the internationalization process. First, it gives a detailed analysis regarding the importance of social networks in developing and emerging countries. Second, it studies two main components of networks and evaluates them with respect to time. It proposes a framework that will optimize the benefits provided by social ties by emphasizing on the change of characteristics throughout the process. Third, it suggests interesting results that do not fully support the existing literature, which could become the essence of various new studies.

As for the practical implications, this paper gives entrepreneurs insights about the advantages of social networks. But more importantly, it explains the significance of utilizing their network during their market research phase, in order to optimize the outcomes and advantages. Furthermore, it demonstrates that networks can be created in many ways, and do not necessarily have to exist before the internationalization process in order to succeed. Entrepreneurs should filter or scout for people they know in order to fill in the blanks in their market research phase: it will save them both money and time. The personality of the entrepreneur also plays an important role in succeeding, especially at the beginning: being the first contact seems to be very helpful in building or expanding a network when going to developing countries. In addition, this paper provides empirical evidence demonstrating that by decreasing the strength of ties with time, one can increase his/her benefits in the later stages of the internationalization. Hanging on to the same initial relationships that supported the firm at the beginning will reduce the chances of success on the long run. In other words, they need to let go of their familiar entourage and explore new things in the market by getting to know new people as time goes by.

LIMITATIONS AND FUTURE DIRECTIONS

Although this paper offers very significant insights on the importance of social networks and the change in its characteristics with respect to the stages of internationalization, it is not free of limitations. First, given the time frame and the size of the study, our sample of participants was not very large. Though it was very diverse in terms of industries, it wasn't in country specific factors such as context: all our participants are originally Lebanese. The latter allowed for some very interesting findings but remains a limitation to the generalization of the results to developing countries. In addition, all of our participants are men, but only one is a woman. Greve and Salaff (2003) suggest that female entrepreneurs have a larger social network, which perhaps might have altered our findings.

In addition, an important limitation of this study could be the high correlation between Market Study and Social Networks. This study considers them as two separate independent variables. Nevertheless, it is highly possible that many of our interviewees were talking about market study per se, but were practically referring to using their social networks as a mean to collect data about the environment. This is mainly true in contexts such as developing countries where most of the required data could be acquired through informal channels.

We encourage future researchers to further study the subject of internationalization of SMEs. First, we suggest that the study be done with a larger sample that includes an equal proportion of men and women. Second, it would be interesting to examine different cultures in order to compare the dynamics and pinpoint similarities. Third, based on the figure presented in the theory development section of this paper, it would be interesting to look at the curvature of this line (concave, convex...): how does the strength of social network actually vary through time? Naturally, we also invite future researchers to look at how density changes as well: even though the literature suggests that it is denser at the beginning, we found that a network could have a low density at the beginning and still provide major benefits.

In addition, an interesting question could be: When does a network become too sparse?

Finally, according to Peng and Luo (2000), managerial ties differ with respect to managerial types, size, business sectors and industry growth. It would be fruitful to know how density of

networks and strength of ties differ regarding to these aspects. Zhang et al. (2008) explain that the “ability to interact with others” plays a big role in the use of networks. They view the utilization of networks as “a choice”. Perhaps this is where the personality of the entrepreneur would play an even bigger role than what our findings suggest.

