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The impact of entrepreneurial mind-set on cross border trade of small medium enterprise manufacturers in Gauteng Province

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management, specialising in Entrepreneurship and New Venture Creation

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ABSTRACT

The purpose of this study was to measure the impact of the entrepreneurial mind-set of entrepreneurs on cross border trade (exporting) and to measure how this affected performance of the SMEs within the manufacturing sector in the Gauteng Province. It is argued that positive entrepreneurial mind-set and understanding perceived constraints of SMEs on cross border trade are determinants of successful entrepreneurship that could contribute to sustainable economic development in South Africa.

The study explored the impact of entrepreneurial mind-set on cross border trade of small medium enterprises focussing on manufacturing sector in the Gauteng Province, South Africa.

This was survey based empirical study of 120 respondents involved in the manufacturing industry. A descriptive quantitative method was used to address the proposed relationships between measuring metrics and growth of these enterprises. The instrument was checked for validity and reliability: the variables were operationalised and measured against multi-dimensional scales. Analysis for the proposed relationships were measured using multiple regression and correlation analysis.

The finding of the research

The study also contributed towards the body of literature on entrepreneurship strategy formulation at the SMES level that potentially may promote better strategy implementation by policymakers. It contributed to the existing body of knowledge by providing new findings on the impact of entrepreneurial mind-set on cross border trade amongst SMEs in manufacturing sector in the Gauteng Province. The study also provided solutions to the declining output in the manufacturing sector. The research findings contributed to the basis for further study to other researchers to follow around the impact of entrepreneurial mind-set on cross border trade.

DECLARATION

I, **Lucky Nhlangothi**, 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 Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this university or to any other university.

……

LUCKY NHLANGOTHI

Signed at Johannesburg

On the 31 **day of** August 2021

DEDICATION

I dedicate this dissertation to my children: Nomfundo, Zinhle and Zamokuhle and my late mother (Ntombiyenkosi Nhlangothi) whose memory gave me the motivation and drive to complete this document. May her soul rest in eternal peace.

ACKNOWLEDGEMENTS

First, I would like to acknowledge the greatness of God who makes all things possible. I am alive today because of His willingness. I would also like to acknowledge the tremendous support that I received from my supervisor, Dr Rob Venter. He strengthened and guided me at every stage of this Research Report. I acknowledge the encouragement that I received from my three beautiful children while working on this dissertation. I would also like to acknowledge friends for their support and prayers that made it possible for me to complete this dissertation. Lastly, a huge thank you goes to Meisie Moya for her unwavering faith in all the students in the MMENVC class.

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CHAPTER: 1 INTRODUCTION

The discussion for this chapter is premised on explaining the purpose and context of this study to show how fulfilment of the research endeavours to advance global entrepreneurship theory and practice. The chapter will commence with theoretical overview at which the review of relevant theory and prior research on entrepreneurial mind-set focussing on the following variables entrepreneurial alertness (EA), Cultural intelligence, Positive effect and opportunity discovery for SMEs to internationalisation will be explored. The hypotheses are formulated for statistical testing. The methodology section is discussed next, followed by issues of sampling and instrument design which will be discussed. Presentation of results, the last section provides discussions and considers implications for future research and theory, Practioners and Policymakers.

1.1 Purpose of the study

The purpose of this study is to explore and identify various factors including the factors influencing the entrepreneurial mind-set or hindering the growth of South African (SA) manufacturing small, medium entities (SMEs) on cross border (export) trade activity. The research will explore the influence of different variables shaping the entrepreneurial mind-set. The variables for consideration being, Entrepreneurial Alertness, Cultural Intelligence and Positive Effect.

Studies conducted in the past on the internationalisation of SMEs focused on generic issues thereby purporting the dearth of literature in the study of industry-specific internationalisation processes on SMEs. This is particularly noted in the emerging contexts such as South Africa (Shree & Urban, 2012). Internationally, the gap can be noted when manufacturing SMES in developing countries are compared to the ones in developed countries. The SMEs from the emerging countries are facing a myriad of constraints in their international expansion, due to weakness in the institutional settings and inefficiency of domestic markets. Poor information systems, limited access to venture capital, and scarce qualified human resources capabilities are also vital factors for their business expansion, in most cases SMEs do not benefit from cluster formations and

receive no public support to develop their businesses. (Cardoza, Fornes, Farber, & Gutierrez, 2016; Lingelbach, De La Vina, & Asel, 2005). Kazlauskaitėet, Autio, Erkko, Šarapovas, Tadas, Abramavičius, Šarūnas, & Gelbuda, (2015) bemoaned that the international expansion of SMEs from emerging economies is burdened by lack of international ties and argued that this expansion is more likely to be driven by the motivation to gain new knowledge that is unavailable domestically. It is argued that these institutional vacuums are taken for granted in developed economies where they play a role in providing a stable environment for SMEs to thrive; these elements are frequently missing in most emerging market environments (Meyer, 2004).

1.2 Context of the study

Entrepreneurial mindset has been used to describe the process or level of individual self-awareness and capacity development for creative, innovative thinking and decision-making towards venture creation and entrepreneurial action (Ogunsade et al., 2018). At the individual level, entrepreneurial mindset and orientation is conceptualized as individuals' disposition, attitudes, capacity, values and behaviours towards engaging in entrepreneurial activities, either in existing firms or creating new ventures.

We conceptualize entrepreneurial mindset as individual predispositions towards creativity innovativeness, and willingness to act, mobilize resources for new ventures even under conditions of uncertainty (Pearce et al., 2010). Thus, entrepreneurial mindset involves a set of distinct but related behaviours and orientations towards opportunities, and capacity to adapt thinking in decision-making processes (Haynie & Shepherd, 2007).

The emergence of entrepreneurial activity and venture creation has been found to depend upon considerations that lie beyond boundaries of personality and characteristics of individuals who start ventures (Bosman et al., 2012; Valdez & Richardson, 2013). However, the role of context in the emergence of entrepreneurial mindset and entrepreneurship still needs to be understood.

This is especially important given the paucity of empirical evidence on developing countries contexts.

According to (Rodrik, 2006, p.20) the economy of South Africa within the global business environment continues to demonstrate some weaknesses in the manufacturing sector and exportation of goods; as a result, South Africa has encountered enormous growth challenges and a high rate of unemployment.

The economic growth in developed countries is commonly attributed to the development of entrepreneurship which is connected to manufacturing sectors (Rodrik, 2007, p.6). Similarly, (Abor & Quartey, 2010, p.218) agree that SMEs in the manufacturing sector contribute nearly 85% in the economic growth of developing countries such as Ghana and South Africa.

The Small Enterprise Development Agency (2012, p.20) defines the manufacturing sector as a method that involves the use of tools and labour to produce goods to be used or sold as intermediaries, or as finished goods for both the domestic and international markets. This means that a different range of activities used by individuals such as innovation, entrepreneurship, and labour when coupled with tools and capital in the production process, they then transform raw materials into finished goods.

Rao (2013) and (Matsoso and Benedict, 2015) added that manufacturing is a procedure that transform raw materials into final products in meeting the expectations of clients' needs. Kesper (2004) and (Statistics South Africa, 2012) indicated that the metals and engineering; agro-processing; chemical; oil and petroleum and textiles and clothing are the main activities occurring in the manufacturing sectors in South Africa.

The government of South Africa has the willingness to stimulate growth within the manufacturing sector since the latter offers its contribution to the growth and development of the economy within other areas (Groover, 2010; Mthabela, 2015). Matsoso and Benedict (2015) insist that

SMEs contribute massively into the GDP of a country through the manufacturing of value goods and services deliveries. These manufacturing sectors play a crucial role in the economy through the production of industrial goods and goods produced domestically (Ahiawodzi & Adade, 2012).

SMEs can offer great assistance to other sectors such as those exporting and importing products (DTI, 2012). In essence, SMEs are for clients who manufacture raw materials and labour and the providers of services since the clients of these manufacturers can stimulate the economy through their purchasing power and suppliers.

Berry (2011) argues that the growth of a country's economy is strongly enhanced by the performance of the manufacturing sector of that country. Statistics South Africa (2015) reports that 12% of small businesses are under the manufacturing sector, hence, the latter holds a strong share within the economy of South Africa although its previous contribution dropped from 19% in 1993 to 17% in 2012.

In 2009, the South African manufacturing sector was owing 10.4% due to the crisis of the international financial meltdown by making a loss of nearly R31 billion on the GDP contributions (DTI, 2012). Mthabela (2015) indicates that the manufacturing sector developed to be part of the biggest contributor of the GDP in South Africa in the year 2013 with 15.2% as a contribution.

Different studies have reported that SMEs are one of the elements that contribute to reducing the rate of unemployment in South Africa, since these manufacturing sectors extremely make use of low-skilled individuals for labours, therefore, the creation of jobs occurred as well as the fast economic growth (SEDA 2012, pp. 42-45; SEDA, 2016, pp. 8-10; SBP Alert, 2013). Maduekwe (2015) adds that SMEs also assist in improving the socials difficulties that might arise due to unemployment. Dhana (2016) asserts that South Africa grapples with high unemployment rates, with unemployment in South Africa currently at 30.1% (Stats SA, 2020).

Kesper (2000) argues that SMEs in manufacturing sectors might contribute importantly to the growth of the economy; however this does not necessarily translate into creation of jobs. The Department of Trade and Industry (DTI, 2005) added that numerous manufacturers have the tendency to invest more on electronic equipment instead of the workforce, whereas some other SMEs plan to reduce their workforce though they do not predict a weakening in their turnover.

UN reports (2005, 2012) show that the SMEs manufacturing sector can be boosted through factors such as: exports; imports; business development services; favourable access to finance; and favourable access to technology. The above significantly contribute to the economic growth of a country. The government needs to offer support to SMEs, enabling them to be successful and to remain sustainable within the global business environment (UN Report, 2005).

Manufacturing is declining globally (Unido, 2016) and South Africa's manufacturing industry is no exception to this downward trend. Current statistics worldwide indicate that the manufacturing sector is dominated by the UK, Switzerland, US, Japan, and Canada (West & Langsang, 2018) with a significant increase in output by China over the past decade. Although strict labour laws are not being practiced in China, lessons can be learnt from the success in Canada (West & Langsang, 2018). The (SEDA Manufacturing Output Report, 2020) indicated that there was a fall in the South African manufacturing output between 1980 and 2009 by 23%. This shows that there is a need to strengthen South Africa's manufacturing position to harness the potential for employment creation, economic growth, and export earnings.

According to (Stats SA, 2020) there was a fall in the manufacturing production of 3, 5% in November 2020 compared to November 2019. This shows that there is a need to strengthen SA's manufacturing position to harness the potential for employment creation, economic growth and export earnings. It is important for any manufacturers to internationalise once the domestic market is saturated.

The debate on the role of SMEs in the development and growth of economies continues to dominate on the agenda of policy makers. The benefits of entrepreneurial development span through the wider socio and economic areas and contribute to poverty alleviation (Cook & Nixson, 2000). According to an OECD report, SMEs produce about 25% of OECD exports and 35% of Asia's exports (OECD 1997).

The National Development Plan projected at creating 5 million new jobs by 2020 (Zarenda, 2013). However, this was not achieved simply because of the outbreak Covid 19 pandemic which had affected the entire world's economy in 2020 and South Africa was not spared. Compounding the problem was the structure of the economy, including shortages of power supply, inefficiencies of the rail networks and levels of education amongst others. Key focus areas identified in the IPAP2 includes metal fabrication, capital and transport equipment, oil and gas, 'green' and energy-saving industries, agro-processing (linked to food security and food pricing imperatives), boatbuilding, automotive (products and components, and medium and heavy commercial vehicles), plastics, pharmaceuticals and chemicals, clothing, textiles, footwear and leather, bio fuels, forestry, paper, pulp and furniture, cultural industries and tourism, business process servicing, nuclear, advanced materials and aerospace (Zarenda, 2013).

South Africa is not able to compete with countries like China in most industry related areas, due to various factors; therefore, the policy makers must identify ways to make the manufacturing sector competitive (Joffe, 1995). A SEDA report (2012) indicates that there is a great need for specialisation for the South African SMEs to gain a competitive advantage in niche markets. Lu and Beamish (2001) postulate that to improve competitiveness there must be a focus on increasing productivity so that the manufactured products can be sold competitively on international markets.

There is a need to investigate the internationalisation of SMEs in developing countries as noted in the discussion above. There exists a research gap in existing literature on the attitude towards both entrepreneurship and lack of entrepreneurial mind-set amongst the SMEs operating in the

manufacturing sector in South Africa. This study shall focus on exploring the impact of entrepreneurial mindset of SMEs within the context of Gauteng manufacturing Sector and it is hoped that further studies can examine other contexts to consider differences that result because of context.

1.3 Manufacturing Investment Programme

The South African government has prioritised investment promotion in the manufacturing sector through the National Industrial Policy Framework and has mandated the Department of Trade and Industry (dti) to come up with incentives for enterprise and manufacturing investment (DTI, 2016). The Manufacturing Investment Programme offers grants to both local and foreign-owned manufacturers and enterprises to ramp up production capacity. This programme also covers SMEs operating in Gauteng Province and can assist them greatly in internationalising their activities and products (DTI, 2016).

1.4 Research Problem

Small businesses in South Africa have been acknowledged as major contributors to the national gross domestic product, employing up to six million people (Chimucheka, 2013; Finscope study, 2010) but SMEs in the manufacturing sector continue to grapple with inadequate growth opportunities. This downward trend in the manufacturing industry has also been noted globally (Unido, 2016). The decline in the manufacturing industry has led to a high unemployment rate of 30.1% (Stats SA, 2020). This figure can rise to 40% if the people searching for work are included (Unido, 2016). Factors affecting SME's exporting efforts in South Africa has been a topic for many decades (Ackah and Vuvor, 2011). SMEs have been facing exporting challenges due to the nature and their size. All forms of business have been blamed in one way or the other for failing to export manufactured commodities thereby expanding markets internationally and enjoy larger economies of scale and better margins (Mazikana, 2020). Historically, the primary concerns of business were to produce goods and services for the local market (Ackah and Vuvor, 2011). The

history of exporting shows that it was normal in the past to expect large firms to export (Jenkins, 2010), whereas the small firms was too small to export (Jenkins, 2010).

