Antecedents of internationalisation of Indigenous-owned SMEs in South Africa

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ABSTRACT

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Background: There is an increasing interest in indigenous entrepreneurship as a tool that can be used to address the triple challenge of poverty, inequality and unemployment. Indigenous entrepreneurs want to participate in the new global economy, but literature has found that Indigenous entrepreneurs are profoundly affected by their traditional sociocultural context which may facilitate or hinder their success in the new global economy. This study investigates the influence of factors in this traditional sociocultural context in the internationalisation of Indigenous entrepreneurs.

Aim: The aim of the study was to investigate and explain the influence of three dependent variables: locality, resource capability, and cultural capital on an independent variable: internationalisation of SMEs in South Africa in the context of Indigenous entrepreneurs.

Setting: The study took place in South Africa

Methods: Using an online survey, a cross-sectional quantitative study was adopted on a sample of 72 Indigenous-owned SMEs to test hypothesised links between locality, resource capability and cultural capital and the internationalisation of the Indigenous-owned SMEs.

Results: The study reveals some pertinent insights in the quest by Indigenous entrepreneurs to participate meaningfully in the new global economy. There is strong evidence that local resources are important to Indigenous entrepreneurs as their business leverages and benefits from these local resources and that the local environment influences the performance of their business. This means they tend to be influenced by their local environment in decisions to do with participation in the new global economy. This is not a departure from literature, particularly the development framework and regulation theory. The study also identifies a number of antecedents to successful internationalisation by Indigenous entrepreneurs.

Conclusion: The research findings give credence to the efficacy of regulation theory and the development framework. This suggests that Indigenous entrepreneurs are not opposed to development but would like to participate in development which is respectful of their heritage. They leverage on their Indigenous cultural heritage and resources to enter into the new global economy. Indigenous entrepreneurs internationalise their operations through various entry modes such as equity and non-equity venture models but there is growing but sparse literature on the role of strategic alliances as a preferred mode of entry.

Key words: Internationalisation; SMEs, South Africa; Indigenous entrepreneurship

DECLARATION

I, Godfrey Sono, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Godfrey Johannes Thabe Sono

Signed at **Midrand**

On the **3rd** day of **September** 20**18**

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1. Introduction

The study was conducted with the principal aim of investigating and explaining the important factors which enhance or impede Indigenous entrepreneurs within South Africa from internationalising their operations. There is a growing but disparate body of literature on this phenomenon (Sadeghi & Biancone, 2017) but overall, there is a dearth of comprehensive literature on the phenomenon. For instance, one study has focused on the phenomenon from the perspective of women entrepreneurs in South Africa (Dayile, 2016). There exists a case for research which seeks to interrogate the phenomenon from a holistic perspective, focusing on Indigenous entrepreneurs regardless of their gender.

There is a growing interest in Indigenous entrepreneurs (Anderson, 2007). This is because of the various challenges that they face in trying to participate meaningfully in the new global economy. This interest has thus warranted an interrogation of the factors facilitating or impeding their participation in this new global economy through internationalisation of their enterprises. It is against this background that this study seeks to investigate and explain the impact of locality, resource capability and cultural capital on the internationalisation of Indigenous-owned small businesses in South Africa within the context of Indigenous entrepreneurs.

There are reasons informing the choice of the variables, locality, resource capability and cultural capital. For instance, there is a growing body of knowledge pointing to the role played by locality or context in the entrepreneurial process. This has given rise to the need for multi-level analysis of the entrepreneurial process (McKeever, Jack & Andersen, 2015).

Dicken (1992) earlier emphasised the role of locality as a key to how entrepreneurial firms and communities can participate in the global economy on the basis of localised “economic structures, values, cultures, histories and institutions”. Dana (1996) concluded that culture was an explanatory variable for entrepreneurial activity or lack of it. He also noted that some cultures value entrepreneurship more than others.

The unit of analysis for this research was the Indigenous-owned South African small business. The government of South Africa promulgated the National Small Business Act (Act 102 of 1996) which categorised and defined small businesses. This was based on such variables as total assets, number of employees, as well as annual turnover. Broadly speaking, the National Small Business Act defines small businesses as those which do not employ more than 200 people, regardless of industry. This study therefore excluded businesses which employ more than 200 people according to this broad definition used by government in South Africa.

The first sub-problem was to ascertain the role played by locality on the internationalisation of Indigenous-owned small businesses in South Africa. The second sub-problem was to determine the role played by resource capability on the internationalisation of Indigenous-owned small businesses in South Africa. The third sub-problem was to identify the influence of cultural capital on the internationalisation of Indigenous-owned small businesses in South Africa.

This research made a number of assumptions and explained them in terms of tests of reasonableness. The first assumption related to the sample. The study assumed that the sample used was representative of the population. This was a reasonable assumption considering that the sampling frame was obtained through various databases which capture information on Indigenous-owned small businesses in all of the country's nine geographical provinces. The second assumption made by the study was that respondents would answer all questions honestly. This was particularly important in view of the sensitivity and confidentiality of the information. The research allowed for voluntary and anonymous participation of respondents through an online survey.

In terms of the delimitation of the study, the units of analysis for this research were Indigenous-owned South African small businesses.

1.1 South African context for Indigenous entrepreneurship

South Africa is a multicultural middle-income country which attained political independence in 1994. It has a history of racial imbalances and inequalities stemming from colonialism and the segregation policy of Apartheid (Glick, 2016). The multicultural nature of the country is reflected in the fact that it has eleven official languages which represent various ethnic groups constituting its population of approximately 55 million people. Of these, 45 million can be classified as Black or Indigenous.

Defining Indigenous is a complex issue (Anderson, Peredo, Galbraith, Honig & Dana, 2014), and there are various framing perspectives. For the purposes of this research, Indigenous is used to refer all the Black people of South Africa.

The broad categories of the Black or Indigenous people are: Nguni people, Venda people, the Sotho people, and the Shangaan-Tsonga people (Frankental & Sichone, 2005). Since attaining Independence in 1994, South Africa has continued to battle what has been termed as the 'triple challenge' in the form of rising and persistent poverty, unemployment and inequalities largely affecting the majority of Black or Indigenous people (National Planning Commission, 2013).

South Africa has often been described as having a dual economy. Thus comprises a sophisticated economy which is owned by the minority white population and to which the majority of Black or Indigenous people provide labour and support through consumption of goods and services produced. It also includes an underdeveloped economy in which the majority of Black and Indigenous people operate (Calof and Viviers, 1995).

This economy consists of the poor urban townships and informal settlements as well as the rural areas, where the Black or Indigenous people live and eke out a living. The post-colonial government has been trying to bridge this duality through a raft of macro-economic policy frameworks such as the Reconstruction and Development Plan, and culminating in the current National Development Plan (National Planning Commission, 2013).

Despite some successes scored under these policy interventions, the country remains buffeted by a number of challenges. These include underdevelopment in rural communities, rising unemployment and poverty, skills shortages and labour unrest (Dayile, 2016). This is notwithstanding the fact that South Africa boasts substantial natural resources most of which are located in lands traditionally owned by the Indigenous people of the country. Most of these lands are home to some of the world-class mines for gold and platinum which are in high demand internationally (Moody, 2007).

The presence of these world class mines in some of the communities has been a source of disharmony with local communities who do not seem to see the value brought to their own well-being as a result of these mines. A case in point is the Marikana mine in the North West Province (formerly Bophuthatswana) which is home to the Indigenous Western Sotho people (Tswana, Rolong, Ngwato, Tlharo, Kwena, Tlaping, Kgatla, and Ngwato tribes). It exemplifies the tensions that underlie this discourse of marginality and underdevelopment of Indigenous communities in post-colonial South Africa (Comaroff, 2013).

The Indigenous communities are not against development which is often brought by multinational enterprises (MNEs) which are involved in the extraction of natural resources in these communities (Anderson et al., 2004). They are interested in participating in the new global economic order which South Africa is already operating in through such economic groupings as the BRICS, G20 and the SADC (Chin, 2014). These economic groupings provide opportunities for Indigenous-owned businesses to also participate in the new global economic order. However, the mechanisms through which this can be done (the “how?”) are not well-understood and require investigation within the context of International Entrepreneurship (Motlap, 2006).

Calof and Viviers (1995) indicate that Indigenous-owned South African small businesses can provide the conduit for such internationalisation, and in South Africa alone they already account for 91 per cent of formal businesses The government has therefore identified them as a tool through which the goals of the National Development Plan can be attained, especially as they relate to reducing poverty, unemployment and inequalities. Small businesses currently contribute nearly 60 per cent to the country’s GDP as well as 60 per cent of formal employment (Dayile, 2016).

2. Literature Review

The founding premise of this study was that there is little research attention given to context, resources and cultural capital in International Entrepreneurship (IE) (Sadhegi & Biancone, 2017). There is an emerging body of knowledge about the role played by social, financial and human capital in influencing internationalisation of small businesses in South Africa (Dayile, 2016). Nevertheless, these have been fragmented.

There is growing global research interest in the role played by Indigenous-owned small businesses in International Entrepreneurship. For example, the African Union resolved in 2015 to create an enabling environment for the internationalisation of the continent's small businesses as a response to the pervasive effects of globalisation. This however did not explicitly reference the Indigenous-owned small businesses.

Moroz and Hindle (2012) have called for a broader conceptualisation of entrepreneurship. They have studied other forms of entrepreneurship such as minority entrepreneurship and Indigenous entrepreneurship.

The traditional conceptualisation of entrepreneurship posited by Shane and Venkataraman (2000) is the process by which an individual or individuals discover and exploit opportunities with a view to introducing new products, offerings, services, markets, and processes to expand and incorporate various contexts.

One such context is internationalisation, which has spawned the study of international entrepreneurship. This is a response to the effects of globalisation and how companies are internationalising their operations to deal with increased international competition (Urban & Barreria, 2010).

The focus on international entrepreneurship has been disproportionately focused on multinational corporations and this has created a gap in theory which can explain the phenomenon of small businesses. This gap is undesirable in view of the empirically-proven ability of small businesses to stimulate economic development at various levels of the economic systems.

However, there is predominance in the literature of theories and frameworks which focus on international entrepreneurial firm activity (Calof and Viviers, 1995; Sadhegi & Biancone, 2017). Some of these theories include Regulation Theory and its accompanying Development Framework, Social Network Theory and the Resource Based Theory of the firm.

Traditionally, the stage model has been used to explain the internationalisation process. Its founding premise is that all firms initially start with no international activity before proceeding to engage in some form of internationalisation which ultimately leads to having a subsidiary in a foreign market (Schweizer, Vahlne & Johanson, 2010).