References

- Aldrich, H., Zimmer, C., (1986). Entrepreneurship through social networks. In: Sexton, D.L., Smilor, R.W. (Eds.), *The Art and Science of Entrepreneurship*, 3–23.
- Arregle, J. L., Hébert L., Beamish, P. (2006). Mode of international entry: the advantages of multi-level methods. *Management International Review*, 46(5): 597–618
- Brouthers, K. (2002). Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies*, 33(1): 203–221
- Buckley, P. J. (2002). Is the international business research agenda running out of steam? *Journal of International Business Studies*, 33(2): 365.
- Burt, R. S. (2004). Structural Holes and Good Ideas. *American Journal of Sociology*, 110(2): 349-399.
- Cannavale, C., & Laurenza, E. (2017). The International Entry Choices Of Italian SMEs In Emerging Markets: A Case-Based Analysis. *Ekonomika*, 96(3): 102-125.
- Chiao, Y-C.; Yang, K-P. & Yu. C-M. J. (2006). Performance, Internationalization, and Firm-specific Advantages of SMEs in a Newly-Industrialized Economy. *Small Business Economics*, 26: 475–492.
- Das, M. (1994). Successful and unsuccessful exporters from developing countries: some preliminary findings. *European Journal of Marketing*, 28(12): 19-33.
- Dyer, J. H. & Chu, W. (2003). The role of trustworthiness in reducing transaction costs and improving performance: empirical evidence from the United States, Japan and Korea. *Organization Science*, 14(1): 57.
- Freeman, S.; Hutchings, K.; Lazaris, M. & Zyngier, S. (2010). A model of rapid knowledge development: The smaller born-global firm. *International Business Review*, 19: 70-84.
- Granovetter M. S. (1973). The strength of weak ties. *American Journal of Sociology*, 78(6): 1360-1380.

Greve, A. & Salaff, J. (2003). Social networks and entrepreneurship. *Entrepreneurship Theory and Practice*, 28(1): 1-22.

Hill, T., & Westbrook, R. (1997). SWOT analysis: it's time for a product recall. *Long range planning*, 30(1): p. 46–52.

Hilmersson, M. (2014). Small and medium-sized enterprise internationalisation strategy and performance in times of market turbulence. *International Small Business Journal*, 32(4): 386–400.

Hite, J. M., & Hesterly, W. S. (2001). The evolution of firm networks: From emergence to early growth of the firm. *Strategic management journal*, 22(3): 275-286.

Hoang, H. & Antoncic, B. (2003). Network-based research in entrepreneurship: A critical review. *Journal of Business Venturing*, 18: 165–187.

Ibeh, K., & Kasem, L. (2011). The network perspective and the internationalization of small and medium sized software firms from Syria. *Industrial Marketing Management*, 40(3): 358-367.

Jane Hewerdine, L., Rumyantseva, M., & Welch, C. (2014). Resource scavenging: Another dimension of the internationalisation pattern of high-tech SMEs. *International Marketing Review*, 31(3): 237-258.

Johanson, J. & Vahlne, J.E. (1977). The internationalization process of the firm – A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1): 23–32.

Johanson, J. & Vahlne, J-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40: 1411–1431.

Johanson, J. & Wiedersheim-Paul, F. (1975). The internationalization of the firm – four Swedish cases. *Journal of Management Studies*, 12(3): 305-322.

Jones, C., Hesterly, W.S., Borgatti, S.P., (1997). A general theory of network governance: exchange conditions and social mechanisms. *Academy of Management Review*. 22 (4): 911–945.

Kazanjian, R. K. (1988). Relation of dominant problems to stages of growth in technology-

based new ventures. *Academy of Management Journal*, 31(2): 257-279.

Kelliher, F., & Leana Reinl, L. (2009). A resource-based view of micro-firm management practice. *Journal of Small Business and Enterprise Development*, 16(3): 521-532.

Kimberly, I. R. (1980). The life cycle analogy and the study of organizations: Introduction. In J. R. Kimberly & R. H. Miles (Eds.), *The organizational life cycle*: 437-457.

Kiss, A. N. & Danis, W. M. (2010). Social networks and speed of new venture internationalization during institutional transition: A conceptual model. *Journal of International Entrepreneurship*, 8: 273–287

Larson, A., Starr, J.A., (1993). A network model of organization formation. *Entrepreneurship: Theory and Practice*, 17 (2): 5–15.

Mahmood, S. (2008). Corporate governance and business ethics for SMEs in developing countries: Challenges and way forward. In *International Society of Business, Economics, and Ethics World Congress*, July: 15-18.