Successive post-independent governments of South Africa have developed and implemented various economic development plans with a view to addressing these issues but with limited success. The latest statistics indicate that the manufacturing sector is declining due to poverty, unemployment, and inequality (UNDP, 2010). Therefore, there is a need for effective strategies to be put in place to ensure SMEs are sustainably capacitated to internationalise (UNDP, 2010). It is for this reason that this study is being conducted to measure the impact on entrepreneurial mind-set of SMEs on cross border trade and to ascertain if these can bring about growth or performance of these said SMEs in the manufacturing sector.

In most cases, Government, and the Non-governmental Organisations (NGOs) design intervention strategies which are aimed at upscaling the entrepreneurial growth of SMEs under the presumption that these SMEs have the potential to grow to full capacity. However, with that being done, manufacturing SMEs on cross border trade continue to struggle and there is no profiling of the entrepreneurial mind-set of SMEs cross border traders. The SMEs manufacturing sector is much more expensive to set up internationally compared to service companies. This is brought about by the high capital costs involved in setting up an international manufacturing plant (Lejpras, 2009). Considering this, it is critical to possess a mind-set that is entrepreneurial so that the international business investment provides the entrepreneur with meaningful economic returns. The entrepreneurial mindset is necessary for one to become a global entrepreneur who can appreciate differences in global culture to run a successful internationalised enterprise (Scarborough, Idris, Che-Ha, & Saad, 2012). This brings about the critical element that is being investigated by this study. It is important to investigate the extent to which entrepreneurial mind-set impacts on the growth of SMEs on cross border trade of small medium enterprise manufacturers in Gauteng Province.

1.5 Research Aim and Objectives

The main aim of this research is to measure the impact of entrepreneurial mind-set on cross border trading activities of manufacturing-sector SMEs based in the Gauteng Province. The following objectives were formulated:

- To implore the effect of entrepreneurial thinking of the entrepreneur on the degree of internationalisation of SMEs in the manufacturing sector in Gauteng, South Africa
- To assess the possibility that knowledge and experience of international markets contribute to the performance of SMEs in the manufacturing sector in Gauteng, South Africa
- To assess a possibility that the entrepreneurial thinking of the entrepreneur in international markets contribute to the performance of SMEs in the manufacturing sector in Gauteng, South Africa.

1.6 Significance of the study

The significance of this study is to contribute to the existing body of knowledge by addressing the relationship between entrepreneurial mindset and international entrepreneurship in the manufacturing sector. When SMEs operate only in their home countries, their geographic foundation is limited with no room for diversification of growth and income (Ishaq, 2016). Therefore, internationalisation offers small firms the opportunity to become high growth firms, especially if the firms engage in internationalisation at the early stages of their inception (OECD, 2013). However, the relationship between entrepreneurial mindset and international entrepreneurship on cross border trade has not been established. Scarborough et al., (2012) states that for one to become a successful international entrepreneur, a different kind of mindset which is entrepreneurial is required. This inculcates that firm performance may be highly influenced by the cognitive abilities and decisions of the firm owners (Korsakiene et al., 2019).

Grøgaard, Gioia, & Benito (2013) have forwarded that the desire to internationalise is influenced by domestic competition, internal and external factors, and high productivity (Siedschlag & Zhang (2015). The authors further provide that these factors are mostly home factors such as size of the firm and availability of resources. However, whether firms internationalize for domestic competition or rivalry is not the crux of the matter, the importance is the growth and survival of these firms after internationalisation (Cherrou, 2017). Therefore, knowing the impact of the entrepreneurial mindset of cross border traders in the manufacturing sector might assist in establishing the problem areas or success of manufacturing SMEs. Entrepreneurial Mindset assists in understanding an individual's cognitive attributes and their effect on internationalisation (Cherrou, 2017).

The global state of International Entrepreneurship (IE) is said to be fragmented, inconsistent and lacking converging frameworks (Keupp & Gassman, 2009). Therefore, studies that present an in-depth understanding of the field are required, especially within the emerging markets, such as that of South Africa. Hirsrich, Bowser, & Larysa (2006), notes that research has mainly focused domestically on SMEs and given international attention to large and established firms, leaving the internationalisation of SMEs a more sparsely studied area. Recent commentaries from various international authors, have called for scholars to move beyond the current understandings through richer theoretical and empirical investigations of IE (e.g., Cavusgil & Knight, 2015; Coviello, 2015; Keupp & Gassmann, 2009; Mathews & Zander, 2007; Zander, McDougall-Covin & Rose, 2015).

In internationalisation, there are barriers and drivers, and (OECD, 2008) reported top barriers and drivers as following:

- Limited resources (financial) and contacts in respect of the internationalisation front are the most challenging constraints faced by SMES's, and

- Growth and knowledge-related motives are influential in driving SMEs to internationalisation (Mukumba, 2014).

The South African SMEs in manufacturing might lack knowledge on entrepreneurship and this deposits a negative attitude towards cross border trade. The study will contribute towards the body of literature on entrepreneurship strategy formulation at SMEs level that potentially may promote better strategy implementation by policymakers.

To the best of the researcher's knowledge, little research exists relating to international expansion of global entrepreneurship in the manufacturing sector. Studies have been done by (Nisar, Boateng, Wu, & Leung, 2012; Fabio & Barbara, 2012; Lejárraga et al., 2014) mainly focusing on understanding SMEs entry into foreign markets. Studies have also focused on investigating the reasons why the SMEs are failing (Leboea, 2017; Mthabela, 2015; Olawale & Garwe, 2010). These studies have not addressed the gap that this study aims to address. There are SMEs that have been operational for a long time but have not been able to realise growth. Among these SMEs there may be some that have the potential to grow and contribute to the local economy. An entrepreneurial mindset is quite relevant in internationalisation because this is the lens through which a business owner views, weighs options, make decisions and understand the diversity in different countries (Cherrou, 2017). Internationalisation is very much connected with entrepreneurial mindset because the cognitive abilities assist an individual to understand and adapt to a new business environment (Bowen and Inkpen, 2009). The entrepreneurial mind-set of these cross-border traders has not been investigated, hence, making it difficult to put in place the appropriate intervention strategies that target their exact needs according to the capacity of their entrepreneurial mind-set. This research study sets the groundwork for a proper SMEs development strategy related to their entrepreneurial mind-set pro-activeness rather than their involvement in SMEs as a survival-oriented strategy.

This study will contribute to the existing body of knowledge by providing new findings on the impact of entrepreneurial mind-set on cross border trade amongst manufacturing SMEs in the

Gauteng Province. The study also aspires to provide solutions to the declining output in the manufacturing sector. It is anticipated that the research findings will form the basis for further study to other researchers to follow in this field, the impact of entrepreneurial mind-set on cross border trade.

1.7 Delimitations of the study

This study will focus on SMEs in the manufacturing sector to measure the impact of entrepreneurial mind-set, to identify perceived constraints on cross border trade to enhance entrepreneurship. The sample size will consist entirely of SMEs from manufacturing sector in the Gauteng Province.

1.8 Definition of terms

Entrepreneurial Mind-set

The entrepreneurial mind-set is a way of thinking about an organization that encourages employees to introduce and develop new ideas in a continual process of testing the validity of an idea, modifying its concept, and then trying again to continue the cycle (Pryor & Shays, 2002). It is also a tool that allow organizations to capture the benefits of uncertainty innate in business ventures (McGrath & MacMillan, 2000).

Entrepreneurial mind-set in this regard refers to the behaviours, disposition, attributes and attitudes that relate to creativity, innovation with a view to capture opportunities in the business environment for organizational success Covin, J.G. & Slevin D.P. (2006). Also in the view of Antoncic, B.& Hisrich, R.D. (2003) define entrepreneurial mindset as the mental process and inclination toward capturing opportunity by being creative and innovative in time of favourable and turbulent times. Man, T.W, Lau, T. & Chan, K (2002). assert that it is opinion and readiness of individual or organization to quickly discover or act when the need arises both in conducive and turbulent situations with the intension to exploit business opportunities. According to Dhliwayo, & Vuunen (2007). purports that entrepreneurial mindset is about the distinctive

mental ability of an entrepreneur and the skills to quickly exploit opportunities in either new market or existing market that facilitate creations of new products and markets. In other words, it is a way of thinking and an approach of capturing business opportunities and the willingness to allocate resources to ventures with a high expectation of gains.

Entrepreneurial Alertness

Entrepreneurial Alertness (EA) is a "cognitive framework", which is viewed as a propensity to discover entrepreneurial opportunities based on an individual's ability to scan the environment (Gaglio & Katz, 2001).

Small and Medium Sized Enterprises (SMEs) Act has recently been amended: The Small Enterprise Definition as contained in the National Small Enterprise Act, 1996 (Act No. 102 of 1996) as amended by the National Small Enterprise Act, 1996 (Act No. 102 of 1996), read with the National Enterprise Amendment Act, 2003 (Act No. 26 of 2003) and the National Small Enterprises Act, 2004 (Act No. 29 of 2004) (NSB Act) to:

1) New turnover threshold values to account for inflation since the Schedule was last revised in 2003.

2) Two proxies instead of three. The new schedule defines small enterprise using two proxies - `total full -time equivalent of paid employees' and `total annual turnover'.

3) Removal of the third proxy of Total Gross Asset Value in the current definition as the proxy is often inappropriate and difficult to measure.

4) The size or class category `very small enterprise' collapsed into the `micro enterprise' category. Many users found this size or class category unhelpful and inconsistent with international practice.

The Small Enterprise Definition as contained in the National Small Enterprise Act, 1996 (Act No. 102 of 1996) as amended by the National Small Enterprise Act, 1996 (Act No. 102 of 1996), read with the National Enterprise Amendment Act, 2003 (Act No. 26 of 2003) and the National Small Enterprises Act, 2004 (Act No. 29 of 2004) (NSB Act) has been defined as: *"… a separate and*

distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the Schedule."

1.9 Assumptions

The following assumptions have been made regarding the study.

(a) The sample will have the required information and that the respondents will be Gauteng SMEs

(b) Respondents will provide information openly and honestly without hesitations.

(c) The number of respondents will be enough to gain adequate data that would be illustrative of the wider SMEs in the manufacturers Gauteng population.

(d) If the respondents do not have internet access, they will still be willing to complete hard copy questionnaire/surveys.

1.10 Chapter overview

This dissertation consists of 6 further chapters, with the following layout: Chapter 2 will review literature on the studies that have been carried out by other researchers. Chapter 3 presents the methodology in detail including research design, sampling techniques, data collection and analysis, research validity and reliability. The findings of the study are reported in chapter 4 while chapter 5 explains and discusses the results presented in chapter 4 within the context of the literature review conducted in chapter 2. Lastly, chapter 6 presents conclusions, implications, and recommendations for further study.

CHAPTER: 2 LITERATURE REVIEW

2.1 Introduction

This section will provide analysis on body of literature related to the study of SMEs in manufacturing and their entrepreneurial mind-set towards cross border trade (export). It consists of two areas of focus with the first including a review of literature on the definition of the concept of entrepreneurial mind-set and on the attitudinal construct of SMEs in manufacturing towards cross border trade within the conceptual framework of entrepreneurial intentions. Various theories of entrepreneurship are reviewed with core focus being on the theory of planned behaviour to explain the role of attitudes in entrepreneurial intention or orientation. The second area of focus reviews literature on the constraints to embedding an entrepreneurial orientation amongst SMEs and how this affects the potential for cross border trading. The section concludes with an overview of the key learning points derived from the literature review.

2.2 Definition of topic

The description of SMEs can be challenging as mentioned by Ward (2005) and the OECD (2013). SMEs lack universal definition as they depend on countries' particular interpretations. Majama and Magang (2017, p.74) added that the European Union (EU) attempted to come up with a common definition by stipulating those small businesses are those businesses that employ less than 50 employees while medium businesses are those with less than 250 employees. The World Bank added that small and medium businesses are those having no more than 500 employees (Adalessossi & Utku, 2015, p.81). Regardless of the above-mentioned definitions, some countries and institutions still focused on other measures to come up with their own definitions (Majama & Magang, 2017, p.74).

This section outlines different definitions with the need to understand SMEs. These can be broken down into as “economic” or Qualitative and “statistical” or Quantitative definitions (National Credit Regulator, 2011, p.20).

Stork & Esselaar (2006) and Aminu & Shariff (2015, p.157) distinguish definitions of SMEs according to different African countries. In Zimbabwe, the Minister of SMEs as well as the SMEs Association of Zimbabwe describes SMEs, as a small enterprises who do not employ more than 50 employees with a turnover of less than US$240 000 and the total asset of less than US$100 000; also operate as a legal registered enterprise and on the other hand medium enterprises are those who hire 75 to 100 employees with a turnover of more than US$ 240 000 but less than US$ 1000 000 of total assets (Chivasa, 2014; Majoni, Matunhu & Chaderopa,2016; Ndlovu, Shumba & Vakira, 2018, pp.23-24).

In Ghana, SMEs defined as small are those enterprises that hire 5 and 29 employees and with fixed assets not more than $100,000 whereas medium enterprise are those that hire 30 and 99 employees. SMEDAN (2012) indicates that SMEs in Nigeria are defined as those enterprises that employ less than 200 employees with total assets of less than 500 million Naira, excluding the land and building.

In South Africa, the economic or qualitative definition for an SME is: *“a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in Column I of the Schedule ...”* (Government Gazette, 2019).