However, there are three key models which can be used to explain the internationalisation process: the Uppsala model (Schweizer, Vahlne & Johanson, 2010), the Born Global model (Oviatt & McDougall, 2005), and the network approach (Johanson & Mattson, 1994; Meyer & Skak, 2002).

The Uppsala model suggests that psychic distance and experiential learning are two mechanisms through which a firm can internationalise. Experiential learning means that firms can develop knowledge incrementally by starting with non-equity entry modes of internationalisation such as imports and exports as well as franchising before progressing to equity models such as joint ventures and strategic alliances (Schwens & Kabst, 2011). The acquisition of experiential knowledge through the learning helps reduce uncertainties associated with the internationalisation process (Eriksson, Johanson, Majkgård & Sharma, 2015). On the other hand, the concept of psychic distance has been posited by Clark and Pugh (2001) to explain how internationalisation can be speeded up if there are less cultural, political, social and economic differences between the local firm and the targeted foreign market. Where these differences are minimal, it is possible for a firm to internationalise its operations at a faster rate than otherwise (Bhowmick, 2017).

In their extensive systematic literature review, Servantie, Cabrol, Guieu and Boissin (2016) refer to the Born Global model as the International New Venture and suggest that globalisation has spawned a phenomenon in which new entrepreneurial start-ups are already internationalised, since they derive a substantial component of their revenue from international markets. The rise of these start-ups has largely been a result of the reduction in the cost of doing business as well as the entrepreneurial flair of their founders or owners who are able to leverage on international networks to extract value in foreign markets (Servantie et al., 2016).

Thirdly, the network approach avers that firms are able to leverage on their networks such as suppliers, markets and customers to gain some competitive advantage as they internationalise (Covin & Miller, 2014).

Motivation to internationalise has been identified as an important factor in the successful internationalisation of small businesses (Fernández & Nieto, 2005). Work by Korsakienė and Tvaronavičienė (2012) and Mwiti, Ofafa and Jagongo (2013) classify these motives broadly as external and internal, while Czinkota and Ronkainen (2013) classify them as proactive and reactive. On the other hand, Sleuwaegen and Onkelinx (2014) classified them as pull motives and push motives.

One study by Das and Teng (2000) and also by Kubíčková, Votoupalová and Toulová (2014) established that there existed dependencies between motives and firm characteristics. These authors identified the chief motives for internationalisation particularly in SMEs as the need to increase sales, to satisfy demand for products in foreign markets, to enlarge customer base, and reduce paucity of demand in the local market.

The research by Buckley et al.(2010) also highlights the relationships between motives and the sector in which the small business is operating, with demand for products in foreign markets being a key motive across all sectors. There also exists a dependency between motives and the age of a firm, with a positive relationship existing between increased exports and the experience that the firm has had in the domestic market (Contractor, Kumar & Kundu, 2007).

Contractor et al. (2007) have indicated that regardless of motivation, locality, resource capability and cultural capital influence the internationalisation of

Indigenous small businesses. Study of these factors therefore formed the background for this research.

It would however be amiss to extend the theoretical frameworks of this literature on multinational corporations to SMEs because of SMEs unique characteristics such as management and ownership structure, a limited human and financial base as well as heightened sensitivity to external influences (Dayile, 2016). For example, the concept of mode of entry refers to the mechanism through which a firm manages its foreign market activities. There is a dearth of literature on the foreign-market entry strategies used by small businesses but there is a large systematic literature review conducted on the same phenomenon with focus on multinational corporations (Buckley & Carson, 1998; Mauri, Song & Neiva de Figueiredo, 2017).

Examples of such literature would be found in Moroz and Anderson (2017) extensive review on strategic alliances as one of the key methods used by firms to enter foreign markets. Other methods identified in literature include international franchising (Baena, 2013), contractual arrangements and even import and export activities. The foreign market entry strategy adopted by the firm influences the control issues, risk as well as resource commitment that have to be considered by the internationalising firm. In respect of strategic alliances which can be equity and non-equity joint ventures, the nature of the joint venture will thus determine how the firm approaches the issues of risk, control and resource commitment. Thus an equity joint venture would entail greater commitment of resources and entail higher risk requiring greater control as opposed to what would be obtained in a non-equity joint venture (Ekeledo & Sivakumar, 2004).

Literature reviewed below further indicates that once a firm is aware of the various ways in which it can enter a foreign market, it must proceed to select the most appropriate market entry mode in order for it to accomplish its international strategy. It is about deciding from a broad range of markets which ones to select and enter. The new global economy consists of several countries which can be construed as distinct market segments for the firm (Johanson & Vahlne, 2009).

A useful entry-mode selection framework is posited by Driscoll (1997). This explains the underlying decision-making process adopted by the firm, as it selects the appropriate foreign market segment to enter. The decision to select a market should take into account the environmental and firm factors. Examples of environmental factors that need to be taken into account include economic and political conditions, socio-cultural conditions and demand and competition, while the firm features include experience, strategy, and firm advantages (Dayile, 2016). With regard to firm-specific advantages, an example is the international experience of the firm measured through the experience possessed by its managers gained through the international operations. This knowledge has a bearing on the perceived certainty of internationalisation by the firm (Jonsson & Foss, 2011).

With regard to external factors influencing entry to foreign markets, government intervention and cultural factors play an important role in influencing the entry mode as well as selection of the appropriate market segment. The host government in the targeted foreign market makes policies, regulations and laws which must be adhered to by the internationalising firm. Cultural factors can be further understood in terms of Hofstede’s (1980) national culture framework. This enables socio-cultural distance to be used as a proxy for the differences in cultural aspects, language, educational levels and others between the local market of the internationalising firm and the targeted foreign market (Quer, Claver & Rienda, 2012).One study by Kogut and Singh (1998) established that socio-cultural distance influences whether an internationalising firm will adopt an equity joint venture, depending on the perceived similarities in socio-cultural distance (Gollnhofer & Turkina 2015).

There is no overarching measure of the degree of internationalisation (Dörrenbächer, 2014) despite a spirited attempt by Sullivan (1994) to come up with such a construct based on a basket of five variables. These included the extent to which an internationalising firm has dispersed international operations;

the percentage of the foreign sales of the international firm relative to its total sales; the experience of top management in international operations; the percentage of foreign assets held by the international firm relative to its total assets; and the percentage of subsidiaries held by the international firm in foreign markets relative to its total subsidiaries (Geppert & Dörrenbächer, 2014). However, what has emerged as the ideal proxy for degree on internationalisation are three attributes which can be used independently or collectively to measure the construct. These are : *performance, structure*, and *attitude* (Dayile, 2016).

For the purposes of this research, the proxy for degree of internationalisation adopted was the international experience of top management. This was because most Indigenous-owned SMEs are operated essentially by the owner and it would be important to understand internationalisation from this perspective (Ciszewska-Mlinarič, 2015).

The narrative of the dual economy in South Africa suggests that the majority of Indigenous people have been consigned to the underdeveloped informal economy, where poverty, inequalities and unemployment are rife (Zeilig & Dwyer, 2012). This has spurred growing interest in Indigenous entrepreneurs and Indigenous entrepreneurship in general in view of its potential to address the development problems in Indigenous communities.

A consequence of this interest has been the National Development Plan (2012) which articulates a strategy of entrepreneurship development predicated on SMEs and targets the disadvantaged rural and township communities. There is therefore a need for context-specific research on the factors which can facilitate or impede the participation of Indigenous entrepreneurs in the developed or new global economy.

Such relevant research has already demonstrated that Indigenous communities are not opposed to development but want to participate in development which is in respect of their cultural and lands rights. These are their capitals which they are bringing to the global economy. The current research therefore further explores how important locality, resources and cultural capital are in the quest for internationalisation by Indigenous entrepreneurs (Azmat, 2010).

2.1 The impact of locality on the internationalisation process

Globalisation has spawned macroeconomic and regulation theory (Hirst and Zeitlin, 1992) that provides the theoretical lens into the internationalisation process. This has enabled understanding of the global economy which can be understood in terms of "a series of modes of development based on the combination of the currently ascendant regime of accumulation and a variety of modes of social regulation".

For example, there is a growing body of knowledge pointing to the role played by locality or context on the entrepreneurial process. This has given rise to the need for multi-level analysis of the entrepreneurial process (McKeever et al., 2015). Dicken (1992) had earlier emphasised the role of locality as key to how entrepreneurial firms and communities can participate in the global economy on the basis of localised "economic structures, values, cultures, histories and institutions".

To best understand this process by which local firms can internationalise, Anderson (1995) created a development framework to depict the relationship between communities and the global economy, and the players that impact that relationship. There are a number of reasons underpinning the desire by Indigenous entrepreneurs to participate in the new global economy. Anderson (2006) identified eight of these: a desire to attain economic self-sufficiency; strengthening and preservation of traditional languages, cultures and values; desire to improve socioeconomic conditions; desire to have control over economic development process through owned businesses; create businesses which can compete in a profitable and sustainable manner in the global economy; forming joint ventures and strategic alliances with non-Indigenous businesses in order to participate meaningfully in the global economy; and desire to enhance capacity for economic development that is respectful of local resources and through emphasis on education and training.

To best understand this localised process by which firms can internationalise, the development framework shown in **Figure 1** depicts the relationship between communities and the global economy, and the players that impact that relationship (Anderson, 1995).