Marsden, P. V. (1990). Network Data and Measurement . *Annual Review of Sociology*, 16: 435-463.

Masango, S. & Marinova, S. (2014). Knowledge-based network ties in early rapidly internationalising small firms: a missing link? *International Entrepreneurship Management Journal*, 10: 471–486

Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. (2009). Institutions, resources, and entry strategies in emerging economies. *Strategic management journal*, 30(1): 61–80.

Musteen, M., Datta, D. K. & Butts, M. M. (2014). Do International Networks and Foreign Market Knowledge Facilitate SME Internationalization? Evidence From the Czech Republic. *Entrepreneurship Theory and Practice*, 38(4): 749-774.

Nicole E Coviello, N. E. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, 37: 713–731.

Peng, M. W. & Luo, Y. (2000). Managerial ties and firm performance in a transition economy: the nature of a micro-macro link. *Academy of Management Journal*, 43(3): 486-501.

- Pinho, J. C., & Prange, C. (2016). The effect of social networks and dynamic internationalization capabilities on international performance. *Journal of World Business*, 51(3): 391-403.
- Powell WW, Smith-Doerr L. (1994). Networks and economic life. *Handbook of Economic Sociology*, Smelser NJ, Swedberg R (eds.). Princeton University Press: Princeton, NJ; 368-402.
- Sasi, V. & Arenius, P. (2008). International new ventures and social networks: Advantage or liability? *European Management Journal*, 26: 400-411.
- Singh, R. P.; Hybels, R. C. & Hills, G. E. (2000). Examining the role of social network size and structural holes. *New England Journal of Entrepreneurship*, 3(2): 47.
- Soulsby, A. & Clark, E. (1996). The emergence of post-communist management in the Czech-Republic. *Organization Studies*, 17(2): 227-247.
- Tan, A., Brewer, P., & Liesch, P. (2018). Rigidity in SME export commencement decisions. *International Business Review*, 27(1): 46-55.
- Tang, Y. K. (2006). Managing the Strengths of Ties for Internationalization: Lessons from Four Rapidly Internationalized Chinese SMEs. *Journal of Asia Business Studies*, 54-63
- Tung, R. L., & Aycan, Z. (2008). Key success factors and indigenous management practices in SMEs in emerging economies. *Journal of World Business*.
- Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, 42(1): 35.
- Wasserman, S., & Faust, K. (1994). *Social network analysis: Methods and applications*, Vol. 8. Cambridge university press.
- Wiedersheim-Paul, F., Olson, H. C., & Welch, L. S. (1978). Pre-export activity: The first step in internationalization. *Journal of International Business Studies*, 9(1): 47-58.
- Zhang, J., Souitaris, V., Soh, P. H., & Wong, P. K. (2008). A contingent model of network utilization in early financing of technology ventures. *Entrepreneurship Theory and Practice*, 32(4): 593-613.

Appendices

Appendix A: Interview Questions

Before we start, I would like you to understand that you have the right to end this interview at any time. The purpose of this study is to examine the importance of social ties in the process of internationalization and how their effective use can lead to the success of the firm. Since this research field has not been thoroughly studied in the past, your participation will provide fruitful input on how social networks can play an important role in the success of a firm going abroad. This interview will be audiotaped and later on transcribed for the purpose of data analysis. Your contribution to the research will be highly beneficial in helping and guiding future managers and entrepreneurs that seek to internationalize abroad. Please note that your name and identity will be confidential in all the information that you are providing in this interview and will not be disclosed in any part of this research. The collected data will remain anonymous and will only be accessible by myself. This study has been approved by the Research Ethics Board of Concordia University. The knowledge obtained by it will have great practical value that will guide professionals with an easier roadmap to success.

Some definitions before we start:

Social network: it's a web of contacts composed of your friends and family. Social ties are different from business ties that you encounter through work.