On the other hand, the South African National Small Business Act No.102 of 1996: 5:provides a quantitative definition of an SME based on size, number of employees, annual turnover and he total assets as represented in Table 2.1.

Table 2.1 Classification of SMEs.

SECTORS OR SUB-SECTORS IN ACCORDANCE WITH THE STANDARD INDUSTRIAL CLASSIFICATION	SIZE OR CLASS OF ENTERPRISE	TOTAL FULL-TIME EQUIVALENT OF PAID EMPLOYEES	TOTAL ANNUAL TURNOVER
Agriculture	Medium Small Micro	51-250 11-50 0-10	R3.5M R17M R7M
Mining and Quarrying	Medium Small Micro	51-25011-50 0-10	R210M R50M R15M
Manufacturing	Medium Small Micro	51-250 11-50 0-10	R170M R50M R10M
Electricity, Gas and Water	Medium Small Micro	51-250 11-50 0-10	R180M R60M R10M
Construction	MEDIUM SMALL MICRO	51-250 11-50 0-10	R170M R75M 10M

Retail and Motor Trade and Repair Services	Medium Small Macro	51-25011-50 0-10	R80M R25M R7.5M
Wholesale	Medium SMALL MICRO	51-250 11-50 0-10	R220M R80M R20M
Catering, Accommodation and other Trade	Medium Small Micro	51-250 11-50 0-10	R40M R15M R5M
Transport, Storage and Communications	Medium Small Micro	51-250 11-50 0-10	R140M R45M R7.5M
Finance and Business Services	Medium Small Micro	51-250 11-50 0-10	R85M R35M R7.5M
Community, Social and Personal Services	Medium Small Micro	51-250 11-50 0-10	R70M R22M R5M

Source: Adapted from Amended schedule of the National Small Business Act (102 of 1996) as amended in 2003 and 2004; Revised Schedule 1 of the National Definition of Small Enterprise in South Africa.

The definition of small enterprise has been provided as follows:

"a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the Schedule (National Small Business Act (102 of 1996) as amended in 2003 and 2004; Revised Schedule 1 of the National Definition of Small Enterprise in South Africa).

SMEs play a crucial role since they are the backbone in sustaining a resilient economic growth in both developed and developing countries (Kesper, 2000). Berglund (2007, p.51) indicates that SMEs focus more on developing different relationships to increase the performance, gaining, and strengthening their competitive advantage which enable flexibility in their market. However, SMEs encounter various challenges that empower them to sustain their performance and survive in the competitive business environment in the long run (Chimucheka & Mandipaka, 2015, p.310; Saunila 2014, p.4). Saunila (2014) added in general, SMEs that are improving their performance today, are more likely to survive and perform better in the future as they are presently successful and capable of implementing and generating new ideas and knowledge that will allow them to remain sustainable in their industry.

Ndlovu et al., (2018, p.24) added that SMEs are viewed as the driving force that reduce poverty through their capabilities of creating jobs and their contribution on the gross domestic product (GDP) around the world. The OECD indicates that over 95% of SMEs employ more than 60% (Bouri et al., 2011). The Global Entrepreneurship Monitor (GEM) in 2010 argued that countries such as Angola, Ghana, South Africa, Uganda, and Zambia have an improved SMEs record (Yeboah, 2015).

Mahembe (2011) indicated that SMEs in South Africa are also a crucial instrument and critical component of the economy as they contribute 50 to 57% of the GDP and job creation. However, SMEs are deteriorating since some of the owner-managers do not have Managerial Competency,

skills and experience; inability to access finance and lack of technological implementation to run and manage these enterprises as the internal factors. While some of the external factors are also hindering the performance such as competition; Globalization; Regulations; Infrastructure; Crime and Corruption (GEM, 2010; Turton & Herrington, 2012).

Regardless of their crucial importance, SMEs contribute to the economic growth of a country. South Africa is still facing some challenges which impede the growth of entrepreneurship and limit the performance, development, and survival in the long run.
Given the diversity of definitions of SMEs, this research will make use of the Statistical or quantitative definition of SMEs of South Africa as one that is based on the size, number of employees, annual turnover, and total assets.

Weston & Copeland (1998) hold that definitions of size of enterprises suffer from a lack of universal applicability. SMEs are central to economic development as they have been the main source of employment generation and wealth creation in South Africa. According to Love & Roper (2015) SMEs in developing countries have the potential to improve income distribution, create employment and facilitate export growth. SMEs development can contribute to economic growth which has a direct relationship with the reduction of poverty in developing countries especially in rural areas.

Extensive studies have showed that economic growth of any country is closely linked with SMEs development. For example, as noted by Mahmood (2008), there is a vigorous, positive relationship between the relative size of the SMEs sector and economic growth. Again, the contribution of SMEs to the economy is high, contributing to almost 50 percent of Growth Domestic Product (GDP) on average. It is also important to note that majority of employment generation is through the growth of SMES sector only (Ardic et al., 2011). Though it is witnessed that the role of SMEs is increasing expressively in particular national economies, SMEs are generally underrepresented in world trade (OECD, 2007) and drastic actions are essential to ramp up their share in world trade.

According to Meyer & Meyer (2017), SMEs are dominant in numbers in most developed and developing economies. They provide that SMEs are the backbone of most GDPs in countries such as Austria, China, Egypt, France, Greece, Germany, Indonesia, Italy, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Turkey, United Kingdom, and the United States of America. In South Africa, the potential of SMEs to fully contribute to the country's GDP is realised in a limited capacity. It is however important to commend the collaborative initiative taken by South Africa in a bid to improve the country's elevated growth. South Africa is part of the BRICS countries, which is a collaborative group of five major emerging economies which are Russia, China, Brazil, India, and South Africa (Mthabela, 2015). However, South Africa's SMEs competitiveness is still ranked as one of the lowest in the BRICS countries with Russia and China taking the lead (Gera & Shriram, 2019). Mthabela (2015) forwarded that South Africa could be ranking last due to a large share of youth unemployment of 48.2%. The key benefits of being a member state of BRICS are being able to network with other countries thereby enhancing chances of exposure to new technology. The downside of this collaboration is possibility of corruption and challenging business environments (Gera & Shriram, 2019).

The performance of SMES enterprises in Africa is central for the promotion of economic growth, job creation and reduction of inequalities (Rogerson, 2001a). Fjose et al., (2010) highlighted that most African countries are not participating in the formal economy due to a myriad of constraints which include poor business environment, corruption, and lack of finance, among others.

According to Stats SA (2020) unemployment rate was 30.1% and this figure rose to 34.4% in the second quarter of 2021 from 32.6% in the previous period. Advancing the role of the SMES sector in the South African economy is key to economic growth through increasing competitiveness, and by generating employment and redistributing income (Rogerson, 2004). This has been the focus of new development policies since the democratic transition (Berry et al., 2002; GCIS, 2002). The correct entrepreneurial mind-set and supportive programme to mitigate the challenges on export markets will create conducive environment for SMEs to trade globally.

2.3 International Entrepreneurship

This research is located within the domain of International Entrepreneurship (IE) and it is imperative to give a nuanced outline of the discipline as part of setting an agenda for a focused discussion on cross border trade. This section will therefore summarise the following key issue pertinent to IE:

- Models of internationalisation with specific focus on the Uppsala model

Internationalisation is the expansion of a company or business operations, structures and resources into countries that are outside its' borders with the intention of seeking international progression (Roque et al., 2019). There are different types of internationalisation models which are Uppsala (U-Model), I-Model, Born Globals, The life cycle of the product, Non-Sequential Model, Integrated Model and Pre-export activities Model. These models are imperative in assessing which model best suits a particular environment, Roque et al., (2019) describes these models as necessary to address market imperfections. These models are very important because each country has a different approach of doing business according to the needs and complexities of its society, so a blanket approach will not suffice. It is, therefore, quite crucial to take cognisance of these nuances when adopting the correct model of business in a particular market. Bäckström & Khadampour (2015) noted that a significant number of businesses have internationalised their operations in the past decade and further provides that this has been mainly influenced by the need to attract new clients, seeking cheaper production costs and they have seen it as an opportunity to cushion against risk.

The I-Model is characterised by three distinct phases. In the first phase, the market operations are mainly domestic oriented while the business is in the process of considering the possibility of exporting outside to other countries. In the second phase, the business begins to venture into sporadic exports based on the assessments made in phase one. The final stage sees the business regularly exporting into foreign markets and seeking more international market opportunities (Roque et al., 2019).

The life cycle of the product model is based on creating a product that not only thrives within the country where it has been created, but the need for that product is extended to international markets to prolong the life cycle of that product (Roque et al., 2019).

The non-sequential model is influenced by two factors which are, “choice of entry and maintenance ways” (Roque et al., 2019, p.6). These businesses develop resilience strategies in their home countries that equip them with survival orientated strategies to survive in the foreign markets. These strategies include knowledge in managing foreign expansion difficulties, market challenges and being able to survive competition (Cazurra, 2011). The integrated model is based on the premise that the “internationalisation process is not sequential” (Roque et al., 2019, p.6) but rather, it is influenced by internal and external aspects and the competitive work ethic of the individuals that are involved in the business (Bell et al., 2003).

Wiedersheim-Paul et al., (1978) established the pre-export activities model and suggested that a company’s behaviour is influenced by the following factors: “i) the decision-makers characteristics; ii) the company’s domestic context and location; iii) the company’s characteristics; iv) the factors that attract or stimulate the attention; and v) the information activities for pre-export” (Roque et al., 2019).

Bäckström & Khadampour (2015) provided that the Uppsala (U-Model) is the most used model in the internationalisation theory. They further provide that the model is loved by researchers because of its non-complexity in explaining different internationalisation theories. In this model, companies begin their operations in a market that is within their domain where they have market knowledge and full control of resources. They move on to new expanded markets when they are confident that they have fully acquired the required knowledge for market expansion and have been able to secure the necessary resources (Arvidsson & Arvidsson, 2019).

2.3.1 The Uppsala internationalisation model

Having discussed the different models of internationalisation, this study is interested in the further discussion of the Uppsala model. The reason for this is that the U-model is the most used by researchers in the internationalisation theory and it mostly used by SMEs when they embark on cross border activities (Bäckström & Khadampour, 2015; Johanson & Vahne, 1977).

The Uppsala model views the internationalisation process as being organic with its roots in the domestic market and then extending to international markets over time (Arvidsson & Arvidsson, 2019).

The Uppsala model of internationalisation is also known as the stage model as it follows a systematic process through which SMEs venture into cross border markets. The Uppsala model is based on learning theory (Johanson & Vahne, 1977) and goes back to theories of behaviour of companies. It assumes that companies do not have or have very limited knowledge of international markets at the beginning of the internationalisation process therefore, they venture initially only in small steps in the new area (Arvidsson & Arvidsson, 2019). However, (Johanson & Vahlne, 2009) argue that entry into foreign markets is not hindered by a country's "market economic, institutional and cultural differences". Although these are not hindering factors for foreign market entry, market knowledge and required resources are still an important aspect for successful long-term survival in those markets.

The Uppsala model offers useful insights on understanding the role played by organisational learning in the identification, evaluation, and exploitation of entrepreneurial opportunities by the founders and managers of SMEs. The remaining sections discuss the resource-based theory, dimensions of entrepreneurial capital, internationalisation process in terms of motives of internationalisation, market entry modes, entry mode selection, market selection, and degree of internationalisation.

2.3.2 Resource Based Theory

Limited firm resources and international contacts as well as lack of requisite managerial knowledge about internationalisation have remained critical constraints for SMEs to internationalise (Graves & Thomas, 2006). These resource limitations, especially of a financial kind, seem particularly prevalent among smaller, newly internationalising SMEs from sectors and regions also appear to face international barriers (Barney et al., 2011).

SMEs are encouraged to internationalise through growth and knowledge-related resources Athanassiou & Nigh, 2000). The authors further provide that growth and knowledge are instrumental in establishing the international pathway that is associated with opportunities for business growth. This 'knowledge' resource seems to push and pull them into international markets as they continuously encounter external actors (Barney, 1991).

Factors within the external environment of SMEs, including network and supply chain links, social ties, immigrant links, improved global trade infrastructure, and sector and region-of-origin factors seem to stimulate their internationalisation (Baker, 2015). These soft factors are inter-related, and they reflect recently emerging trends, including, for example, the increasing importance of linkages with the lucrative supply systems and value chain network of larger global players to SMES internationalisation.

International activity has been regarded as an essential aspect of entrepreneurship by scholars (Ibrahim, 2004) and this has led to the development of the resource-based theory which explains the intentions of the internationalisation process (Ibrahim, 2004). Barney (1991) identifies the 'push' and 'pull' narrative where push motives are the negative conditions in a firm's domestic market which compel it to seek better conditions in the cross-border markets. The 'pull' motives are therefore the attractive conditions in the foreign markets which the firm wants to exploit through internationalisation. The resource-based view of the firm is consistent with the narrative of 'push and pull' factors in the internationalisation process because it argues that firms have

inherent capabilities which they can leverage on to implement strategies which enhance efficiency and effectiveness. Examples of such capabilities include information and knowledge (Barney, 1991; Grant, 1996; Kogut & Zander, 1992) among others. This means that the resource-based view of the firm provides an explanation for the internal motives that push an SMES to pursue internationalisation.