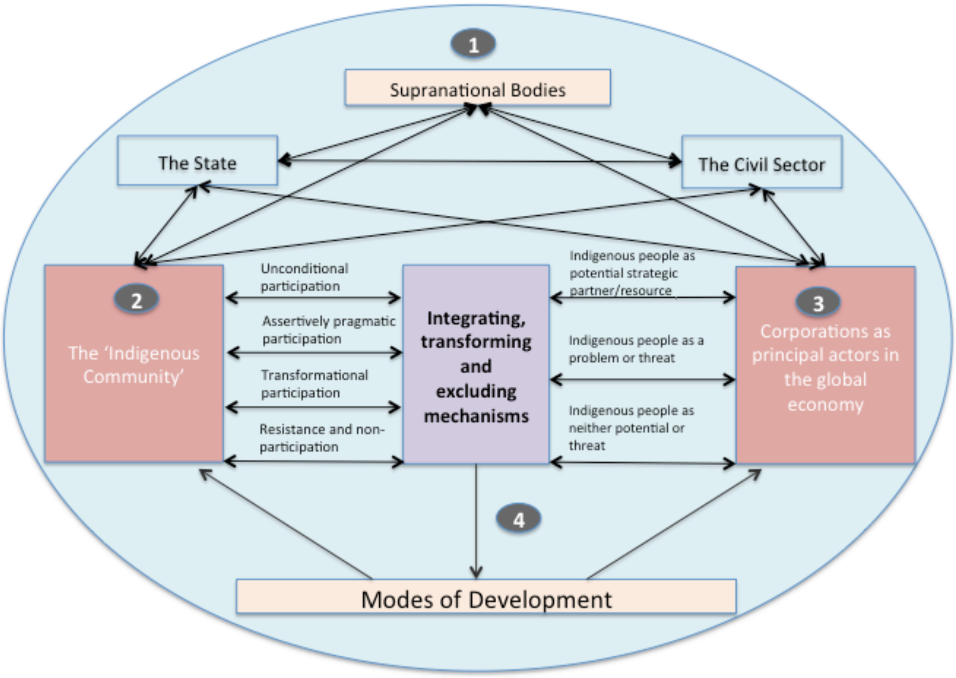

Figure 1: The Development Framework

Source: *Anderson, Honig and Peredo, (2006)*

The development framework is a practical application of regulation theory which is a contingency perspective that seeks to explain the outcome of development efforts of various actors involved (Moroz et al., 2014). It demonstrates the various pathways to development that can be adopted by Indigenous entrepreneurs and communities. It further recognises the role played by their resources, culture, history and values. From this perspective, regulation theory and the development framework advocates for local development that can be integrated into the global economy while taking into account the authentic characteristics of their heritage (locality).

Hypothesis 1: There is a positive correlation between locality and internationalisation of Indigenous-owned SMEs in South Africa.

2.2 Impact of resource capability on the internationalisation process

There are two important theories relevant to interrogating the role played by resources in the internationalisation process of the firm. The first one is the theory of the growth of the firm (Penrose, 1959). The second is the resource-based theory posited by Barney (1991) which builds on the theory proposed by Penrose.

Under the theory of the growth of the firm, it is postulated that growth is a result of the specific resources which the company possesses. These resources have been classified as rare, unique and valuable and are a source of the competitive advantage of the firm. Looked at from this specific, it can be argued that some of the proactive and push motives for internationalisation are a result of these firm-specific resources (Grande, Madsen & Borch, 2011).

The resource-based theory emerged from strategy literature on environmental models and suggests that a firm's internal strengths are a source of its competitive advantage when leveraged in response to emergent opportunities in the environment. The resource-based theory rejects the notion of homogeneity of these strategic resources across an industry and contends that the only way a firm can compete favourably against its peers is by leveraging on heterogeneous value-creating strategy predicated on these unique resources. These cannot be substituted or easily copied by rivals in an industry (Galbreath, 2004).

The resource-based theory has been extended to entrepreneurship by Zahra et al. (2006) through the concept of dynamic capabilities which allows for the reconfiguration of a firm's unique resources to create entrepreneurial opportunities. In this instance, the experience, motivation and skills of the entrepreneur becomes key in opportunity recognition and exploitation (Shane & Venkatraman, 2000, Hindle, 2015).

However, this does not mean that only those firms with unique resources or capabilities can internationalise. Even those firms which lack these resources can also seek to internationalise as a way of addressing the apparent resource deficits (Ibrahim & McGuire, 2001)

Hypothesis 2: There is a positive correlation between resource capability and the internationalisation of Indigenous-owned SMEs in South Africa.

2.3 The impact of cultural capital on internationalisation

The origins of cultural theory can be traced to the pioneering work by Bourdieu (1979) who used it to explain the unequal performance of his students who came from different social classes.

Bourdieu articulated a mechanism through which this cultural capital can be transmitted from a family basis to an institutionalised state. It has been established for example, that some cultures are more entrepreneurial than others. Religion has also been proved to have an explicative influence on entrepreneurship. Dana (1996, 2007), Light and Dana (2013) and McKeever et al.(2015) also underline the influence of culture on the entrepreneurial process.

Klyver and Foley (2012), in their article by about the relation between culture and networking practices highlight that "it is not the importance of networking that differs between cultures; rather, it is how cultural norms and practices moderate the way entrepreneurs utilise social networking" (p.584). Dana (1996) concluded that culture was an explanatory variable for entrepreneurial activity or lack of it. He also noted that some cultures value more entrepreneurship than others.

The current study adopts a definition of a social network theory proposed by Laumann, Galaskiewicz and Marsden (1978) which views a social network as "a set of nodes linked by a set of social relationships of a specified type". This perspective is predicated on the idea that social context wields significant influence on the economic actions of the various actors embedded in it which is also influenced by their relative position in the social network. Still on the notion of network ties, several studies have highlighted their role in the internationalisation process. Tsai and Goshal (1998) have written on network configuration and network ties and contend that these facilitate the decision-making process in internationalisation through reducing the efforts and time required to acquire critical information.

Network ties operate at various levels: they can be intra-firm or interfirm (Davison and Honig, 2003). They can also be classified as either weak or strong (Venter et al., 2010). Weak ties operate outside the family nucleus which is considered to be strong since it is a reliable source of resources required by the entrepreneur. Regardless of their nature, Burt (1992) argues that these ties play an important role in the decision-making process associated with the entrepreneurial process. This is supported also by Granovetter (1973) and Vassa and Chacar (2009).

Hypothesis 3: There is a positive correlation between cultural capital and the internationalisation of Indigenous-owned SMEs in South Africa.

In conclusion, pertinent literature on the hypothesised links between three variables: locality, cultural capital and resource capability on one hand and internationalisation on the other has been reviewed. The following section discusses the methodology underpinning an investigation into the postulated links in the phenomenon under investigation.

3. Methodology

This research has hypothesised links between context, resources, cultural capital and degree of internationalisation of Indigenous-owned small businesses. The hypotheses are derived from regulation theory, resource based theory, and social capital theory incorporating network theory. In order to test these hypotheses, Creswell (2002) recommends the use of a quantitative conceptual framework. This research framework is predicated on quantitative analysis of unbiased data obtained through randomised sampling whose findings can then be generalised. The quantitative research method employs both descriptive and analytical research methods.

This study used a multifaceted approach ranging from a literature review to online cross-sectional survey to gather data on the independent and dependent variables. The literature review focused on the hypotheses formulated for the research and drew pertinent theoretical insights from referred and non-referred secondary and tertiary sources. The literature was analysed to provide insights into the hypothesised links underlying the research.

A non-experiential research design was applied to collect cross-sectional online survey data. The survey was developed using insights gleaned from literature and then piloted for internal consistency. Participants were given a month to complete the online survey.

In order to study the multiple variables constituting the research, a cross-sectional quantitative survey method was used to collect precise and unbiased data to test the research hypotheses. This called for a non-experimental correlation design (Creswell, 2002). This was consistent with the quantitative research paradigm whose overarching tenet is that knowledge is shaped by the data and evidence.

In this research, the independent variables for the study were context, resources and cultural capital, while the dependent variable was the degree of internationalisation of Indigenous-owned small businesses. Data on both the independent and dependent variables was collected through a cross-sectional survey. This gave a snap-shot of the phenomenon under investigation.

An online questionnaire was created using the Wits Qualtrics Software (see appendix B for an abridged version of the questionnaire). This was used to collect data because it was a convenient way of distributing the questionnaire across vast geographical regions using the link:

https://wits.eu.qualtrics.com/jfe/preview/SV_5b4SF2eRaKhkw1D?Q_CHL=preview

The use of the online questionnaire was also meant to improve efficiency in the process by eliminating redundancies in responses through preset conditions which had to be met for each question.

3.1 Population and sampling

The study population was informed by the standard definition of what constitutes an SME. The National Small Business Act broadly defines an SME as one not employing more than 200 people regardless of other attributes used to categorise them. For the purposes of this study, all such businesses, whether internationalised or not but commonly Indigenous-owned formed the universe. The population was not delimited to any geographical location or industry nature but covered all the regions of South Africa

Sampling is broadly categorised into two methods: probabilistic and non-probabilistic sampling. This study drew a purposeful sample of Indigenous-owned SMEs using a non-probabilistic purposeful sampling method. This method utilised the judgement of the researcher to determine which elements of the universe needed to be included in the sampling frame (Cooper and Schindler, 2008).

Although this form of sampling has the advantage that it gives the researcher confidence in the sample by providing leeway to select the sample, the disadvantage is that it not possible to have a representative sample since participation by respondents is voluntary. Based on the foregoing, the sampling frame consisted of owners or directors of internationalised and non-internationalised Indigenous-owned SMEs. These were drawn from the database of the Black Business Council and through personal contacts.

Cochran’s formula was used to determine sample size, and an adequate sample size of 112 was established. The final sample size was 90 of which 18 had incomplete responses and were removed from the sample. This resulted in 72 responses.

Of the 72 companies, 50% (n=36) of the respondents were engaged in internationalisation, 36.1% (n=26) were not, while 13.9% (n=10) were not sure. The response to the questionnaire was slow but the researcher encouraged participation through social networks by requesting the organisations to which the participants were attached to follow-up on his behalf.

This section discusses the validity and reliability of the study. Validity is analysed in terms of external validity and internal validity while reliability is discussed in terms of the internal consistency of the measurement scales.

External validity can be understood at two levels. The first level seeks to establish the extent to which the study can be generalised to other settings, people and time horizons. The second level is achieved through construct validity. This is a process of ensuring that the factors being analysed are correlated with each other. Generalisability of the study to Indigenous-owned SMEs was assured as long as the purposive sample was representative. The results could *ceteris paribus*, be generalisable to Indigenous-owned SMEs in contexts similar to South Africa.

The online survey questionnaire was used to collect data on the independent and dependent study variables which were adapted from a similar instrument which had been tested for both validity and reliability (Sadeghi, 2017). This was important, because internal validity focuses primarily on the research instrument. The research instrument was piloted to ensure that all items were easily understood by respondents, while consent was obtained to assure confidentiality as well as anonymity in responding. The research instrument was not long and designed in such a way that it eliminated the learning effect.

Reliability

Reliability is basically concerned with internal consistency of the multiple-scale items and this was assessed using Cronbach's Alpha. The goal of reliability is to replicate the research results over a variety of conditions. The Cronbach's Alpha should range between zero and one for each subscale, with the coefficient closest to one indicating the most reliability. The internal consistency of the instrument was measured using Cronbach alpha using the guidelines provided by Manerikar and Manerikar (2015). All scales had reliability over 0.7 which was good as proposed by Manerikar and Manerikar (2015).

3.2. Ethical considerations

Accepted protocol in administering of questionnaire involving human subjects was followed, particularly as it relates to ethical clearance and obtaining consent of participants in line with University of Witwatersrand Ethics Clearance requirements.