Internationalization process: process through which you decided to do business abroad. It starts from early on, from conceptualization, and goes all the way to when the firm starts generating revenue abroad, and can be considered to have stabilized international operation.

- What type of internationalization do you have now? (export, alliance, joint venture...)
- How many countries are you working with? Please name them and explain since when you have been working in each one of them. Which one is the most important in terms of revenue and sales? How long have you been operating there?
- How about the second one?

[Referring to the first location in question]:

- Can you talk to me about how you decided to internationalize?
 - What made you choose this place?
 - Did you have contacts that assisted in the process? How many?

- If not, what made you decide that there are good opportunities over there?
- How close were you with your initial contacts at the beginning?
 - How frequently were you in contact?
 - Often: at least twice a week
 - Occasionally: more than once a year but less than twice a week
 - Rarely: once a year or less
- Did you trust them? What kind of “advantages did you get from them”
 - Information? Opportunities? Contacts?
- What kind of position did or do your contacts have in that country? Meaning what role do they play in the society (governmental/ political/ industrial/ manufacturer...)
- Did these contacts know each other? How many of them were connected?
- How connected were your contacts with each other (and you of course)?
 - There’s a term that we use to describe how interconnected a network of people is, we call it Density. So if you would want to tell me how dense your network was, would you say it was Not Dense (people barely knew each other in your initial circle), Fairly Dense (Some knew each other), Relatively Dense (Most of them knew each other), or Extremely Dense (everyone knew everyone).
Picture this as a web with links. The more there are links and lines in the web, the denser a network is.
- How did the structure of this web affect or facilitate the process for your? Was it better for you at the beginning that most of you were part of the same web? That most of you were interconnected? Or not? Please explain.
- Today, are you still in contact with your early ties?
 - How frequently are you in contact?
 - Often: at least twice a week
 - Occasionally: more than once a year but less than twice a week
 - Rarely: once a year or less
- Did other opportunities come from your early contacts later in the process?
- Today, do you still need those initial contacts to grow your international operations?
- To whom did your initial contacts introduce you? When did they introduce you to them?
- Did other opportunities come up from your newer contacts?
- How big would you consider your network to be compared to the beginning of the process? (Number of people you know now compared to the amount you knew before).
- How frequently are you in touch with your new ties?
 - Often: at least twice a week
 - Occasionally: more than once a year but less than twice a week
 - Rarely: once a year or less

- What about the density of your network today? Using the same criteria explained above, how dense do believe it is today? (How interconnected are all your contacts?)

[If the interviewee has more than one prime location, all of the above questions will be asked again to understand the process for the second most important location]

- How do you assess success in this international place?
- Do you think your success rate has changed throughout the years? Is it faster than at the beginning?
- Do you think your social ties played a role in that?

- Can you say that some of your social ties turned into business ties with time?

- To sum up, looking at your social network through the entire process, how do you think it changed in strength (frequency of contact)?
What about in density? (How connected all of the contacts are)

- Do you think that this change throughout the stages of the process led to an increased performance? (compared to, for instance, sticking with your initial contacts for the long-run)

Thank you so much for your time. Please note that if you feel the need to add anything or provide further input on the matter, do not hesitate to contact me.

When available, would you like a copy of the interview transcript?

Would you be interested in the study results?

Also, would you be willing to be contacted again in the future for any follow-up interview?

Appendix B: Code numbers

Each variable in this study was assigned a number (code) that allowed us to identify where each was used in our interviews. The different sections (A, B, C...) in this appendix are not representative of the sections discussed in our study's results. They only help us visualize and understand the dynamics during the internationalization process.