Starting up an entrepreneurial enterprise is coupled up with the assumption that the success of the enterprise is based on the monetary value of the enterprise, however, this assumption is only true to a limited extent as there are other important facets to a successful entrepreneurial venture. To establish a successful business entity, monetary resources do not work in isolation; they work hand in hand with other non-tangible resources. The resource-based theory (RBT) was introduced by Penrose in 1959 (Kiyabo & Isaga, 2019). The RBT suggests that a firm's performance is based on unique tangible and non-tangible resources which enable a firm's competitive advantage over other enterprises (Kiyabo & Isaga, 2019; Saffu & Manu, 2004). These resources cannot be imitated by other enterprises, they are uncommon, and they cannot be substituted (Barney, 1991). The resources recognised by the RBT include but not limited to "assets, capabilities, organizational processes, firm attributes, the information, and knowledge" (Kiyabo & Isaga, 2019). The RBT theory is closely related to the theory of internationalisation working hand in hand with the Uppsala model (Saffu & Manu, 2004). This is because the RBT makes special reference to the importance of resources on a firm's performance and competitive advantage. while the Uppsala models' focus is entry into domestic markets then gradually enter into the foreign markets (Arvidsson & Arvidsson, 2019), it must be noted that the tangible and non-tangible resources that are mentioned in the RBT theory are essential in the penetration of domestic and international markets (Tabares, Alvarez & Urbano, 2015). These resources include but are not limited to capital, an employee's intellectual skills which include experience and expertise (Tabares et al., 2015). It is envisaged that these resources found within the RBT are quite essential in assisting the entry of an enterprise into foreign markets. While researchers have tried to come up with different classifications of tangible and intangible aspects to address the competitiveness of a firm, these classifications have fallen short in identifying the resources that

are crucial for internationalisation (Barney, Ketchen, & Wright, 2011). Hence, it has been argued that to be able to fully apply the RBT to the internationalisation process, it must be connected to the network theory (Ruzzier, Hisrich, & Antoncic, 2006). The main reason for this is that the network theory facilitates entry into foreign markets through market knowledge which is gained by networking with international partners or internet communications (Morgan-Thomas & Jones, 2009). While relationships that are gained through this networking are crucial for entry into foreign markets, creating them is not a clear cut as this process requires resources (Johanson & Vahlne, 2003). Hence, the suggestion by Ruzzier et al., 2006 to use these two theories in connection to smoothly facilitate the internationalisation process. The application of the resource-based theory is most effective when it is applied hand in hand with the network theory because both theories are not able to function independently of each other in the internationalisation process. Thus, although the network theory facilitates in the creation of international relationships, it is highly limited by lack of resources and this hampers the internationalisation process (Agustini, 2013) hence, the resource-based theory is a perfect fit in addressing this predicament. Having mentioned the RBT theory, it is necessary to further elaborate on the different dimensions of these resources by explaining the dimensions of entrepreneurial capital.

2.3.3 Dimensions of entrepreneurial capital

The internationalisation of SMEs has increased over the years due to the removal of international trade barriers, access to the internet and telecommunications (Baker, 2015). In addition, this has given SMEs access to international customers, suppliers, and network partners. However, these SMEs must be in a position where they are able to mobilise resources for them to internationalise (Denicolai, Hagen, & Zucchella, 2014). These resources are known as entrepreneurial capital and the different dimensions of these forms of capital are discussed below.

Bourdieu, (1986) first introduced the different forms of capital. Firkin (2001) conceptualized Bourdieu's capitals into four dimensions of entrepreneurial capital which are necessary for the

achievement of a thriving entrepreneurial business. These four dimensions have been identified as: economic, human, social, and cultural (Bourdieu, 1986).

2.3.3.1 Economic Capital

Financial capital refers to any financial resources that can easily be changed into money (Bourdieu, 1986). Economic capital is of paramount importance to business start-ups and the businesses' daily operations because lack of this resource can result in the pre-mature closure of business operations, (Firkin, 2001). Economic capital can be a financial security ensuring company equity and allowing the business to borrow (Firkin, 2001). The Internationalisation process requires a steady flow of financial resources during the life cycle of the business (Kato, 2012). The internationalisation process is facilitated by export activities during entry into foreign markets and this requires an in-depth knowledge of international transactions in terms of country trade policies, and the tax system (Bergstrand, 2002). Economic capital is a demand when it comes to internationalisation because money gains the entrepreneur the control that is needed in establishing international operations (Schumpeter, 1934). Economic capital is very important when calculating the costs to be incurred during the Internationalisation process.

2.3.3.2 Social Capital

These are the benefits and resources that are found within a group of people, membership, or institutions (Bourdieu, 1986). The individuals pool resources together to acquire social security of the business. Kim & Aldrich (2005) note that when it comes to social capital, the group members are not the same, they have different strengths. There are those whose capabilities stand out and become the central actors of the group. These centrally located actors have the capacity to see and know more about the opportunities in the network before others do and they can play an expanded role more than the other actors (Kim & Aldrich, 2005). The level of social capital that can be acquired in a business is determined by the individuals' networking, establishment of relationships through family, friends, and the rest of the outside world (Firkin,

2001) Researchers have acknowledged the role played by social capital in the internationalisation process (Harris & Wheeler, 2005). Relationships are created whereby there are joint activities, pooling of resources and formation of bonds between people. Once this is done, interpersonal relationships are created in the internationalisation process (Jiao, Jeffrey & Robinson, 2011). The inclusion of a collective network of people who do not operate inside the firm is most likely to bring a profound understanding of international market knowledge such as trade policies and information about how a targeted international market operates (Harris & Wheeler, 2005). This is important in the internationalisation process of SMEs. The Client-supplier relationship is also a very critical element in internationalisation because demand and supply factors can create the need to enter foreign markets (Jiao, Jeffrey & Robinson, 2011). The role of social capital in the internationalisation cannot be overlooked as these relationships are a supporting factor (Jiao, Jeffrey & Robinson, 2011).

2.3.3.3 Human Capital

Bohlander et al., (2001) describes human capital as the knowledge, skills, and intrinsic capabilities of a person that they can offer to assist in the development of an organization. It is encompassing all the traits and capabilities of an individual leading to their economic productivity (Firkin, 2001). Firkin (2001) noted the two different types of human capital, which are general and specific human capital. General human capital is based on the knowledge that the individual has acquired through formal learning and work experience (Firkin, 2001). Specific human capital is based on the knowledge, experience, and training that an individual acquires in an area of specialisation (Kriechel & Pfann, 2005). If individuals work together with their different knowledge, skills, and competencies they will be able to bring value to the business and meet the desired goals (Fugar et al., 2013). It has been argued that an entrepreneur's human capital positively impacts on international entrepreneurship and that it is vital for firm growth (Novak and Bojnec, 2005). Human capital is a critical resource for internationalisation because the working together of individuals who have different skills, knowledge and competencies provides the firm with continuous innovation and increased firm capability (Graves & Thomas, 2006). The firm's

continuous innovation through human capital may be a result of individuals who have foreign exposure through travelling, living, or working overseas (Ruzzier et al., 2006). These individuals can bring their foreign market knowledge and skills to the team thereby enhancing the firm's internationalisation process. Foreign markets have specific distinctive attributes that are peculiar to their business environments, hence, individuals who have experiences with these environments place the firm at an advantage as they have the capacity to respond to new foreign market opportunities more than their counterparts who do not have the experience of travelling or living abroad (Athanassiou & Nigh, 2000). Individuals who can bring innovative ideas to the firm are said to possess a high level of human capital and it is these individuals who are most likely to be active during the internationalisation process as they are able to identify and explore international opportunities (Davidsson & Honig, 2003).

2.3.3.4 Cultural Capital

Bourdieu (1986) describes social capital as individuals' skills, language uses, clothing, taste and all these attributes are encompassed in three forms which are: embodied, objectified, and institutionalised. These three forms relate to one's accent when talking, the choice of clothes a person wears and individuals' qualifications (Firkin, 2001). This is influenced by the social status of an individual, the type of family that they come from. It follows that the culture of an individual coming from a high-class family is influenced by a sense of high-quality lifestyle for instance, their choice of food may be selective according to their dietary needs, and quality of education may be expensive because the family can afford (Huang, 2019). This differs from the culture of an individual who is brought up in a lower-class family where the most important thing is to satisfy hunger rather than choosing food according to their dietary needs (Huang 2019). However, Wdowiak, Schwarz, Breitenecker, & Wright, (2012) found that education, industry or experience does not have any influence on the performance of an enterprise, it is rather strongly impacted by the cultural background of the entrepreneur. Wdowiak et al., (2012) does not necessarily regard an entrepreneur's industry experience as cultural capital, but rather a knowledge base that can be converted into economic capital bringing value to the enterprise. Cultural capital also

factors in the symbolic capital aspect. This is because in cultural capital, there is a question of how these entrepreneurs view themselves and how their social status is also viewed by others (Groenewald, 2012). Bourdieu (1984) defines symbolic capital as gaining reputation for being competent, respect and honour. Symbolic capital is not easily acquired by virtue of being an entrepreneur; they must build the reputation through the amount of wealth, time and energy that they put into the business (Smith, 2005).

Cultural capital is quite significant in the internationalisation process because the differences and similarities in the cultural context of the entrepreneur's home country and international environment determine how the business will be branded and standardized internationally (Bandi & Bhatt, 2008). Doole and Lowe (2005) cited language as a cultural difference which has the potential to impact on how a product will be received in the international setting regarding the product's branding and how it is advertised. Hence, the cultural aspect plays a significant role in the internationalisation process especially for top management (Doole & Lowe, 2005). In agreement with this notion, Carranza, Teresa and Carolyn (2010) conducted a study in Canada on 'Managerial cultural intelligence and small business' and found that SME business managers who were involved in international business possessed a higher cultural intelligence compared to their counterparts whose SMEs were only operational in a domestic setting. In addition, Johnson, Lenartowicz, & Apud (2006) affirms the importance of cultural intelligence in international markets by citing that it is an important element which has the power to determine the success or failure of a business. However, Ang, Dyne, Templer, Tay, Chandrasekar (2007) points out that although cultural intelligence is an essential factor in the internationalisation process, it requires deep learning effort to gain cross-cultural sensitivity in international business.

These dimensions of entrepreneurial capital are quite significant to internationalisation because the four dimensions work hand in hand to assist in the successful start-up and daily running of the business operations.

2.4 The role of entrepreneurial mindset and alertness in the internationalisation process

Several manufacturing SMEs have been venturing into internationalisation and some of these manufacturing SMEs have forcibly ventured into foreign markets because they have succumbed to the pressure of competition by other firms (Bandi & Bhatt, 2008). However, the internationalisation behaviour of some players in the manufacturing SMEs has been surrounded by some discrepancies (Augustini, 2013). These discrepancies were particularly noted in Indonesian SMEs by Wulandari and Agustini (1999) and Satyanugraha (2005). Some of the SMEs in Indonesia were not applying a hands-on approach in their business operations, their export activities were dependent upon the orders they receive, the operations were not based upon any business plan and the managers were not showing interest in the discovery of new markets. On the other hand, the findings by Satyanugraha (2005) suggest that the internationalisation process of Indonesian SMEs was coupled by a hands-on approach with a clearly laid out business plan. The discrepancies in the internationalisation of the SMEs manufacturing sector calls for a deeper understanding of the entrepreneur's mindset and alertness in the internationalisation process. Understanding the role played by mindset and alertness may assist in deriving conclusions as to why some entrepreneurs display pro-activeness in the internationalisation process whilst some display reactive behaviour (Augustini, 2013). While an entrepreneurial mindset is viewed as necessary for internationalisation (Mthabela, 2015; Nummela, Puumalainen, Saarenketo, 2005) argues that not all SMEs have interest in expanding their firms therefore, they show lack of commitment in internationalisation and these are mostly non-exporting firms. Therefore, it becomes important to know the entrepreneurial mindset of cross border traders because some of the players are more reactive in business rather than being pro-active thus, knowledge of their entrepreneurial mindset maps a way forward in knowing the seriousness of the key players towards the internationalisation process (Augustini, 2013). Cziknota & Ronkainen (2012) identified proactiveness *versus* reactiveness. Proactive motives such as profit and growth, foreign market opportunities and information, management instinct and economies of scale are all internal to a firm while reactive motives such as a small and saturated domestic market, competitive pressures, and proximity to international markets can both be internal and external belying threats in the domestic and foreign markets which must be addressed.

Research has acknowledged that firm outcomes are a result of the decision maker's cognitive abilitites which may be positive or negative (Gupta & Govindrajan, 2002; Augustini, 2013). This suggests the importance of entrepreneurial mindset on firm growth and that it must be possessed by the entrepreneur to become a successful international entrepreneur (Scarborough et al., 2012; Torkkeli, Nummela & Saarakento, 2018). (Kruger 2003, p.105) viewed the core or heart of entrepreneurship, to be "an orientation towards seeing opportunities" and (Cantillon, 1755), viewed entrepreneurship as a critical, decision-making process, conducted under uncertain conditions. In lieu of this philosophy, the ability to recognise opportunities in uncertain market conditions can be conceptualised as a demonstration of entrepreneurial behaviour and if this behaviour is conducted within a corporate setting, then identifying and exploiting entrepreneurial opportunities under uncertainty would be demonstration of change in the entrepreneurial mind-set. In depth knowledge on how international decisions are derived within a firm assist the managers in assessing the kind of training programs they need to equip their team with for successful entry into international markets (Agustini, 2013). Andresen and Bergholt (2017) have defined entrepreneurial mindset as the ability of a person to operate in complicated business environments. Thus, complicated environments in the sense that the environments include international borders with cross-cultural sensitivities, diversity, and geographical challenges (Eriksson, Nummela & Saarenketo, 2014). On the other hand, Jeannet (2000) suggests that focus should not only pertain to market or environmental diversities, but it is also important to note what these environments share as this encourages successful entry into foreign markets.