3.3 Data collection and analysis

The online survey questionnaire was used to collect data on the independent and dependent variables of the study. Items were adapted from a similar instrument which has been tested for both validity and reliability (Sadeghi, 2017). This is important because internal validity focuses primarily on the research instrument. The research instrument was piloted to ensure that all items were easily understood by respondents, while consent was obtained to assure confidentiality as well as anonymity in responding. The research instrument was not long and was designed in such a way that it eliminated the learning effect.

Discussion on data collection and analysis focuses on assessment of the reliability of the instrument, and a description of the characteristics of the respondents is followed by the background characteristics of the SMEs. A descriptive study of the internationalisation of the SMEs is then discussed followed by a description of the effects of locality, resources and culture using frequencies, proportions, means and standard deviation. The validity of the instrument is then evaluated using exploratory factor analysis.

A comparative analysis using analysis of variance (ANOVA) is then done to determine whether views of respondents differed by type of small business, age of small business, location of SMEs, orientation of the SMEs, engagement in and the number of years engaged in internationalisation. The degree of the relationship between the effects of locality, resources and culture is also analysed.

4. Findings and discussion

The internal consistency reliability of the instrument was measured using Cronbach alpha and applying the guidelines provided by Manerikar and Manerikar (2015). All scales had reliability over 0.7 which is good as proposed by Manerikar and Manerikar (2015), and thus the instrument was considered to be reliable.

4.1 Descriptive analysis of the sample

Characteristics of the respondents

The demographic information collected included gender, age, highest level of education and position in small business. A total of 72 SMEs participated in the study, and Table 1.2 presents the socio-demographic detail of the respondents. As shown in Table 1.2, 56.9% (n=41) were male and 43.1% (n=31) were female. Thus the majority of the respondents were male. This is understandable because most of the people asked were either owners of the SMEs or managers, a position of authority mostly dominated by males.

Most of the respondents were over 30 years of age with 34.7% (n=25) over 35 years, 26.4% (n=19) between 31 – 35 years, 22.2% (n=16) between 25 – 30 years, and 16.7% (n=12) between 18 – 24 years.

The educational background of the respondents varied, with the majority having degrees. About 34.7% (n=25) had postgraduate degrees, 27.8% (n=20) had undergraduate degrees, while 23.6% (n=17) had diplomas, and 13.9% (n=10) had matric or below. This shows that less than 15% do not have any certificate, diploma or degree. The findings that Indigenous entrepreneurs are educated is consistent with the GEM Report (2014) which suggests that South African entrepreneurs generally have post-secondary school qualifications. Close to 40% (n=29) were either owners or managers, 29.2% (n=21) were managers, while 30.6% (n=22) were neither owners nor managers.

Characteristics of the SMEs

A large proportion of the SMEs were medium sized (43.1%, n=31), 30.6% (n=22) were micro and 26.4% (n=19) were small. Table 5.3 in Appendix C presents the characteristics of the SMEs by type of business, age of business, province in which business is located, location of SME, industry in which the SME operates and orientation of the SMEs. This gives a fair distribution of the respondents, as they are spread across all the three broad categories.

In terms of establishment at the time of the research, 45.8% (n=33) were aged between 1 year and 5 years, 27.8% (n=20) were less than 1 year, and 26.4% (n=19) were over 5 years. This means that close to 30% of the SMEs have been set up more than five years ago.

The study revealed that most of the respondents were from Gauteng or KwaZulu Natal, with 44.4% (n=32) from Gauteng and 15.4% (n=11) from KwaZulu Natal. About 11.1% (n=8) of the respondents were from the Northern Cape. The other provinces like the North West, Western Cape, Limpopo, Free State and Mpumalanga had less than 10% of the respondents each. The results support the contribution of Gauteng to the GDP of South Africa.

A study by Dayile (2016) noted that KwaZulu Natal scored low in internationalisation of women entrepreneurs. The fact that the majority of the respondents were male seems to support rather than discredit this observation, albeit the low representation of Western Cape Province relative to its economic contribution is unexpected. On the other hand, the Northern Cape Province is home to the Indigenous Khoi-San community, considered to be the "First Nations of South Africa", and their high representation in the sample is interesting.

The majority of the SMEs, 54.9% (n=39) operate in urban areas, 29.6% (n=21) are in peri-urban areas, and 15.5% (n=11) are in rural areas. Thus the majority of the SMEs are either urban or peri-urban.

About half of the SMEs fall into either manufacturing (19.4%; n=14), financial and business (16.7%; n=12), agriculture (12.5%; n=9) or wholesale and retail (11.1%; n=8). The other sectors were mining and quarrying (8.3%; n=6), construction, community, social and personal services and transport, logistics and communication, each with a composition of 6.9% (n=5). Only 4.2% (n=3) were in hospitality and tourism, and 2.8% (n=2) were in electricity, gas and water.

The results suggest that Indigenous entrepreneurs are found in most sectors of the economy, and there is no evidence in literature to suggest that there are barriers to them participating in any of the sectors. However, a study by Dayile (2016) noted that women entrepreneurs in South Africa had challenges in participating in sectors such as construction.

The majority of the SMEs are in production. A total of 36.6% (n=26) were oriented towards products only, 35.2% (n=25) were in services only, while 28.2% (n=20) were in products and services.

Internationalisation experience

The respondents were asked whether they were engaged in internationalisation, what types of internationalisation they were engaged in, and the number of years engaged.

The findings suggest that Indigenous entrepreneurs are already engaged in internationalization, and this is largely a result of the so-called pull factors identified in literature. The pull factors have to do with opportunity recognition rather than necessity. This would then contradict theory, because the GEM (2012) noted that South Africa has high unemployment, and this would act as a trigger for people to go into entrepreneurship out of necessity. However, the fact that the majority of the respondents have post-secondary education suggests that these are people who are able to scan the environment for opportunities and exploit them in line with the pull factor perspective of internationalisation.

Half of the respondents (n=36) are engaged in internationalisation, 36.1% (n=26) are not, while 13.9% (n=10) are not sure. Of these, (34.5%) had adopted equity models (greenfield projects, equity joint ventures, strategic alliancing), while the majority (65.5%) had adopted non-equity models such as franchising, importation, exportation and licensing. The preference for non-equity suggests that Indigenous entrepreneurs are risk-averse and may want to retain greater control over how they participate in the new global economy. This is consistent with Anderson (2007) who argued that Indigenous entrepreneurs want to participate in economic development on 'their own terms".

The number of years in internationalisation was categorised into three groups which are less than 1 year, between 1 year and 5 years and over 5 years. The test of homogeneity of variance was equal across all groups for all constructs. Thus the assumption of equality of variances was not violated. In terms of years engaged in internationalisation out of the 36 respondents, 31 indicated the number of years they have been engaged. About, 38.7% (n=12) have been engaged between 1 to 5 years, 35.5% (n=11) have been engaged for more than 5 years, and 25.8% (n=8) have been engaged for less than a year.The number of years engaged in internationalisation did not impact on locality, resource and culture.

The respondents indicated the reasons they are engaged in internationalisation or they will be engaged in internationalisation. This was a multiple response question, with some SMEs indicating more than one reason. A total of 69 respondents gave their reasons. The top five reasons given were access to new international markets, economies of scale, revitalised language and cultural values, socio economic development and protecting the environment.

4.2 Exploratory factor analysis of the constructs

The validity of the instrument was tested using exploratory factor analysis. There were 15 items measuring resource and culture. The items "*Q15. My business benefits from local resources*" and "*Q24. My business has strong ties with the local community (social solidarity)."* were removed from the analysis because there were cross loadings, that is, there were loading on two factors, leaving a remainder of 13 items.

The KMO was 0.714 indicating that the correlations are adequate for factor analysis, since the KMO was above 0.5. Secondly, the Bartlett's test enabled rejection of the null hypothesis of lack of sufficient correlation between variables since the chi-square value was 336.750 with a p-value of less than 0.001 which led to the rejection of the null hypothesis. Thus, the positive results from both tests enabled the researcher to proceed with the analysis. All communalities were above 0.5, with the majority being above 0.7. A four-factor solution was obtained.

All the issues on locality loaded on one factor with an Eigen-value of 4.400 and which accounted for 23.05% of the total variance. The second item consisted of all the four items on resource capability. It had an Eigen-value of 2.267 and explained 17.44% of the total variance.

The third factor was named human capital with an eigenvalue of 1.315 and it explained 14.34% of the total variance. The last factor consisted of two items with an eigenvalue of 1.021, accounting for 12.77% of the total variance. All the factors accounted for 69.25% of the total variance, thus indicating that the solution was robust. The factor analysis confirmed the items measuring each construct by separating them into their groupings. However, it can be noted that the construct on cultural and human capital was divided into two groups which were human capital and cultural capital.

4.3 Testing of hypotheses

An analysis of variance (ANOVA) was performed to determine whether views of respondents differ by type of business, age of business, location of SME, orientation of SME, whether one is engaged in internationalisation and by number of years engaged in it. Composite variables were created by averaging all items in a construct to give the variables locality, cultural and human capital, and resource capability.

The analysis of variance (ANOVA) has three assumptions which are that the observations should be independent, come from a normal distribution and that the groups have equal variances (homogeneity of variances). The observations were randomly selected and thus were independent, and the assumption of normality was achieved by applying the central limit theorem.

In terms of homogeneity of variance, if the assumption was not violated the ANOVA test was used and the Least Square Difference (LSD) was used to determine which groups differed. In the case where the variances were not equal, the Welch robust tests of equality of means was used and the Games-Howell test was used to determine which groups differ, since the assumption on equality of variance would be violated.

The 5% level of significance was used and the means were different if the p-value was less than 0.05. The hypothesis to be tested was:

H0: The means are equal
H1: At least one of the pairs of means is different
A test was highly significant if the p-value was less than .001. The impact of the relationship was measured using the effect size.

Hypothesis 1

There is a positive correlation between locality and internationalisation of Indigenous-owned SMEs in South Africa.

The above hypothesis sought to establish the role played by locality on the internationalisation of Indigenous-owned SMEs. The scale was analysed for reliability and validity and was deemed to be statistically sound which suggests that it was adequate to address the research question.

The construct on locality was assessed using five items measured on a five point Likert scale. A clear majority of 76.1% (n=54) of the respondents agreed that local resources are important to their business with a mean of 4.03($M = 4.03,\ SD = 1.24$).

About 77.1% (n=54) agreed that their business leverages on local resources for performance in internationalisation and this is also supported with a mean of 3.99 ($M = 3.99,\ SD = 1.08$), and also 74.3% (n=52) agreed that the business does benefit from local resources for performance in internationalisation with a mean of 3.87$(M = 3.87,\ SD = 1.08)$.