A - RELATIONSHIPS

- 1* Personal
- 2* Business

B - NETWORK 5

Benefits

- 6* Introduction to Contacts
- 7* Potential/ Opportunities
- 8* Risk & Uncertainty Reduction
- 17* Information Gathering

Diaspora 10

- 11* Mindset
- 12* Language
- 13* Trust
- 14* Financial Benefits

Network created from International Recognition (Awards) 15

Network from being part of Global Network 16

Network through Events (exhibitions, networking...) 18

C - MARKET STUDY 21

- | | |
|-----------------------------|------------------------------|
| <i>22</i> Market Saturation | <i>27</i> Opportunities |
| <i>23</i> Proximity | <i>28</i> Gather information |
| <i>24</i> Culture | <i>28.5</i> Partners Hunting |
| <i>24.5</i> Risk | <i>29</i> Legal |
| <i>25</i> GDP | <i>29.5</i> Competition |
| <i>25.5</i> Size, small | |
| <i>26</i> Stability | |

D – FIRM DRIVING FORCE 62

Resources 30

- 31 Knowledge
- 33 Team
- 34 Money
- 39 Time

Competitive Edge 36

- 35 Reputation
- 37 Conceptualization versus Implementation

Business Maturity 38

E – SUCCESS

- 41 Exposure
- 42 Revenue Generation
- 43 Both
- 45 Trial & Error

F – ENTREPRENEUR/ MANAGER PERSONALITY 65

Personality 50

- 51 Social
- 52 Risk-taker

Personal interaction 55
(with clients, partners, location...)

Center of Network 56
(grows around him/her and respective businesses)

G – OTHER VARIABLES

Frequency of contact 60
(i.e. “talked”, “saw”, relationships, friends, have dinner...)

Stages of the process 61
(i.e. before versus now/ later)

Appendix C: Code Table

		CODES																										
		1	2	5	6	7	8	17	10	11	12	13	14	15	16	18	56	21	22	23	24	24.5	25	25.5	26	27		
P A R T I C I P A N T S	1	2	4	1		1			2			1	1				1	6		1	2						1	
	2	1	4	12	3	2	1	6									1	1	17	2		4					1	
	3		4	5	1	4								2			1	5	1					1			1	
	4		5	2			2		2	1			1				2	8		1					1		1	
	5	6	3	9	1	4	2	2	3	1	1	1					2	19	1	3	1	1			1	5	4	
	6		4														1	5						1				
	7	1	2	4	1	1	1	1							2	1		14			1	1	1	1	1	1	3	
	8	2	2	8	5	3												1	5				1	1			1	
	9	1	3	4	2	2		1	1										2		1							
	10	1	2	7	2	3	1	1	8			1	5	2			3		16	1		1	2	1		2	1	
Sum		14	33	52	15	20	7	11	16	2	2	7	4	2	2	5	9	97	5	6	7	6	4	4	9	12		
# of participants		7	10	9	7	8	5	5	5	2	2	3	3	1	1	3	7	10	4	4	4	4	4	4	4	7		

28	28.5	29	29.5	62	30	31	33	34	39	35	36	37	38	40	41	42	43	45	61	65	50	51	52	60	55
1			1	4	1		1		1	2	3					2			4	1				7	1
6		3	1	13	7	3	1	3	4		4	2	2					4	13	10	1	1		7	9
1			1	4	2	1	1		2	3	2	2			2				5	7	3		2	7	4
	3	3		4	1					3	2		1		2		2		4					5	
1		1	1	8	7	1	5	1	2	1	1	5							7					17	
1	3			5	5	3	2					1				1	1		3					5	
2		2	2	2	1		1			1	1	1		1			1		9	4	2	1	1	6	2
1			1	2	1						1					1			4	1				6	1
		1		3	3	1	2		1			1			2		1		4	3	1	1		5	2
2	1	3	2	4	3		1	2	1	1	1						1	1	9	1	1		7		
15	7	13	9	49	31	9	14	6	11	11	15	12	3	1	6	4	6	5	62	27	8	3	3	72	19
8	3	6	7	10	10	5	8	3	6	6	8	6	2	1	3	3	5	2	10	7	5	3	2	10	6

Table 5. Code appearances with respect to each participant