The concept of entrepreneurial mindset has its roots in cognitive psychology and organisational theory (Gupta & Govindrajan, 2002). Urban & Teise (2015); Haynie et al., (2008) equally agreed that the theoretical foundation of an entrepreneurial mind-set, is cognitive science and more narrowly, cognitive adaptability, as a key construct, which is defined as the ability to be vigorous, responsive and regulate one's cognitive thinking in uncertain business climates. Entrepreneurial mind-set exhibits a way of lucid or cogent attitude about business and its opportunities that overwhelm the benefits of uncertainty (Dhliwayo & Vuuren, 2007). According to (Senges, 2007), it depicts the new and robust search for opportunities and enables actions directed at exploiting

those opportunities. Engineering an entrepreneurial mind-set is significant to endure the competitiveness of economic organizations and the socioeconomic lifestyle of the population through value and job creation. This importance is demonstrated in the sense that it enables supporters of new ideas to establish organizations with new valuable ideas, which are resourced and developed in an encouraging and enabling culture (Thompson, 2004).

Mthabela (2015) cited the importance of entrepreneurial mind-set in business by reiterating that if there is lack of entrepreneurial mind-set in business, this can negatively impact business processes thereby contributing to the failure of the business. This suggests that entrepreneurial mind-set is an important element in business which has the capacity to determine business failure or success. Mthabela (2015) found a positive relationship between entrepreneurial mind-set and the successful growth of SMEs. The success of this entrepreneurial mind-set is attributed to the personality traits of the individual leading the business. The business leaders' personality traits factors in how they run their operations in terms of usage of resources, finances, and motivation (Mthabela, 2015). If the business leaders' personality traits are not in line with what constitutes a good entrepreneurial mind-set for business, this may lead to poor business management. Kuratko et al., (2020) agrees with this view and provides that the role of entrepreneurial mind-set is critical because this is where new ideas in business are created. Bruwer (2012) acknowledged that every entrepreneur has an entrepreneurial mind, and this is where business ideas are created and where they strategize their business operations.

An Entrepreneurial mind-set is not only for the business leader, but it is also to be possessed by the managers and employees (Ireland et al., 2009). This can assist the growth of the business at a large scale as it assists the team to collectively think as entrepreneurs. A collective entrepreneurial mind-set brings out the importance of human capital. When entrepreneurial mind-set becomes a collective phenomenon, it encourages the business team to put together competent ideas which can enhance business expansion (Barreira et al, 2011). Krueger (2009) suggests that entrepreneurial mind-set is something that must be taught and trained for one to become a skilled entrepreneur. Furthermore, the author suggests that entrepreneurs are not

distinguished by their knowledge or business skills, but they are differentiated by how they have been taught to think in business. However, the notion by Krueger (2009) is not quite comprehensive because the evidence provided by (Mthabela, 2015), and (Bruwer, 2009) among others is that entrepreneurial mind-set is exhibited in an individual's personality, how they intrinsically use their resources, time, and finances in the business. Cherrou (2017) conducted a study on the relationship between global mindset and the internationalisation of companies and found that entrepreneurial mindset was a pre-requisite in the internationalisation because the success of the process had to be based on trust and commitment between international partners. In addition, the author found that open-mindedness, linguistic diversity, and adaptive behaviour were all characteristics to be factored in entrepreneurial mindset to achieve a successful international working environment.

Herrington and Wood (2003, p.2), Baron (2010, p.30) and Chimucheka (2015) argued that an individual in South Africa needs to be aware of the importance of entrepreneurial mind-set through the creation of education for gaining skills that will develop their entrepreneurial mind-set and providing them with the capabilities to be successful as entrepreneurs and to make entrepreneurship to become a perfect career path to be followed. Kumar and Abirami (2014, p. 324) propose that learning and education are major factors that can promote the entrepreneurial mind-set and its importance as entrepreneurship creates jobs and its contribution to the economic growth of a country. Park, Sung and Im (2017) claim that individuals that gain their knowledge through social or cultural interaction and previous experience are more likely to find greater opportunities and get easy access in the international market compared to those individuals who gain their knowledge through operation management and business experience. The latter will only develop their entrepreneur mind-set.

Kumar and Abirami (2014, pp.324-326) indicate that there are certain attributes that entrepreneurs need to acquire for them to have the entrepreneurial mind-set: that will assist in the internationalisation process. (Deakins & Freel, 2009) support this notion by asserting that an entrepreneur is commonly distinguished by certain attributes which are known as (skills, traits,

characteristics). Sousa & Almeida (2014) identifies soft and hard skills and explains that soft skills are an individuals' behavior, and it is how they use their skills and talents to apply the hard skills. The soft skills are listed as "interpersonal skills; personal and social skills; and cognitive skills", they are identified as necessary for running a successful enterprise (Sousa & Almeida, 2014). These entrepreneurial attributes distinguish entrepreneurs from other individuals as entrepreneurs are set apart by possessing these attributes and engaging in entrepreneurial activities (Raab, Stedman, & Neuner, 2005). It is assumed that possessing entrepreneurial attributes boosts the performance of the firm and positively impacts on the internationalisation of the firm (Korsakiene, 2019).

Reflecting on the conceptual definition of an Entrepreneurial mind-set, theorized by McGrath & MacMillian (2005), which is the cognitive ability to recognise and capitalise on opportunities during conditions of uncertainty and equally the viewpoint that the derivation of opportunities, is driven by an individual and their cognitive make-up. Thus, theoretically, there is a nexus of the person and levels of entrepreneurial behaviour therefore, one could theorize that a stronger Entrepreneurial mind-set, would result in a stronger Entrepreneurship performance (Scarborough et al., 2012).

The proficiency for an Entrepreneurial mind-set to drive SMEs is equally theoretically supported by analysing the influence of the underlying cognitive attributes of an Entrepreneurial mind-set, which are Entrepreneurial Alertness, Intelligence and Effect, on levels of innovation, performance of the organisation.

Hussain & Hashim (2015) provided that entrepreneurial mind-set is made up of entrepreneurial alertness. They describe entrepreneurial alertness as a factor which initiates the thought process that brings about entrepreneurial mind-set.

Gaglio & Katz (2001), posit that entrepreneurial alertness (EA) is a "cognitive framework", which is viewed as a propensity to discover entrepreneurial opportunities based on an individual's

ability to scan the environment. An individual, whom have a high entrepreneurial alertness (EA), has both complex and adaptive mental schema, that enables them to engage in lateral or "out of the box" thinking, which enables enhanced individual performance.

George et al., (2016) define alertness as the capacity to possess keen insights into identifying entrepreneurial opportunities. Tang (2008) found that entrepreneurs with higher alertness are more committed to their new ventures, behaviourally, physically and work affectively towards success. Thus, entrepreneurs not only need to identify opportunity, but grasp opportunity to success. Only then they can remain with their businesses regardless of the high risks, and uncertainty associated with new venture creation to sustain competitive advantage.

The theory of the ability known as entrepreneurial alertness goes far back in the writings of economist Israel (Kirzner 1973, 1979, 1985) who defined alertness as "the skill to notice without search opportunities that have been overlooked by others" (1979, p.48) or as "a motivated predisposition of man to articulate an image of the future" (1985, p.56).

Kirzner (1979) affirms that the thinking and interpretations of entrepreneurs are different because they are determined by entrepreneurial alertness, a distinctive set of perceptual and cognitive processing skills that drive the opportunity identification process. Gaglio & Katz (2001), posit that entrepreneurial alertness (EA) is a "cognitive framework", which is viewed as a propensity to discover entrepreneurial opportunities based on an individual's ability to scan the environment. An individual, whom have a high entrepreneurial alertness (EA), has both complex and adaptive mental schema, that enables them to engage in lateral or "out of the box" thinking, which enables enhanced individual performance.

Entrepreneurial alertness plays a fundamental role in the discovery of international opportunities Zahra, Korri, Yu (2005) and Oviatt and McDougall (2005). The internationalisation process is where the formation and exploitation of opportunities transpires as the entrepreneur identifies opportunities through entrepreneurial alertness and exploits the opportunities through the firm

(Oviatt and McDougall, 2005). Nowiński and Rialp (2015) cited that entrepreneurial alertness is an essential element in recognizing opportunities in unfamiliar international environments .

Therefore, in summary, an entrepreneurial mind-set, due to its complex cognitive horsepower, enables entrepreneurs to adapt and respond to varying environmental conditions, recognise opportunities under ambiguous circumstances, and creatively exploit opportunities, to enable innovation and performance, within the enterprise domain. Thus theoretically, the entrepreneurial mind-set does positively influence entrepreneurship to SMEs.

The study seeks to understand the impact of entrepreneurial mind-set on cross border trade by measuring alertness, positive effect, and cultural intelligence of SMEs towards export markets, and further identifying the constraints to enter foreign markets.

2.4.1 Dimension and structure of entrepreneurial alertness

The hypothesized cognitive underpinning of the opportunity identification process if driven by entrepreneurial alertness is depicted in **Figure 2.1:**

Research on the relationship between entrepreneurial alertness and firm performance has produced inconsistent findings (Reuber & Fisher, 1994). Possible reasons for these inconsistent results are that our ability to predict a firm's success using entrepreneurial characteristics is limited by the instability of firm performance, and the stochastic nature of the process (Cooper, 1993). In response to this, Man et al., (2002) has come up with a theoretical framework making use of the concept of firm competitiveness for SMEs and the competency approach to study entrepreneurial characteristics: focusing on the role of entrepreneur in determining the firm's performance. The results of the research using that framework have shown that firm's performance is positively related to the entrepreneur's characteristics including alertness.

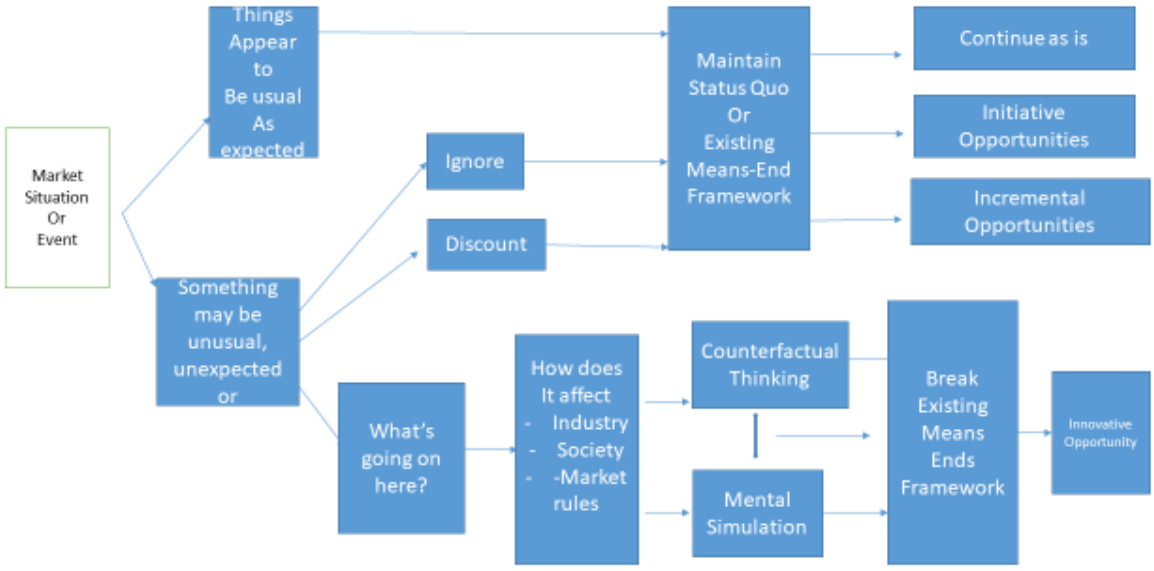


Figure 2.1: Entrepreneurial alertness and the opportunity identification process.

2.4.1.1 The relationship between entrepreneurial alertness and internationalisation

Entrepreneurial alertness is a concept that has received the attention of researchers over recent years; therefore, it is important to understand its' role in the internationalisation process. Entrepreneurial alertness involves the creation of new ideas and opportunities which eventually lead to the commercialisation of a business (Gaglio and Katz, 2001). This suggests that the relationship between entrepreneurial alertness and internationalisation has its' roots in the ideas that are created by the business leaders. These ideas determine the growth of the business into the international market. However, Tang et al., (2012) points out that the process of creating these ideas does not automatically lead to business growth for international markets, there must be continuous persistence in the investigation and feasibility of these ideas. The information gathered by these entrepreneurs must be relevant, the individuals' knowledge and acquisition of new knowledge. This process known as the scanning and search process (Reed, 2004). Angelsberger et al., (2017) also agreed that an individuals' knowledge also affects identification of ideas and opportunities.

2.4.1.2 The relationship between Entrepreneurial Alertness and Internationalisation of the firm's innovativeness (performance)

An understanding of the relationship between entrepreneurial alertness (EA) and SME internationalisation is of interest to policymakers and researchers alike. Governments spend a lot of money to ensure successful internationalisation by SMEs and this is particularly true for South Africa where success of SMEs is critical for economic development and tackling of the triple challenges of poverty, unemployment, and inequalities. Scholars have put forward two theories of EA which are discovery and creation (Short, Ketchen, Shook, Ireland, 2010; Edelman and Yli-Renko, 2010; Mainela, Puhakka , Servais 2014). In addition, the authors assert that some opportunities are discovered while others are created and in some cases these opportunities are tied together. Entrepreneurs go through the process of discovering or creating international opportunities either by being informed or by thinking of ideas (Oyson and Whittaker, 2015). Entrepreneurial alertness facilitates the expansion of firms into new international markets through market opportunities. However, the entrepreneur needs to be astute when it comes to using their resources to influence high market returns in a hostile market environment that the entrepreneur is not otherwise familiar with (Graves & Thomas, 2006). The potential of the entrepreneur to harness the discovery and creation of entrepreneurial alertness opportunities will determine the performance of the firm as the entrepreneur has the capability to realize an opportunity before others do (Kirzner, 1979). Entrepreneurial alertness has the potential to influence the kind of market transactions the entrepreneur enters due to their readiness in opportunity discovery (Kaish and Gilad, 1991).