About 73.1% (n=51) agreed that their local environment influences the performance of the business in internationalisation, with a mean of 3.74 $(M = 3.74,\ SD = 1.05)$ indicating that the respondents were in agreement

The issue that business suffers from scarcity of local resources had only 47.1% (n=33) agreeing to the issue and 21.4% (n=15) neither agreeing nor disagreeing. The mean was 3.33.$(M = 3.33,\ SD = 1.18)$ indicating that the respondents neither agreed nor disagreed. The analysis showed that all variables had standard deviations close to 1 and for those issues the respondents were in agreement. Using the empirical rule, 68.26% of the participants had ratings between 3 and 5 (±1 standard deviation from the mean). It can be concluded that the respondents agreed that local resources are important, their business leverages and benefits from local resources, and the local environment influences the performance of the business.

The construct on locality had an ANOVA test with an F-value of 3.490 and a p-value of 0.038. The means were significantly different across types of accounts. A small effect size of 0.09 was obtained and only 9% of the variability in locality was accounted for by age of business.

Those with less than 1 year in business had the lowest mean of 3.43 $(M = 3.43,$ $SD = 0.96)$, indicating that these were neutral, while those who were established for more than five years had a mean of 4.09 $(M = 4.09,\ SD = 0.51)$, indicating that they also agreed. The agreement levels tended to be higher for longer established SMEs. Thus the older SMEs tend to be in agreement more than the newly established ones.

There was not much overlap between those businesses which were less than 1 year old and those over 5 years old. Those which were over 5 years old agreed more on issues on locality than the newly established ones. Thus the medium

SMEs were in agreement that local resources are important. Their business leverages and benefits from local resources, and the local environment influenced the performance of their business.

The Welch robust test of equality of means had a p-value of 0.01 for locality. Thus the means for locality were significantly different across categories of engagement in internationalisation. A small effect size of 0.18 was obtained and thus 18% of the variability in locality was accounted for by engagement in internationalisation. Those who were involved in internationalisation agreed on issues on locality. Those who were not engaged tend to neither agree nor disagree on issues on locality.

Hypothesis 2

There is a positive correlation between resource capability and the internationalisation of Indigenous-owned SMEs in South Africa.

The above hypothesis sought to establish the role played by resource capability on the internationalisation of Indigenous-owned SMEs. The scale was analysed for reliability and validity and was deemed to be statistically sound, which suggests that it was adequate to address the research question.

The resources capability construct was assessed using four items. Of all the items assessed in this construct, three of them had averages close to four indicating agreement, while one had an agreement close to three indicating that respondents neither agreed nor disagreed.

The item "*International business networks are important to business*" had 76.8% (n=53) in agreement with a mean of 3.91 $(M = 3.91,\ SD = 1.17)$, whilst the item "*I consider myself to be highly innovative within my business*" had 66.6% (n=48) agreeing to the issue with a mean of 3.85 $(M = 3.85,\ SD = 1.13)$. Lastly the item "*My business has the capacity to face the competitive pressures within the industry*" had 66.2% in agreement, and the mean was 3.80$(M = 3.80,\ SD = 0.84)$. All standard deviations were close to one, indicating that the majority gave ratings between 3 and 5 (±1 standard deviation from the mean).

The respondents agreed that international business networks are important to their business. They consider themselves to be highly innovative within the business and the business has the capacity to face the competitive pressures within the industry. However, about 47.2% (n=34) agreed that their business has access to business networks 3.36($M = 3.36,\ SD = 1{,}23$). This means that there was no majority that neither agreed nor disagreed. Using the empirical rule, 69.26% gave ratings between 2 and 4 (±1 standard deviation from the mean).

This is consistent with literature on the network approach which avers that firms are able to leverage on their networks such as suppliers, markets and customers to gain some competitive advantage as they internationalise.

Hypothesis 3

There is a positive correlation between cultural capital and the internationalisation of Indigenous-owned SMEs in South Africa

The above hypothesis sought to establish the role played by cultural capital on the internationalisation of Indigenous-owned SMEs. The scale was analysed for reliability and validity and was deemed to be statistically sound which suggests that it was adequate to address the research question.

The constructs on cultural and human capital were assessed using six items. The issue that their level of education is important for how business is run, and the decisions made in internationalisation had 76.1% (n=54) of the respondents in agreement with a mean of 4.04. This was close to four ($M = 4.04,\ SD = 1.18$).

About 70.4% (n=50) agreed that their business values its employees and views them as important to performance in inetrnationalisation, with an average of 3.89 ($M = 3.89,\ SD = 1.21$). The item "*My business has strong ties with the local community (social solidarity)*" ($M = 3.60,\ SD = 1.37$), had 65.3% in agreement. The standard deviations were close to 1, indicating that the majority gave ratings between 3 and 5 (±1 standard deviation from the mean).

However the items "*Family ties are important in my business (social competence).*" $(M = 3.38,\ SD = 1.29)$, "*My cultural identity is important in how I operate my business (cultural competence)*" $(M = 3.36,\ SD = 1.22)$ and "*My religious beliefs influence my business decisions*" $(M = 3.28,\ SD = 1.27)$ had less than 50% of the respondents in agreement. The proportions were 47.2%, 44.9%, and 45.1% respectively. The agreement proportions were marginal, and this is evidenced by means close to three, indicating that they neither agreed nor disagreed on the issues.

The construct on cultural and human capital had unequal variances across categories of engagement in internationalisation, and the Welch test gave a p-value of 0.028, thus suggesting a difference in means. A small effect size of 0.13 was obtained. Thus 13% of the variation in cultural and human capital is explained by engagement in internationalisation. The Games-Howell post hoc test resulted in the formation of two homogeneous groups.

Those who said no had the lowest mean of 3.21 $(M = 3.21,\ SD = 1.01)$, while those who were not sure had the highest mean of 3.92 $(M = 3.92,\ SD = 0.57)$ indicating that they were in agreement. The main difference was between those who said no with the other two categories. Those who said they were engaged in internationalisation or were not sure, agreed on issues on cultural and human capital. Those who were not engaged tended to be neutral on the construct.

Respondents tend to agree that the level of education is important, business values its employees and that the business has strong ties with the local community.

5. Conclusion and recommendations

The study sought to investigate and establish the key factors that facilitate or hinder the internationalisation of Indigenous-owned SMEs, and zeroed in on the role played by locality, resource capability and cultural capital in the hypothesised relationships.

Based on theory and the empirical findings, a number of conclusions emerge from the research. The conclusions can be delineated into two: those relating to the research hypotheses and those which are of a general nature. The conclusions have implications for government, academia, and practitioners.

A number of conclusions can be drawn from the research findings, based on the research hypotheses. There is strong evidence that local resources are important to Indigenous entrepreneurs, as their business leverages and benefits from these local resources, and that the local environment influences the performance of the business. This is supported by literature on both the regulation theory and development framework (Anderson, 2008).

On the other hand, the research concludes that international business networks are important to Indigenous entrepreneurs. These entrepreneurs consider themselves to be highly innovative within the business, and they feel that their businesses have the capacity to face the competitive pressures within the industry.

This finding is supportive of the resource-based view that firms internationalise because they have unique resources which give them a competitive advantage. Indigenous entrepreneurs who lack international experience do not have knowledge and networks, and this makes it difficult for them to achieve higher levels of internationalisation. Therefore it is critical that Indigenous entrepreneurs are supported in developing social ties and networks which will enable them to participate meaningfully in the new global economy. For example, Westhead et al. (1998) has argued that SMEs may decide to internationalise in order to access other resources such as international business networks and even financial capital.

On the role played by cultural and human capital, the study concludes that the level of education of Indigenous entrepreneurs is important for how business is run and the decisions made in internationalisation. However, the research makes an unexpected finding that the issue of cultural identity, family ties and religious beliefs were not considered significant in influencing the decision to internationalise.

If this is so, Bourdieu articulates a mechanism through which this cultural capital is transmitted from a family basis to an institutionalised state. Some cultures have been established to be more entrepreneurial than others. Religion has also been established to have an explicative influence on entrepreneurship Dana (1996, 2007), Light and Dana (2013). McKeever, Anderson and Jack (2015) also underline the influence of culture on the entrepreneurial process.

The research also notes that education is important for Indigenous entrepreneurs in their internationalisation initiatives. This is consistent with literature which takes note of the relationship between experience and education as well as knowledge and skills. This means that experience and education are antecedents for entrepreneurial impact by these entrepreneurs.

The study findings also suggest that there is need for a greater government role in creating and sustaining a conducive environment for Indigenous entrepreneurs and Indigenous communities to participate meaningfully in the new global economy. For example, the proposed national economic transformation policy seeks to facilitate greater involvement by Indigenous communities in the economy. It is imperative that the government comes up with coherent and holistic support programmes targeting Indigenous entrepreneurs.

This is important in order to address the problem of duality in the South African economy and enable Indigenous entrepreneurs an opportunity to seize and exploit opportunities in cross-border and global markets through internationalisation. This has the added benefit of also addressing the triple challenge of poverty, unemployment and inequalities which have been prioritised under the National Development Plan.

The research has demonstrated that Indigenous entrepreneurs are keen to participate in the global economy. The research has also identified some of the factors which enable and hinder such participation in the global economy.

There is growing research interest in the role played by strategic alliances as a tool that can be used by Indigenous entrepreneurs and communities to participate meaningfully in the new global economy. However, strategic alliances have largely been associated with mainstream management literature. There remains a gap in knowledge in terms of how they can also be used in the emergent literature which focuses on Indigenous entrepreneurs and communities.

There is therefore need for nuanced research on this phenomenon of alliances and entrepreneurship resource flows, taking into account the cultural heritage of Indigenous entrepreneurs which they bring as entrepreneurial capital

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APPENDIX A: LETTER TO RESPONDENTS

Dear Participant,

My name is Godfrey Sono and I am currently completing an MBA at Wits Business School. My research topic is: *"Antecedents of Internationalisation of Indigenous-owned SMEs in South Africa"*.

This research seeks to investigate and explain the influence of locality, resources and culture on the internationalisation of SMEs in South Africa within the context of Indigenous entrepreneurs.

It is anticipated that the results emerging from this research will contribute to on-going research on the entrepreneurial characteristics needed for internationalisation by Indigenous-owned SMEs in South Africa.

I am gathering data on this phenomenon and would appreciate it if you could take about seven minutes of your time to complete the online survey by clicking on the link below.

https://wits.eu.qualtrics.com/jfe/preview/SV_5b4SF2eRaKhkw1D?Q_CHL=preview

Confidentiality is assured and the results of the research will be used for academic purposes only.

Your cooperation is highly valued.