Tang et al., (2012) conceptualized entrepreneurial alertness within the domain of entrepreneurship. The inclination to scan and search for new information; the competence to link different information and the ability to estimate whether a new opportunity is obtainable through new information. Alert scanning and searching entails continuously examining the environment to look for exhaustive information about the surroundings taking into cognisance the changes that others may have missed (Alvarez and Busenitz, 2001). Firstly, the alert scanning and searching process is consistent with internationalisation because it is important for the entrepreneur to know and understand the kind of environment that they are expanding their

business in. Secondly, the linking of different information assists the entrepreneur in building knowledge on how to maneuver the direction of the firm. This dimension is also consistent with internationalisation because this is where the entrepreneur deals with the different information gathered about the international environment and makes decisions about the firm on how to move forward considering that information (Tang et al., 2012). Lastly, gauging the possibility of a new opportunity considering the changes that may have been noticed is also consistent with internationalisation because the entrepreneur how to move forward in an international environment with the dynamics presented (Mitchell, Busenitz, Lant, Mcdougall, Morse, Smith 2002). In internationalisation, entrepreneurial alertness has the capacity to positively influence firm performance because the entrepreneur will be aware of the information about the business environment, changes and they are able to judge which avenues of business to pursue according to the information that they obtain from the alertness behavioral elements (Kirzner, 1999). Roundy et al. (2017) asserted that entrepreneurial alertness has the potential to influence firm performance due to the alert entrepreneur's promptness and agility when making decisions as they are more likely to act before their counterparts.

Entrepreneurial alertness also involves the vast knowledge of the entrepreneur in the industry either through prior international work experience or through acquiring new information and this is known as tacit or explicit knowledge (Ardichvili, Cardozo and Ray, 2003). According to Shane (2000) and Shane (2012) knowledge is the main factor that recognize and act on any entrepreneurial opportunities. However, entrepreneurs need to develop their knowledge and information that they have gained from the work experience which will enable them in improving their capabilities and abilities' of identifying opportunities in a different way compared to others. This notion is supported by Suddab, Bruton and Si (2015, p.2-3) who argue that the ability of the entrepreneurs in identifying opportunity are those that are beyond filling or finding a gap within the marketplace. Thus, those opportunities are found in the context of social and cultural by interacting with individuals in the market in perceiving the demand. This is unique and very creative way of an entrepreneur getting an opportunity to introduce a new innovative product in the marketplace (Alvarez & Barney, 2010; Suddab et al., 2015:2).

Zhao, Yang, & Hughes, (2020) found that entrepreneurial alertness plays a significant role in the performance of a business; hence, there was a positive relationship between entrepreneurial alertness and the firm's innovativeness. The authors further provide that not all entrepreneurs with entrepreneurial alertness are able to achieve successful running of a business, they need to make with feasible and desirable decisions to achieve good firm innovation. Urban & Wood (2017) agree that both entrepreneurship and innovation is significantly important for different business enterprises regardless of which stages of economic development the enterprises are operating under. The positive relationship between entrepreneurial alertness and the firm's innovativeness is also supported by (Zoogah, Peng, & Woldu, 2015) and further provides that the relationship between the two variables assists in the effective performance of an organisation.

Hypothesis 1

H1. ***There is a positive correlation relationship between entrepreneurial alertness and internationalisation of the firm's innovativeness (performance) among SMEs in Johannesburg's manufacturing sector.***

2.5 Cultural intelligence theory

2.5.1 Definition of cultural intelligence

Cultural intelligence represents a promising development in the field of cross-cultural management. While foundational models and predictors of cultural intelligence have been proposed, there remains a need for more empirical research in cultural intelligence education and development. Cultural intelligence refers to the ability of an individual to work effectively according to the demands of diverse cultures and environments (Gozzoli & Gazzaroli, 2018). Early & Peterson (2004) defined cultural intelligence, as one's ability to effectively adapt to new cultural environments, which (Barreira et al., 2013) indicated is pivotal to metacognition, as the concept centres on cognitive flexibility. Cultural intelligence is closely related to entrepreneurial

mind-set because the former denotes the cultural setting in which an entrepreneur's intelligence or mind-set is either positively or negatively influenced and the kind of bearing this behaviour will have on the success of the firm (Mabusela, 2016). Cultural intelligence determines the prospects of a business to succeed because (Keung and Rockinson-Szapkiw, 2013) found that individuals with enhanced cultural intelligence exude high leadership and management qualities which assist them to adjust to multi-cultural environments. Once the employees of an enterprise display proven ability to operate and manage in culturally diverse environments, it paves way for a smooth transition into internationalisation of that organisation (Ang & Inkpen, 2008).

Theory relates cultural intelligence and the development of this capacity, to several important considerations, including individual attributes and experiences (Ang & Van Dyne, 2015). This research effort examines a multi-cultural group of over 370 managers and management students, testing theoretical relations between individual characteristics (i.e., general self-efficacy, international travel experience, management, and work experience) with cultural intelligence development (meta-cognitive, motivation and behaviour aspects (Ang & Van Dyne, 2015). An experiential approach to cultural intelligence education is summarized. The findings suggest that general self-efficacy holds a key relation to predicting successful development of cultural intelligence capacities.

Innovative work behaviour is a key organizational competence (Van Dyne, Ang and Livermore, 2008). Informed by a framework for describing the role of cultural competences as an antecedent for international business performance, this study seeks to explicate the connection between individual multiculturalism and innovative work behaviours (Lim, 2019), with cultural intelligence as a mediating variable. Lim (2019) further asserts that employees from an organization are most likely to benefit from multi-cultural identity through possessing innovative work behaviour because it allows them the freedom to think and express themselves from a multicultural view.

It is crucial to recognize that leaders have unique responsibilities when their jobs involve cross border trading (Spreitzer, Kizilos, & Nason, 1997). These responsibilities include (1) adopt a

multicultural perspective rather than a country-specific perspective; (2) balance local and global demands; and (3) work with multiple cultures simultaneously rather than working with one dominant culture (Bartlett & Goshal, 1992).

Early and Peterson (2004), defined cultural intelligence, as one's ability to effectively adapt to new cultural environments, which (Barreira et al., 2013) indicated it is pivotal to metacognition, as the concept centres on cognitive flexibility. Ang & Van Dyne (2008) explained Cultural Intelligence as the ability of an individual to perform meritoriously in situations characterized by cultural diversity. They also hypothesised it as a multidimensional concept comprising metacognitive, cognitive, motivational, and behavioural dimensions. It involves higher level cognitive strategies—such as developing heuristics and guidelines for social interaction in novel cultural settings—based on deep-level information processing. Individuals with cultural intelligence challenge cultural assumptions and adjust their mental models about intercultural experiences (Triandis, 2006) thus; cultural intelligence equals the capability of functioning effectively in multicultural contexts (Earley & Ang, 2003) which is a critical competency of effective global leaders.

2.5.2 Cultural Intelligence Four Factor Model

The cultural intelligence framework is based on four different components. These components are different but interconnected (Earley and Ang, 2003). It is important for business leaders to possess all the four components for successful leadership because lacking in other aspects of this model will result in the failure of running a successful enterprise (Van Dyne et al, 2008). The four factors have been identified as a) Motivational Cultural Intelligence, b) Cognitive Cultural Intelligence, c) Metacognitive Cultural Intelligence, d) Behavioural Cultural Intelligence Earley & Ang (2003). These factors are most relevant in internationalisation because global managers need to efficiently participate in foreign work assignments for their business to grow (Brancu, Munteanu and Golet, 2016).

2.5.3 Motivational cultural intelligence (Drive)

It reflects the leader's direction and attention (Rockstuhl & Van Dyne, 2018) also showing the leader's drive to face challenges and interest to adjust into cross cultural activities (Brancu, Munteanu and Golet, 2016). Cross cultural activities come with a lot of challenges including conflict and uncertainty, so it is important for the leader to be self-motivated and acquire the confidence that is needed to face these challenges. Van Dyne et al., (2008) asserts that there is training that needs to be done for individuals who are involved in cross cultural work but explains that it is not necessary to train an individual who lacks motivation because if there is no motivation there is no drive or interest for the work because motivation is intrinsic. The important aspect of motivational intelligence which has the prospects of leading to internationalisation is goal setting and this drives them to explore business opportunities in intercultural settings (Earley & Peterson, 2004).

2.5.3.1 Cognitive (Knowledge)

The cognitive component revolves around an individual's understanding of cross-cultural contexts. Cross cultural contexts are different in environments, ethnicity, religion, and traditions so these all depend on the Individual's level of understanding and determine how that individual will carry out their business (Van Dyne et al., 2008). The cognitive component shapes the way an individual thinks and behaves in these cross-cultural contexts as it allows for an individual to abandon their presumptions about a certain culture, paving way for the individual to embrace a new way of thinking (Earley & Peterson, 2004). Rockstuhl & Van Dyne (2018) simply define the cognitive model as "what one knows". This means that an individual's actions in multi-cultural contexts are determined by the understanding that they have from their background and level of exposure. The cognitive component is relevant to internationalisation because it assists the individuals with cultural adaptation (Earley & Ang, 2003).

2.5.3.2 Metacognitive (Strategy)

Metacognitive cultural intelligence offers an individual the opportunity to try to understand other people's perceptions (Rockstuhl & Van Dyne, 2018). This is done through strategizing i.e., by slowing down their thought processes so that they can understand and accommodate a different cultural context (Van Dyne et al., 2008). Understanding the perceptions of others assists leaders in knowing what to expect in situations such as meetings and awareness (Van Dyne et al., 2008). The metacognitive component is important in internationalisation because it allows for one to consider their own and other peoples' 'cultural programming' (Schreier & Kainzbauer, 2016).

2.5.3.3 Behavioural (Action)

Behavioural Cultural intelligence is based on spoken and non-spoken actions that result from mental processes (Rockstuhl & Van Dyne, 2018). Van Dyne et al., (2008) explain that this this dimension refers to how a leader acts in cross cultural situations. This is where it is critical for the leader to know when it is appropriate to adjust to a certain culture to meet their desired goals. At this point, their actions determine the outcome of their goals by knowing when it is necessary to talk and when to portray non-verbal actions (Van Dyne et al., 2008). The necessary actions which could enhance business success in this dimension include, flexibility, self-awareness when it comes to the choice of words during conversations and carefully studying business cards (Van Dyne et al., 2008).

Considering this four-factor model, it is apparent that cultural intelligence is rooted in an individual's ability to adjust to a new environment (Rocas, 2015). Consequently, Moon (2010) defines organizational cultural intelligence as "the ability of organizations to operate and manage culturally diverse environments. Furthermore, management of cultural diversity leads to the growth of these businesses into new cultural environments (Moon, 2010). Ang & Inkpen (2008) provide that an organization can undergo different internationalisation stages through cultural

intelligence. Rocas (2015) adds that the multicultural relationships which are created between individuals and organisations have the potential to consequently lead to internationalisation.

2.6 The relationship between cultural intelligence and internationalisation

Innovation has become an important unit in the running of successful enterprises (Mohammadi & Adeleh, 2016). They further provide that innovation is a necessary tool that must be in continuous use by organisations so that they can sustain business longevity. Mohammadi & Adeleh (2016) found a significantly positive relationship between cultural intelligence and innovation. In years past, international business was only earmarked by high established business executives who had businesses that were worth billions. It was not easily accessible to small organisations (Livermore & Van Dyne, 2015). Nowadays, international business is easily accessible to any organisation through technology and access to travel (Livermore & Van Dyne, 2015). The expansion of businesses into internationalisation means the inclusion of globally diverse teams with pronounced cultural intelligence (Cassidy, 2019).

Cultural intelligence is regarded as an important aspect which positively influence the success of international firms (Crowne, 2008). Fakhreldn (2018) conducted a study on examining the Effect of Cultural Intelligence on the Internationalisation of Swiss Small and Medium Enterprises and found that the cultural intelligence of top- management in a firm supports internationalisation. Upton and Butters (2019) assert that the effectiveness of firms is influenced by cultural intelligence and that with no cultural intelligence there are no prospects of leveraging cultural differences to enhance firm operations. Keung and Rockinson-Szapkiw (2013) show that cultural intelligence is necessary for the success and growth of a firm. The authors assert that effective leadership in internationalized firms is mostly found in managers who have proven a high level of cultural intelligence in their operations. This notion is supported by Earley, Ang, and Tan (2006) who argue that leaders and managers with a high level of cultural intelligence demonstrate their excellent ability to co-operate with international partners while managing cross-cultural

differences efficiently. Thus, cultural intelligence becomes a performance indicator for leaders and managers handling international firm ventures (Earley et al. 2006).

While cultural intelligence is an aspect that is mostly found in individuals who are highly adaptable to cross-cultural environments (Earley, et al, 2006), it is also an aspect that is exhibited by firms and organizations. Moon (2010) asserts that organizational cultural intelligence entails the capability of a firm to manage culturally diverse environments thereby influencing the processes of how the firm adapts to a new cultural environment. Three levels of cultural intelligence constitute the process of cultural adaptation. Ning-yu and Chi-yin (2013) cite these levels as individual cultural intelligence, team cultural intelligence and organizational cultural intelligence. The performance of a firm is impacted by individual cultural intelligence through the cross-cultural negotiations that take place in the adaptation phase, the cultural distance between cultural backgrounds acts as a balance in maintaining the relationships (Moon 2010). Cross-cultural teams are affected by team cultural intelligence hence, it is important to maintain good communication channels and good conflict resolution skills between international team members. Lastly, organizational cultural intelligence impact on the internationalisation of the firm therefore, cross cultural adaptation is key Ning-yu and Chi-yin (2013).

Hypothesis 2

H2. ***There is a positive correlation between cultural intelligence and the internationalisation of the firm's innovativeness (performance).***

2.7 The role of positive effect in the internationalisation process

2.7.1 The Entrepreneurial Positive effect theory

Greenberg & Baron (2008) indicated that a positive effect, which is brought about by a sense of purpose, increases opportunity alertness to the external environment, increases one's ability to be creative and increases individual performance. Hills (2002) also theorized a relationship

between cognitive ability and creative ability, amongst individuals. The entrepreneurial positive effect refers to the positive environment that enables business to operate in favourable conditions. Baron (2008: 328) defined positive effect as "stable tendencies to experience positive feelings and emotions often and across many situations".

Griffin & Ross (1991) depicts the relationship between the motives and context of an entrepreneur, where motives influence the interpretation of the environment. Inversely, the environment also shapes and influences one's motives (Wyer & Srull, 1989) In a hostile environment, the entrepreneur may put in measures to avoid loses but in a concussive environment, they may want to maximise on profits (Davies & Walters, 2004).

The interaction between the positive environment and the entrepreneurial motivation gives birth to the development of strategies that bring about a desirable entrepreneurial outcome. These entrepreneurial outcomes can be described as opportunity discovery and exploitation (Shane & Venkataraman, 2000), a speedy decision (Alvarez & Busenitz, 2001) or also as growing the company substantially (Wikuland & Shepard, 2003). It is clear from the discussion above that positive effect of the environment can enable firm's performance and innovative ideas. Torkelli, Puumalainen, & Saarenketo, (2012) found that the success of an enterprise is dependent upon the environmental hostility whether the environment is negative or positive. Thus, if the environment is positive the entrepreneurial activities of the enterprise are most likely to be successful.

2.8 The relationship between positive effect and internationalisation

Canh, Liem, Thu, & Khuong, (2019) provided that although innovation it is widely accepted that innovation improves the economic performance of an organization; some researchers are not comfortable with "generalizing this positive effect on a firm's performance". However, developing and implementing innovation is crucial to ensure an organization's efficiency and sustainability and this is encouraged by positive entrepreneurial environment (Makate, Makate, Siziba, Sadomba, & Ardito, 2019). Bernoste, Khedhaouria & Thurik (2019) found a positive association between positive effect and internationalisation. In addition, the authors found that

positive effect and entrepreneurial success are directly connected to each other thereby promoting international firm growth.

However, Baron, Hmieleski & Henry (2012) deviate from the notion that positive effect is a gateway to the good of the success of the firm. The author argues that high levels of positive effect encourage impulsive behavior whereby the entrepreneur makes decisions hastily thereby producing a lot of mistakes in their work. This assumption by Baron is overshadowed by several research by other authors which have shown positive effect in good light. Cardon, Wincent, Singh & Drnovsek, (2009); Foo, Uy & Baron (2009); Hayward, Forster, Sarasvathy & Fredrickson, (2010) have argued that positive effect produces increased innovation, increased strong will to learn from mistakes and re-strategise, zeal and commitment. Positive effect is important in internationalisation because it determines how entrepreneurs respond to international environments because the entrepreneur may be caught unaware with rapid environmental transformations and uncertainty (Baron & Tang, 2011). Hence, the entrepreneur must be able to make quick decisions (Baron, 2008).

The internationalisation process is not an easy venture, it is often accompanied by high levels of stress as the entrepreneur attempts to maneuver their way around the process (Baron, 2008). Positive effect assists the entrepreneur in dealing with this high-level stress as positive emotions preserve the entrepreneur's positive effect state (Baron, Franklin & Hmieleski, 2016).

Hypothesis 3

H3. ***There is a positive correlation between positive effect and the internationalisation of the firm's innovativeness (performance).***

Conceptual Framework.

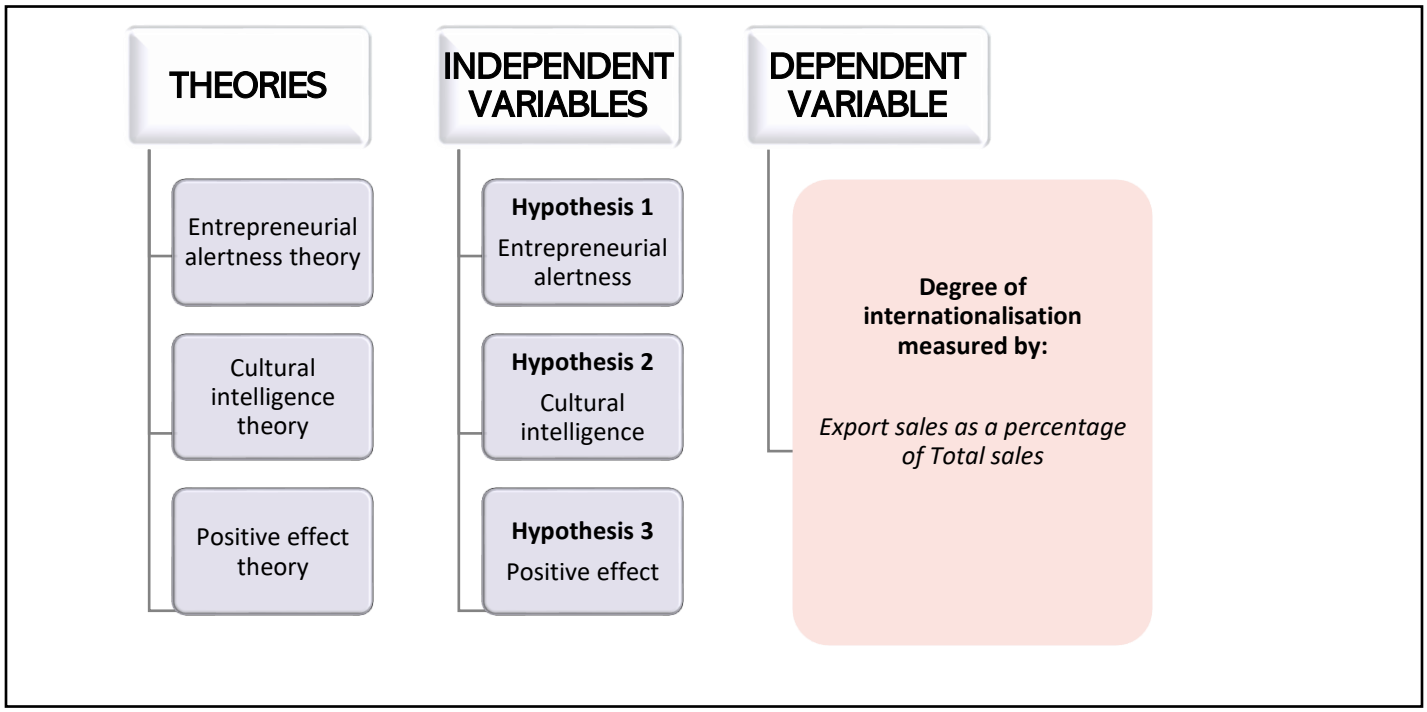
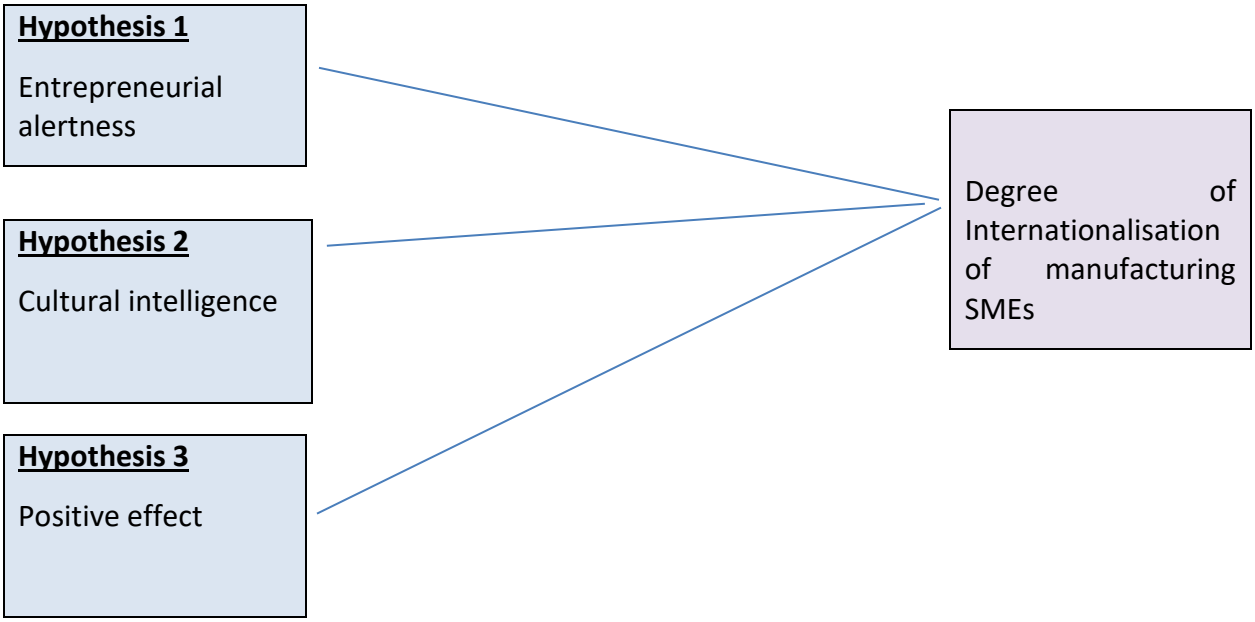


Figure 2.2: Conceptual Framework.

CONCEPTUAL MODEL

RESEARCH HYPOTHESISED MODEL.

Figure2.3 Research Hypothesised model.



This study is based upon three theories which are Entrepreneurial alertness, cultural intelligence, and positive effect. The independent variables are entrepreneurial alertness, cultural intelligence, and positive effect. The dependant variable is the degree of internationalisation. These theories will be discussed in detail. The hypothesised links between entrepreneurial alertness, cultural intelligence, and positive effect and the degree of internationalisation are shown in the conceptual model above (**Figures 2.2** and **2.3** respectively).

2.9 Conclusion of literature review

The factors discussed in the foregoing are relevant in understanding the cross-border activities of manufacturing SMEs. The literature review shows strong evidence of the Born Global perspective explained by the stage model of international entrepreneurship. The factors discussed and their underlying theories and concepts help to explain how South African manufacturing sector SMEs discover, evaluate, and exploit cross-border opportunities.

CHAPTER: 3 THE RESEARCH METHODOLOGY

This chapter discusses key elements of research methodology: research paradigm and design; population and sampling; research instrument; data collection and analysis; limitations of the study; and research validity and reliability.

3.1 The research paradigm

This study followed a quantitative research conceptual framework, which rests on the application of deductive reasoning, quantitative analysis, as well as analytical and descriptive-research methods. This approach was appropriate for this research because its aims to perform testing of the hypotheses formulated from the constructed theories (Creswell, 2002). The intention was to obtain precise unbiased data, from a random sample of sufficient size, to allow for generalisation of the research findings (including correlational relationships between independent and dependent variables).

Johnson & Onwuegbuzie (2004) suggest that the quantitative approach has high credibility with both practitioners and policymakers; thus, it is in line with the aims of this study. In agreement with the above objectives This study has employed a post-positivist methodology, which assumes that reality is objective (ontology), that knowledge can be verified or not (epistemology), and that inquiry is value-free (axiology). Post-positivism is appropriate; because this research is embarking on trying to mathematically interpret the theories in this research (Krauss, 2005), it allows knowledge to be measured against empirical evidence (Goodwin, 2005). Post-positivism entails the study of meaning and generating new knowledge (Ryan, 2006) it assumes that there is much to be known about social reality (Bisel and Adam, 2017). Data is collected and analysed according to the assumptions that are generated through knowledge providing practical grounds for the research to be regarded as a beneficial academic enterprise (Bisel and Adam, 2017).

The academic world holds much belief in post-positivism perspective and argues that there is reality that occurs independently of academic rational; and advanced that all interpretations in

the research work could be incorrect, and that theory is revisable (Trochim, 2000). In line with this philosophy, this research report posits that while absolute truth does not exist, the objective of the research come closer to reality, as far as possible, by making use of confidence levels, where applicable. Unlike other views of reality, critical practicality accepts that researcher's views are to some extent shaped by cultural experiences and worldviews, which are all acceptable for triangulation purposes when seeking reality (Trochim, 2000). Therefore, similar research in other parts of the world is useful in confirming, rejecting, or revising theory, if measurable differences have been acknowledged in between perspectives.

3.2 Research Approach

This study used the quantitative research approach. Quantitative research methods quantify and analyse variables for researchers to obtain results (Apuke, 2017). Aliaga and Gunderson (2000) further describe it as an approach which provides numerical data that is analysed using statistical methods. The data includes obtaining information on how much, who, where, when, how many and how. The quantitative approach is relevant for this research because its' purpose is to test hypotheses, considering cause and effect then deduce outcomes (Johnson & Christensen, 2008, p.34) hence this study proposed to adopt the same approach. Burke & Onwuegbuzie (2004) cited the advantages of quantitative research.

1) The research approach can be used on a larger group to study specific variables.

2) The study is based on specific measurements with the use of structured and validated data-collection instruments.

3) The results can be generalised to other populations.

4) Research results are relatively independent of the researcher.

5) Testing and validating already constructed theories about how phenomena occur. In line with Johanson and Valhne (1977), this study only adopted Export sales as percentage of total sales as a measure of the degree of internationalisation.

3.3 Research Design

The research design adopts a cross-sectional design. Cross-sectional studies are carried out through observations; thus, they are descriptive and often carried out in the form of a survey (Levin, 2006). This method is used to make conclusions about possible relationships or collecting primary data for further research (Setia, 2016). The advantages of this research design are that it is affordable and fast, allows the researcher to gather data on diverse variables and correlate with an important variable of interest (Levin, 2006).