Godfrey Sono

APPENDIX B: RESEARCH INSTRUMENT USED

INTERNATIONALISATION OF INDIGENOUS-OWNED SMEs

Part A: Demographic Characteristics of Respondent and SMEs

1. Gender of respondent

a. Male
b. Female

2. Age of respondent

a. 18yrs – 24 years
b. 25 years- 30 years
c. 31 years -35 years
d. Over 35 years

3. Highest level of education

a. Matric or below
b. Diploma
c. Undergraduate degree
d. Postgraduate degree

4. Position in SME

a. Owner
b. Manager
c. Other

6. Type of SME

a. Small
b. Micro
c. Medium

7. Age of SME

a. Less than 1 year
b. Between 1 year and 5 years
c. Over 5 years

8. Province in which SME is located

a. North West
b. Gauteng
c. KZN
d. Northern Cape
e. Western Cape
f. Limpopo
g. Free State
h. Mpumalanga
i. Eastern Cape

9. Location of SME

a. Urban area
b. Peri-urban area
c. Rural area

10. Industry which you operate in

a. Manufacturing
b. Agriculture
c. Mining and Quarrying
d. Construction
e. Electricity, Gas and Water
f. Community, Social and Personal services
g. Transport, Logistics and Communications
h. Financial and Business services
i. Wholesale and Retail
j. Hospitality and Tourism
k. Other (Specify)……………………………………………………………………………………

11. Indicate the orientation of your SME

a. Services only
b. Products only
c. Products and services

PART B: Internationalisation Experience

12. Are you engaged in internationalisation?

a. Yes
b. No
c. Not sure

13. Which of the following types of internationalisation have you engaged in or are planning to engage in *(Circle all that apply to you)*

a. Importation
b. Exportation
c. Franchising
d. Joint Venturing
e. Strategic Alliancing
f. Licensing
g. Subsidiary
h. Greenfield projects
i. Other (Please specify)…………………………………………………………………….

14. If you are engaged in internationalisation, when did you commence it?

a. Less than 1 year
b. Between 1 year and 5 years
c. Over 5 years

15. Which of the following reasons explain your decision to be engaged in internationalisation or why you intend to be engaged in internationalisation *(Circle all that apply to you)*

a. Alleviate resource limitations
b. Protect environment
c. Socio-economic development
d. Legitimise control of resources
e. Revitalise language and cultural values
f. Access new international markets
g. Economies of scale
h. Dynamic capabilities
i. Establish supply chains
j. Efficient use of resources
k. Product development
l. Pursue new opportunities

PART C: Effects of Locality, Resources and Culture

SME						
Please indicate how much you agree or disagree with each of the following statements	Strongly Disagree	Disagree	Neither/ Nor Agree	Agree	Strongly Agree	Not Applicable
16. My business benefits from local resources. Locality	☐	☐	☐	☐	☐	☐
17. My business suffers from scarcity of local resources. Locality	☐	☐	☐	☐	☐	☐
18. Local resources are important for my business. Locality	☐	☐	☐	☐	☐	☐
19. My business leverages on local resources for performance in internationalisation. Locality	☐	☐	☐	☐	☐	☐
20. My local environment influences the performance of my business in internationalisation. Locality	☐	☐	☐	☐	☐	☐
21. Local economic, political, social, technological and cultural factors	☐	☐	☐	☐	☐	☐

influence my business performance in internationalisation. Locality						
22. My cultural identity is important in how I operate my business (cultural competence) Cultural Capital	☐	☐	☐	☐	☐	☐
23. My religious beliefs influence my business decisions. Cultural Capital	☐	☐	☐	☐	☐	☐
24. Family ties are important in my business (social competence) Cultural Capital	☐	☐	☐	☐	☐	☐
25. My business has strong ties with the local community (social solidarity) Cultural Capital	☐	☐	☐	☐	☐	☐
26. My level of education is important in how I run my business and the decisions I make in internationalisation (literacy) Cultural Capital	☐	☐	☐	☐	☐	☐
27. My business values its employees and views them as important to performance in internationalisation (valuable resource). Human Capital	☐	☐	☐	☐	☐	☐
28. My business has access to raw materials which gives an advantage in internationalisation. Resource Capability	☐	☐	☐	☐	☐	☐
29. International business networks are important to my business. Resource capability	☐	☐	☐	☐	☐	☐
30. I consider myself to be highly innovative within my business. Resource capability	☐	☐	☐	☐	☐	☐
31. My business has the capacity to face the competitive pressures within the industry. Resource capability	☐	☐	☐	☐	☐	☐

APPENDIX C: STATISTICAL TABLES

RELIABILITY

Table 1: Reliability results of the effects - locality, resource and culture

Construct	No. of items	Cronbach's alpha	Acceptable level
Locality	5	0.797	Good
Cultural and human capital	6	0.765	Good
Resource capability	4	0.720	Good
Total	***15***	***0.850***	***Good***

DESCRIPTIVE ANALYSIS OF THE SAMPLE STUDY

Characteristics of the respondents

Table 2: Socio-demographic characteristics of the respondents

Variable	Category	F	%
Gender	Male	41	56.9%
	Female	31	43.1%
.	**Total**	**72**	**100.0%**
Age	18 – 24 years	12	16.7%

	25 – 30 years	16	22.2%
	31 – 35 years	19	26.4%
	Over 35 years	25	34.7%
	Total	**72**	**100%**
Highest level of education	Matric or below	10	13.9%
	Diploma	17	23.6%
	Undergraduate degree	20	27.8%
	Postgraduate degree	25	34.7%
	Total	**72**	**100.0%**
Position in small business	Owner/manager	29	40.3%
	Manager	21	29.2%
	Other	22	30.6%
	Total	**72**	**100.0%**

Characteristics of the SMEs

Table 3: Characteristics of the SMEs

Variable	**Category**	**F**	**%**
Type of small	Small	19	26.4%
	Micro	22	30.6%
	Medium	31	43.1%
.	**Total**	**72**	**100.0%**
Age of small business	Less than 1 year	20	27.8%
	Between 1 year and 5 years	33	45.8%
	Over 5 years	19	26.4%
	Total	**72**	**100.0%**
Province in which business is located	North West	6	8.3%
	Gauteng	32	44.4%
	KwaZulu Natal	11	15.3%
	Northern Cape	8	11.1%
	Western Cape	5	6.9%
	Limpopo	3	4.2%
	Free State	2	2.8%
	Mpumalanga	5	6.9%
	Total	**72**	**100%**
Location of SME	Urban area	39	54.9%
	Peri-urban area	21	29.6%
	Rural area	11	15.5%
	Total	71	100.0%
Industry which you operate in	Manufacturing	14	19.4%
	Agriculture	9	12.5%
	Mining and quarrying	6	8.3%
	Construction	5	6.9%
	Electricity, Gas and Water	2	2.8%
	Community, Social and Personal Services	5	6.9%
	Transport, Logistics and Communication	5	6.9%
	Financial and Business	12	16.7%
	Wholesale and Retail	8	11.1%
	Hospitality and Tourism	3	4.2%
	Other	3	4.2%
	Total	**72**	**100.0%**
Indicate the orientation of your SMEs	Services only	25	35.2%
	Products only	26	36.6%
	Products and services	20	28.2%
	Total	**71**	**100.0%**

Internationalisation experience

Table 4: Internationalisation experience

Variable	Category	F	%
Are you engaged in Internationalisation?	Yes	36	50.0%
	No	26	36.1%
	Not sure	10	13.9%
.	**Total**	**72**	**100.0%**
Types of internationalisation engaged	Importation	5	7.7%
	Exportation	6	9.2%
	Franchising	15	23.1%
	Joint Venturing	11	16.9%
	Strategic Alliancing	10	15.4%
	Licensing	6	9.2%
	Subsidiary	7	10.8%
	Green field projects	5	7.7%
	Total	**65**	**100.0%**
Number of years engaged in internationalisation	Less than 1 year	8	25.8%
	Between 1 year and 5 years	12	38.7%
	Over 5 years	11	35.5%
	Total	**31**	**100%**

Table 5: Reasons for engaging in internationalisation (n=69)

Reason	F	% of cases
Access new international markets	26	37.7%
Economies of scale	25	36.2%
Revitalise language and cultural values	21	30.4%
Socio-economic development	20	29.0%
Protect environment	18	26.1%
Dynamic capabilities	17	24.6%
Efficient use of resources	16	23.2%
Pursue new opportunities	16	23.2%
Alleviate resource limitations	14	20.3%
Product development	14	20.3%
Legitimise control of resources	13	18.8%
Establish supply chains	11	15.9%

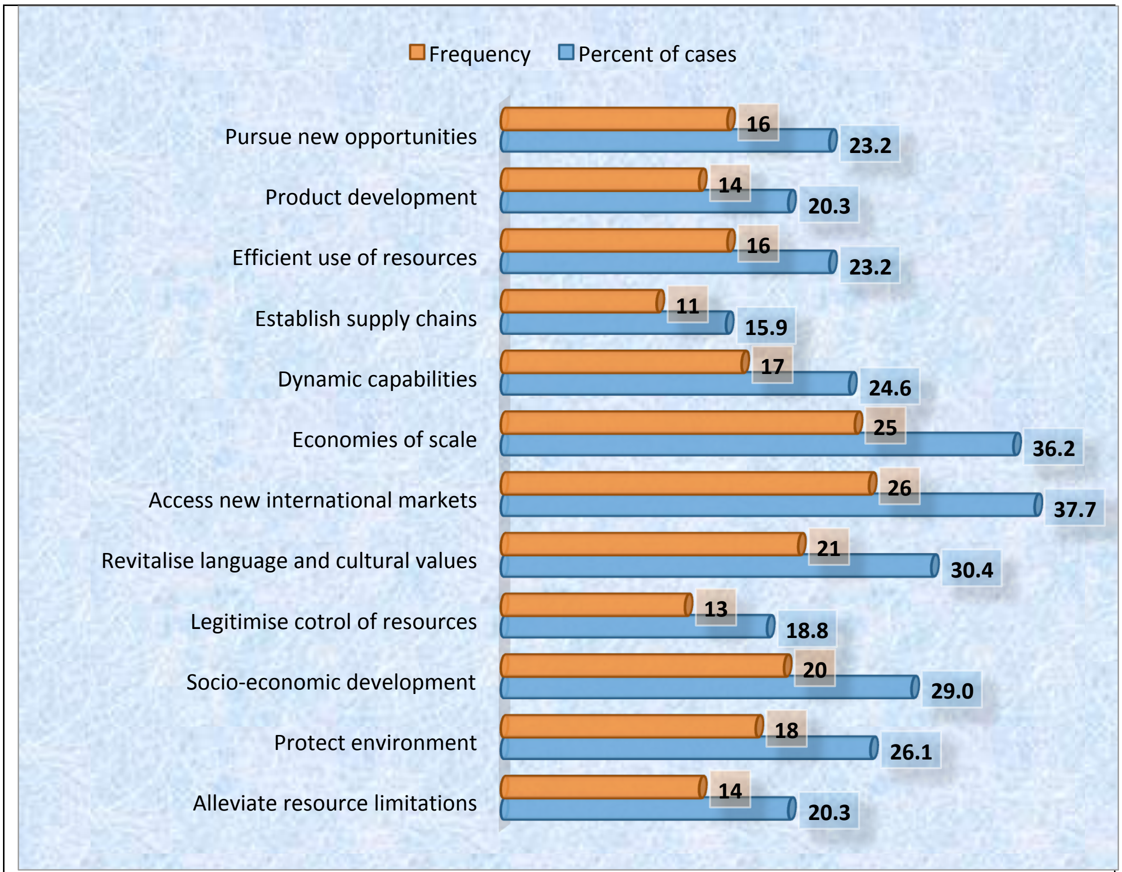

Figure 2: Reasons for engaging or wanting to engage in internationalisation

Descriptive statistics on locality

Table 6: Level of agreement on locality issues

Statement	Level of agreement					Mean	Std dev
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree		
Q17. Local resources are important for my business.	49.3% (35)	26.8% (19)	7.0% (5)	11.3% (8)	5.6% (4)	4.03	1.24
Q18. My business leverages on local resources for performance in internationalisation.	37.1% (26)	40.0% (28)	11.4% (8)	7.1% (5)	4.3% (3)	3.99	1.08
Q15. My business benefits from local resources.	30.0% (21)	44.3% (31)	12.9% (9)	8.6% (6)	4.3% (3)	3.87	1.08
Q19. My local environment influences the performance of my business in internationalisation.	18.8% (13)	55.1% (38)	14.5% (10)	4.3% (3)	7.2% (5)	3.74	1.05

Statement	Level of agreement					Mean	Std dev
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree		
Q16. My business suffers from scarcity of local resources.	20.0% (14)	27.1% (19)	21.4% (15)	28.6% (20)	2.9% (2)	3.33	1.18

Descriptive statistics on cultural and human capital

Table 7: Level of agreement on cultural and human capital issues

Statement	Level of agreement					Mean	Std dev
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree		
Q25. My level of education is important in how I run my business and the decisions I make in internationalisation (literacy).	46.5% (33)	29.6% (21)	11.3% (8)	7.0% (5)	5.6% (4)	4.04	1.18
Q26. My business values its employees and views them as important to performance in internationalisation (valuable resource).	38.0% (27)	32.4% (23)	19.7% (14)	-	9.9% (7)	3.89	1.21
Q24. My business has strong ties with the local community (social solidarity).	30.6% (22)	34.7% (25)	12.5% (9)	8.3% (6)	13.9% (10)	3.60	1.37
Q23. Family ties are important in my business (social competence).	27.8% (20)	19.4% (14)	20.8% (15)	26.4% (19)	5.6% (4)	3.38	1.29
Q20. My cultural identity is important in how I operate my business (cultural competence).	21.7% (15)	23.2% (16)	34.8% (24)	10.1% (7)	10.1% (7)	3.36	1.22
Q21. My religious beliefs influence my business decisions.	19.7% (14)	25.4% (18)	31.0% (22)	11.3% (8)	12.7% (9)	3.28	1.27

Descriptive statistics on resource capability

Table 8: Level of agreement on resources capability issues

Statement	Level of agreement					Mean	Std dev
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree		

Statement	Level of agreement					Mean	Std dev
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree		
Q28. International business networks are important to my business.	36.2% (25)	40.6% (28)	7.2% (5)	10.1% (7)	5.8% (4)	3.91	1.17
Q29. I consider myself to be highly innovative within my business.	34.7% (25)	31.9% (23)	22.2% (16)	5.6% (4)	5.6% (4)	3.85	1.13
Q30. My business has the capacity to face the competitive pressures within the industry.	19.7% (14)	46.5% (33)	29.6% (21)	2.8% (2)	1.4% (1)	3.80	0.84
Q27. My business has access to raw materials which gives an advantage in internationalisation.	20.8% (15)	26.4% (19)	30.6% (22)	12.5% (9)	9.7% (7)	3.36	1.23

EXPLORATORY FACTOR ANALYSIS OF THE CONSTRUCTS

Table 9: Factor solution on locality, resources and culture

Factors and observed variables	Loadings	Eigenvalues	% of variance
Factor 1: Locality		4.400	23.05%
Q17. Local resources are important for my business.	0.816		
Q19. My local environment influences the performance of my business in internationalisation.	0.813		
Q20. My cultural identity is important in how I operate my business (cultural competence).	0.708		
Q16. My business suffers from scarcity of local resources.	0.705		
Q18. My business leverages on local resources for performance in internationalisation.	0.638		
Factor 2: Resource capability		2.267	19.09%
Q30. My business has the capacity to face the competitive pressures within the industry.	0.790		
Q27. My business has access to raw materials which gives an advantage in internationalisation.	0.724		
Q28. International business networks are important to my business.	0.713		
Q29. I consider myself to be highly innovative within my business.	0.710		
Factor 3: Human capital		1.315	14.34%
Q25. My level of education is important in how I run my business and the decisions I make in internationalisation (literacy).	0.864		
Q26. My business values its employees and views them as important to performance in internationalisation (valuable resource).	0.761		
Factor 4: Cultural capital		1.021	12.77%
Q23. Family ties are important in my business (social competence).	0.811		
Q21. My religious beliefs influence my business decisions.	0.764		
Total variance explained			**69.25%**

COMPARING GROUP DIFFERENCE USING ANALYSIS OF VARIANCE (ANOVA)

ANOVA test to determine mean differences by type of small business

Table 10: Test of homogeneity (ANOVA) of type of small business

Variable		Sum of squares	Df	Mean square	F	Sig.
Locality	Between Groups	4.150	2	2.075	3.209	0.046
	Within Groups	44.611	69	.647		
	Total	**48.761**	**71**			
Cultural and human capital	Between Groups	.481	2	.241	.330	0.720
	Within Groups	50.298	69	.729		
	Total	**50.780**	**71**			
Resource capability	Between Groups	1.068	2	.534	.820	0.445
	Within Groups	44.908	69	.651		
	Total	**45.975**	**71**			

Table 11: LSD homogeneous groups for locality by type of small business

Q5. Type of small business:		N	Subset for alpha = 0.05	
			1	2
LSD	Small	74	3.5500	
	Micro	40	3.6197	
	Medium	10		4.0694

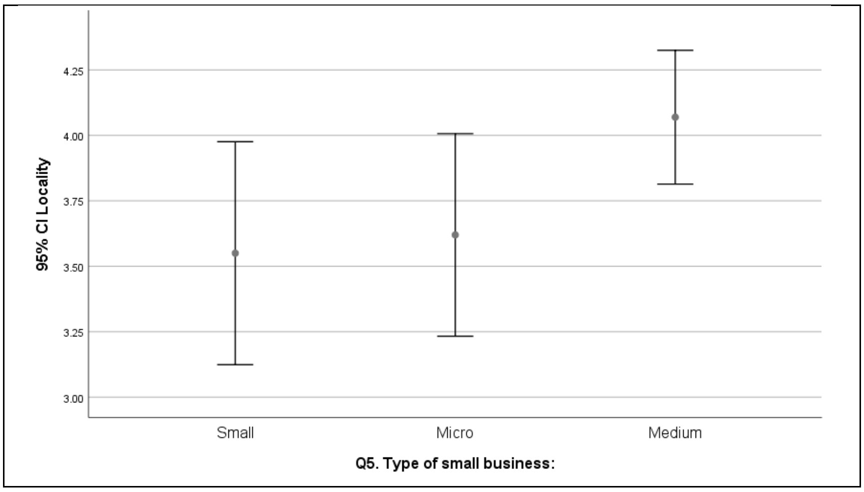

Figure 3: Confidence interval error bars for locality by type of small business

ANOVA test to determine mean differences by age of business

Table 12: Test of homogeneity (ANOVA) of age of business

Variable	Sum of squares	Df	Mean square	F	Sig.

Locality	Between Groups	4.480	2	2.240	3.490	0.036
	Within Groups	44.281	69	.642		
	Total	**48.761**	**71**			
Cultural and human capital	Between Groups	.217	2	.108	.148	0.863
	Within Groups	50.563	69	.733		
	Total	**50.780**	**71**			
Resource capability	Between Groups	.042	2	.021	.031	0.969
	Within Groups	45.933	69	.666		
	Total	**45.975**	**71**			

Table 13: LSD homogeneous groups for locality by age of business

Q5. Type of small business:		**N**	**Subset for alpha = 0.05**	
			1	**2**
LSD	Less than 1 year	20	3.4267	
	Between 1 year and 5 years	33	3.8470	3.8470
	Over 5 years	19		4.0921

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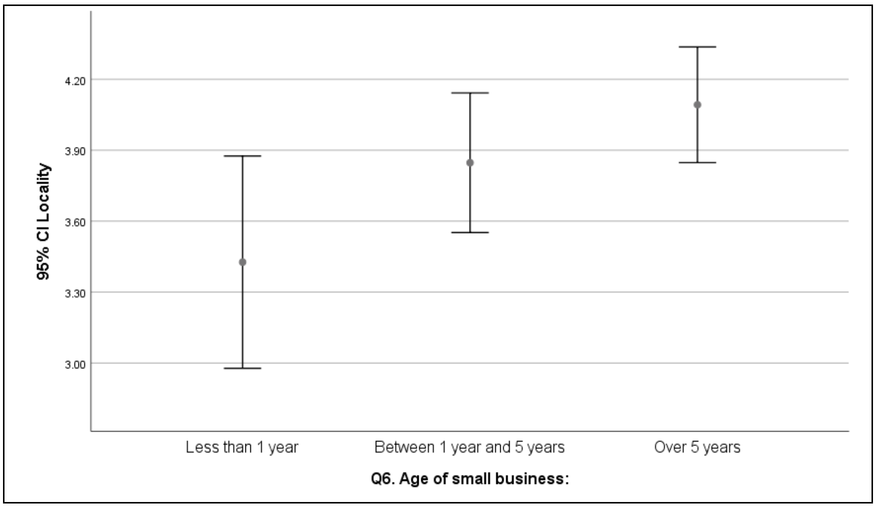

Figure 4: Confidence interval error bars for locality by age of business

ANOVA test to determine mean differences by location of SME

Table 14: Test of homogeneity (ANOVA) of location SME

Variable		**Sum of squares**	**Df**	**Mean square**	**F**	**Sig.**
Locality	Between Groups	3.274	2	1.637	2.458	0.093
	Within Groups	45.277	68	.666		
	Total	**48.551**	**70**			
Cultural and human capital	Between Groups	.486	2	.243	.329	0.721
	Within	50.237	68	.739		

	Groups					
	Total	**50.723**	**70**			
Resource capability	Between Groups	2.439	2	1.219	1.908	0.156
	Within Groups	43.463	68	.639		
	Total	**45.902**	**70**			

ANOVA test to determine mean differences by orientation of SME

Table 15: Test of homogeneity (ANOVA) of orientation of SME

Variable		**Sum of squares**	**Df**	**Mean square**	**F**	**Sig.**
Locality	Between Groups	4.395	2	2.197	3.384	0.040
	Within Groups	44.156	68	.649		
	Total	**48.551**	**70**			
Cultural and human capital	Between Groups	2.112	2	1.056	1.477	0.236
	Within Groups	48.611	68	.715		
	Total	**50.723**	**70**			
Resource capability	Between Groups	.324	2	.162	.241	0.786
	Within Groups	45.579	68	.670		
	Total	**45.902**	**70**			

Table 16: LSD homogeneous groups for locality by orientation of SME

Q10. Indicate the orientation of your SME:		**N**	**Subset for alpha = 0.05**	
			1	**2**
LSD	Services only	25	3.4860	
	Products and services	20	3.7967	3.7967
	Products only	26		4.0731

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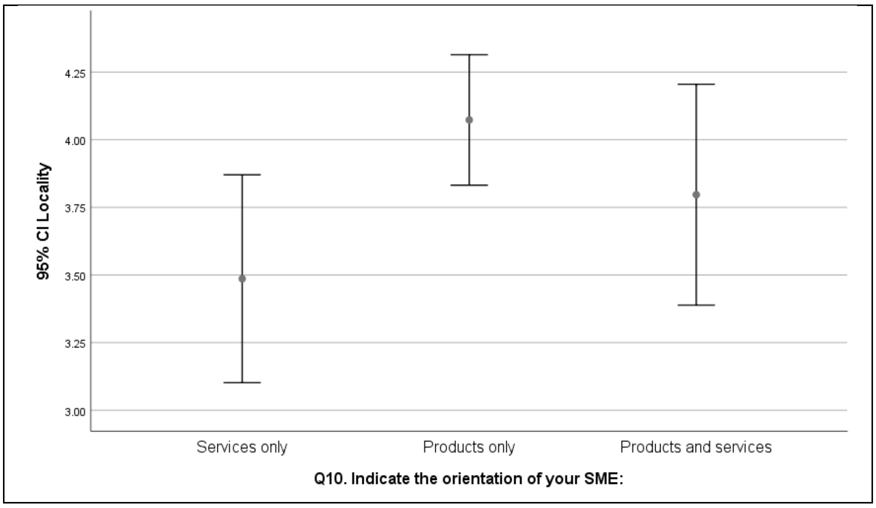

Figure 5: Confidence interval error bars for locality by orientation of SME

ANOVA test to determine mean differences by engagement in internationalisation

Table 17: Test of homogeneity (ANOVA) of engagement in internationalisation

Variable		Sum of squares	Df	Mean square	F	Sig.
Locality	Between Groups	8.638	2	4.319	7.427	0.001
	Within Groups	40.123	69	.581		
	Total	48.761	71			
Cultural and human capital	Between Groups	6.353	2	3.176	4.933	0.010
	Within Groups	44.427	69	.644		
	Total	50.780	71			
Resource capability	Between Groups	1.847	2	.923	1.444	0.243
	Within Groups	44.129	69	.640		
	Total	45.975	71			

Table 18: Robust tests of equality of means by engagement in internationalisation

		Statistic[a]	df1	df2	Sig.
Locality	Welch	5.338	2	33.578	.010
	Brown-Forsythe	8.961	2	44.371	.001
Cultural and human capital	Welch	4.077	2	27.471	.028
	Brown-Forsythe	5.493	2	49.763	.007

Table 19: Games-Howell homogeneous groups for locality by engagement in internationalisation

Q11. Are you engaged in internationalisation?		N	Subset for alpha = 0.05	
			1	2
Games-Howell	No	26	3.3346	
	Not sure	10		4.0200
	Yes	36		4.0648

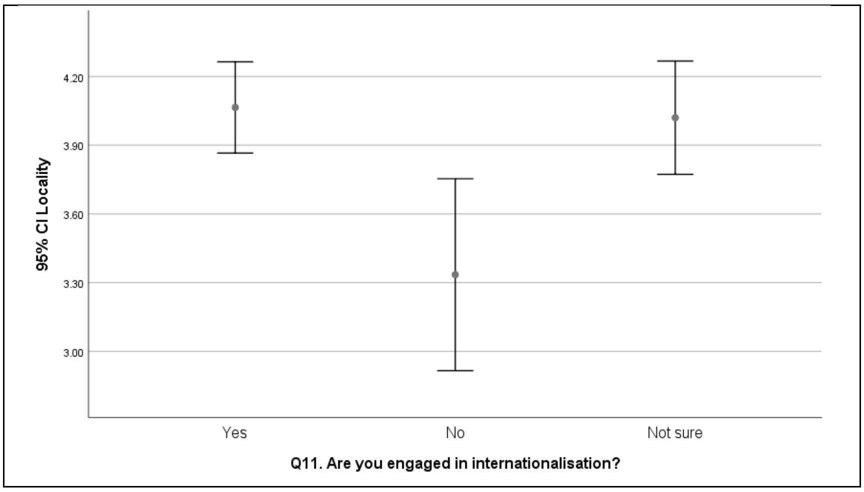

Figure 6: Confidence interval error bars for locality by engagement in internationalisation

Table 19: Games-Howell homogeneous groups for cultural and human capital by engagement in internationalisation

Q11. Are you engaged in internationalisation?		N	Subset for alpha = 0.05	
			1	2
Games-Howell	No	26	3.2058	
	Yes	36		3.7907
	Not sure	10		3.9167

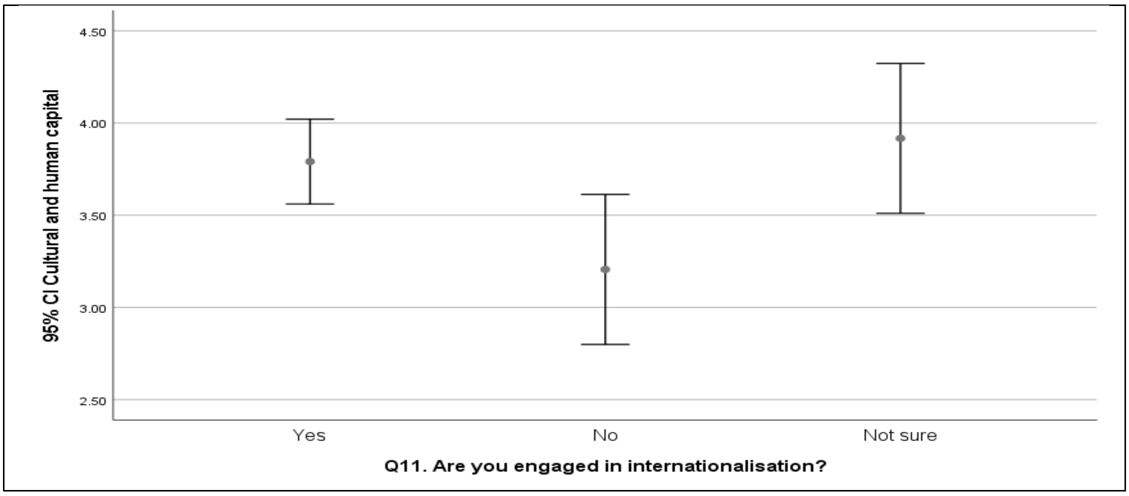

Figure 7: Confidence interval error bars for cultural and human capital by engagement in internationalisation

ANOVA test to determine mean differences by number of years in internationalisation

Table 21: Test of homogeneity (ANOVA) of length of time in internationalisation

Variable		Sum of squares	Df	Mean square	F	Sig.
Locality	Between Groups	.293	2	.147	.406	0.670
	Within Groups	10.106	28	.361		
	Total	10.399	30			
Cultural and human capital	Between Groups	1.066	2	.533	1.288	0.292
	Within Groups	11.588	28	.414		
	Total	12.654	30			
Resource capability	Between Groups	1.247	2	.624	1.187	0.320
	Within Groups	14.713	28	.525		
	Total	15.960	30			

Relationships between the constructs

Table 22: Pearson correlation coefficients of the constructs

Construct	Mean	Std dev	1	2	3
1. Locality	3.79	0.83	-		
2. Cultural and human capital	3.60	0.85	0.482**	-	
3. Resource capability	3.73	0.80	0.320**	0.235*	-

APPENDIX D: CONSISTENCY MATRIX

Antecedents of internationalisation of Indigenous-owned SMEs in South Africa					
Sub-problem	**Literature Review**	**Hypotheses**	**Source of data**	**Type of data**	**Analysis**
Ascertain the role played by locality on the internationalisation of Indigenous-owned SMEs in South Africa	Anderson et al. (2006); Keever, Anderson & Jack (2015); Sadeghi, 2017; Dicken (1992)	**Hypothesis 1:** There is a positive correlation between locality and the internationalisation of Indigenous-owned SMEs in South Africa	Questions from the online questionnaire on the dependent variable of locality i.e. Q.16 to Q.21	Ordinal	Correlation Factor Analysis ANOVA
Determine the role played by resource capability on the internationalisation of Indigenous-owned SMEs in South Africa	Dana (1996, 2007); Barney, 1991; Penrose, 1959; Sadeghi, 2017	: There is a positive correlation between resource capability and affects the internationalisation of Indigenous -owned SMEs in South Africa	Questions from the online survey on the dependent variable of resource capability i.e. Q.27 to Q31	Ordinal	Correlation Factor Analysis ANOVA
Identify the influence of cultural capital on the internationalisation of Indigenous-owned SMEs in South Africa	Bourdieu (1979), Keever, et al. (2015); Klyver and Foley (2012),	**Hypothesis 3**: There is a positive correlation between cultural capital and the internationalisation of Indigenous-owned SMEs in South Africa	Questions from the online survey focusing on cultural capital i.e. Q.22 to Q26	Ordinal	Correlation Factor Analysis ANOVA