3.4 Population and sample

The population included all manufacturing SMEs in Gauteng Province. These are the Directors/founding entrepreneurs of manufacturing SMEs engaged in internationalisation. Research study is conducted in three Metropolitan cities and two other small Municipalities in the Gauteng Province. Gauteng is one of the nine provinces in South Africa, and it is known as the 'place of gold' because it is the richest province (Makiti Guides and Tours, 2004). It is the smallest province but the most densely populated with a population of close to 15 million people (Stats SA, 2019). The province was chosen as a study site for this research because it contributes profoundly to the country's financial and manufacturing sector among others (Makiti Guides and Tours, 2004). Gauteng is a base for some of the biggest companies in Africa and outside Africa and a third of the country's gross domestic products comes from the province (Stats SA, 2019).

3.5 Sample and sampling method

A sample method means taking a selection that represents the population so that the data collected can be used as research information. It is meant to give a good representation of accuracy and precision of elements of the population it is intended to represent. Frey et al., (2000) described it as a subgroup of the population. There are two clusters of sampling methods

and these are called probability sampling and non-probability sampling. This study adopted the non-probability sampling approach, and the purposive sampling technique was used. Top management or directors who had insight about the firm's internationalisation information were selected. This method whereby individuals are used as firm representatives to provide information is in line with firm internationalisation studies because the managers are believed to have a good understanding of their organisational operations (Urban, 2010). The purposive non-probability sampling method is usually used when the researcher is conveniently choosing respondents who fit the research design (Showkat & Parveen 2017). In addition, the authors point out that this method is cost effective and provides easy access to the respondents. A preliminary electronic survey which was based on the selection criteria produced 300 qualifying firms. These firms were coded into a database where the system had to randomly select 50% of these firms, The sample size determination formula was used in determining the sample size of 150 for this study at 0.05 level of significance and copies of the research instrument(questionnaires) were distributed proportionally to each SMEs according to the proportionate distribution Baridam, D.M. (2008). 150 became the final sample and from that sample only 137 participants responded. The response rate was considered as reasonable due to unforeseen circumstances such as mistakes in email addresses, the respondents failing to see the emails on time (Cooper & Emory, 1995). The sampling frame included the National Empowerment Fund, the Gauteng Enterprise Propeller, the Dti and referrals. The study relied on South African member export firms listed on the DTI website because a complete sampling frame of internationalised South African frames was not available (DTI, 2013)

3.6 Research instrument

The working definition for internationalisation or cross-border activities is organisation-level activity that crosses international borders. In this study, degree of internationalisation is represented by firm innovation and performance, the research instrument used was based on existing tools and is adequate in terms of reliability and validity. The methodological approach that was used is a survey. The research was conducted by way of survey in a questionnaire

format. Survey in questionnaire is best suited for quantitative research. Past research has used questionnaires in measuring the variables (Chen, Gully, & Eden, 2001; Zellweger, Sieger, & Halter, 2011). The development of the survey tool was based on past research and observed findings which were consistent with concepts of this study which are (1) entrepreneurial alertness, (2) cultural intelligence and (3) positive effect. These concepts are categorised in table 2.2 into theories, independent and dependant variables. An online questionnaire was used categorised around entrepreneurial alertness, cultural intelligence, and positive effect. The questionnaire had questions on demographic information of the respondents, characteristics of SMEs, challenges to internationalisation.

The five-point Likert scale was used, and the questions enabled respondents to indicate their opinion on various factors The Likert scale was an appropriate tool for this study because it is used to determine the extent to which a person agrees or disagrees on a subject matter (Jamieson, 2004). The Likert scale points were developed by (Likert, 1932) and ranked them on a continuum from highest to lowest and these 5 points were adopted for this study; 1) Strongly disagree, 2) Disagree, 3) Neither agree or disagree, 4) Agree, 5) Strongly Agree.

3.7 Data collection procedure

The data collection process involved analysis and synthesis of pertinent literature and the formulation of an online questionnaire based on this literature. An online copy of the questionnaire was created using Qualtrics. Studies conducted by Nisar et al., (2012); (Mthabela, 2015) also gathered data online and reported that personal delivery and collection of the questionnaire produced a high response but indicated that online questionnaires are time and cost efficient in terms of collective large volumes of data at a low cost. This was complimented with direct e-mails to owners and managers of manufacturing sector SMEs. Respondents gave their consent and were given a month to complete the online survey.

3.8 Data analysis and interpretation

Data was analysed statistically using SAS package through descriptive data analysis, regression analysis and hypothesised testing. Calculation frequency distribution, mean, mode and median were done to check for data and any missing information. According to Cooper & Schindler (2008) the means of a data refers to the arithmetic average of the values. According to Cooper & Schindler (2008) median is the midpoint the distribution and the mode is the most frequently occurring value. To analyse, correlational analysis including hypothesis testing and comparisons of means was done to determine any relation between data. This study identified hypothesis for testing and selected a criterion upon which an assumption was made about whether the hypothesis being tested was positive or negative. The study went on to compare what was observed and what was expected to find through the claim of the hypothesis. Multiple regression was conducted to assess the hypotheses. The model had innovation as the dependent variable and Entrepreneurial Alertness, Positive Effect, and Cultural Intelligence as the independent variables.

3.9 Reliability and validity of the research

Cooper & Schindler (2008) define validity of a measurement scale as the extent to which the test measures what we wish to measure, while (Gravetter & Forzano, 2011) defined validity of the research study as the degree to which the study accurately answers the question it was intended to answer. The notions of validity and reliability related to the research study are explained below.

3.9.1 Reliability

Reliability is the extent to which results are consistent and yield the same results on repeated trials (Neuendorf, 2002). To ensure exploited reliability, only one and the same questionnaire will be managed amongst the research sample. Cronbach's Alphas score was used to test the

consistency of the items included in the questionnaire. Cronbach's Alpha (Cronbach, 1951) is used to test reliability or the internal consistency of variables (Cho & Kim, 2015). Higher Chronbach's alpha values show greater scale reliability while 0.0 shows no consistency in measurement (Cho & Kim, 2015). Chronbach's alpha is the most convenient tool for measuring reliability because it can be calculated only using a single sample while the other tools require parallel reliability (Hair, Black, Babin, and Anderson, 2010).

3.9.2 Internal validity

The terms internal validity "describe the degree to which changes in the dependent variable are indeed to which due to the dependent variable rather than to something else" (Wellman, Kruger, & Mitchell, 2010, p.107). Expressed differently, it means the ability of drawing appropriate conclusions for the research from data to be collected (Kalof, Dan, & Dietz, 2008). To ensure internal validity, criterion validity was used for the questionnaires to ensure adequate quality control, that the questionnaire was measuring the exact questions it was intended to measure and there was adequate planning of the study (Patino and Ferreira, 2018).

3.9.3 External validity

External validity is intended to determine whether results of the study would hold for other places should it be generalised (Cooper & Schindler, 2008). The ability and extent to generalize these research findings across population is limited due to the convenience sampling method utilized. To ensure external validity for this study, the sample only consisted of SMEs from manufacturing sector in the Gauteng Province.

3.10 Research ethics

Ethical considerations are an important component of the research procedure which cannot be overlooked by the researcher as there are certain ethical guidelines that must be followed to ensure that the rights of the research participants are respected (Silverman, 2009). A formal ethical procedure was followed in obtaining written consent for the study. The study followed the research ethics principles by acquiring the participants verbal consent before conducting the study. The participants were aware of the research purpose and how it was going to be carried out as the researcher had explained everything to them and they willingly consented. (Leedy, 2000; Neuman, 2000) state that the research participants must be willing participants.

It was explained to the participants in writing that they were not under any obligation to participate in the study as they could withdraw their participation at any time. The issue of confidentiality was also explained to the participants, their identities would remain anonymous.

3.11 Conclusion

This chapter discussed the research methodology in detail: research paradigm and design; population and sampling; research instrument; data collection and analysis; limitations of the study; and research validity and reliability.

CHAPTER: 4 PRESENTATION OF RESULTS

4.1 Introduction

The study was conducted amongst the group of SMEs operating in the Gauteng Province manufacturing sector. The purpose of the study was to measure the impact of entrepreneurial mindset on the cross-border trade. To test for the external validity of the data set, the study was conducted in five municipalities of Gauteng Province. The questionnaires were sent online to a population of 150 SMEs and only 137 responded. These were the Directors/founding entrepreneurs of manufacturing SMEs engaged in internationalisation. The research instrument was tested for holistic research suitability in this exercise. The survey results are tabled below and will be further discussed in chapter 5.

4.2 Demographic profile of respondents

4.2.1 Description of respondents

A total of 137 responses were received. Of the 137 responses, 18 were incomplete and therefore eliminated from the sample. A total number of 119 responses were analysed. Thus, the response rate was 99.17%.

The age of the companies in the sample is summarised below.

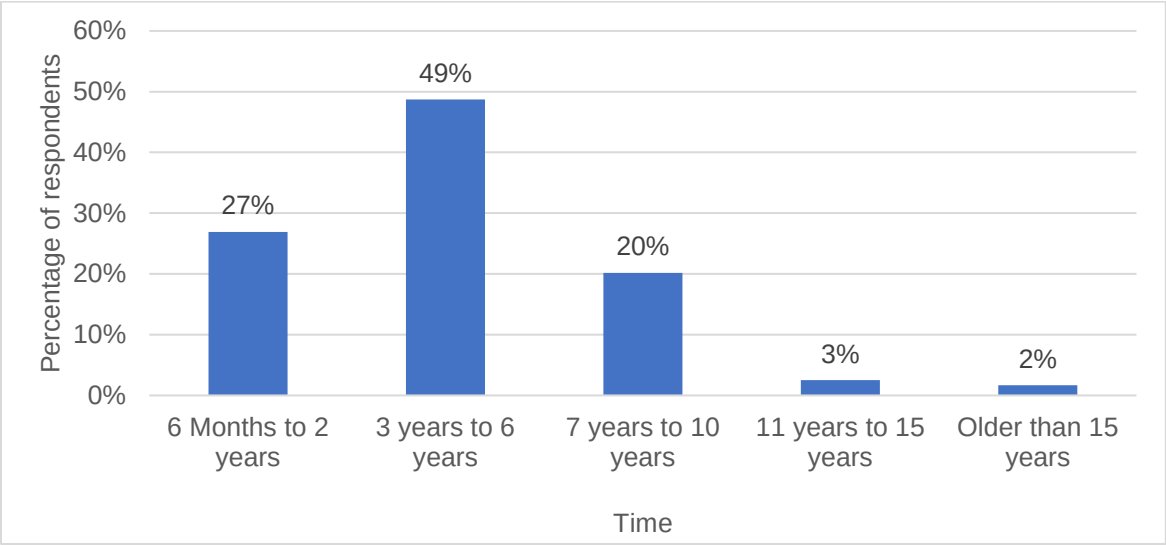


Figure 4.1: Age of the company.

As seen in **Figure 4.1**, it can be noted that 27% of the firms were 6 months to 2 years old, 49% were 3 – 6 years old and 20% were 7 -10 years old. It must be noted that there is a sharp decline in the number of companies still on operation after 6 years (from 49% to 20%, and it continues to decline). Only 2% of companies were older than 15 years.

The highest level of education attained by the respondents is illustrated in the chart below.

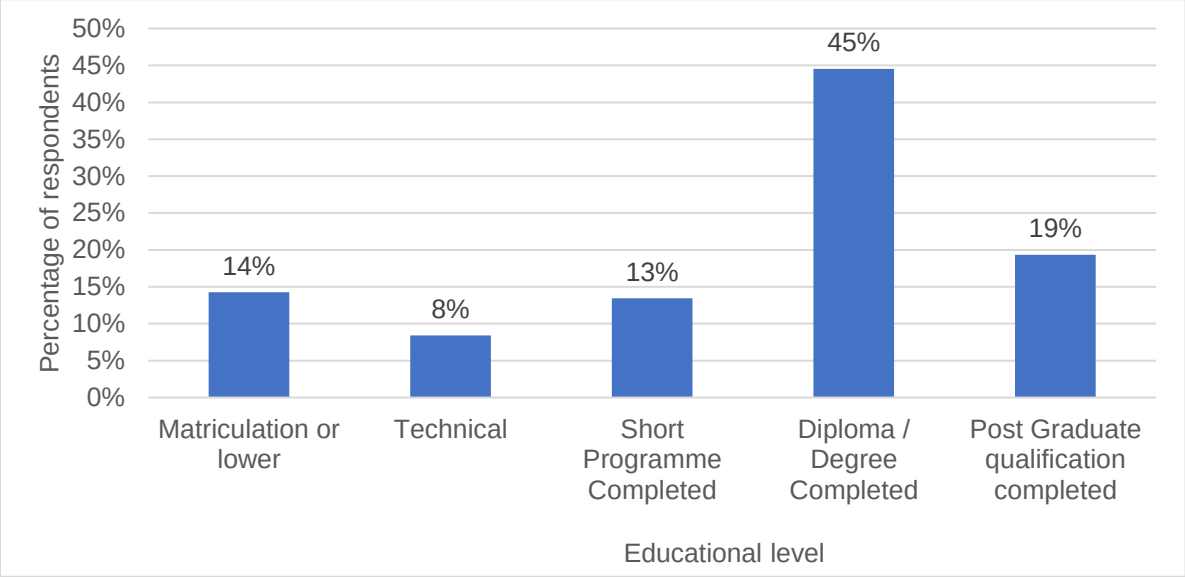


Figure 4.2: Highest level of education completed.

To this end approximately half of the respondents which is 45% to be accurate pursuant to the survey had completed their diploma or degree, 19% completed their post graduate qualification and the remainder completed some form of secondary education, of which 14% completed matric or lower. Given these findings, it can be deduced that employees or entrepreneurs with sound academic background occupy senior management positions in most of these Manufacturing Companies.

The Regions from which the companies operate from was established and the results are shown in the chart below **(Figure 4.3**)

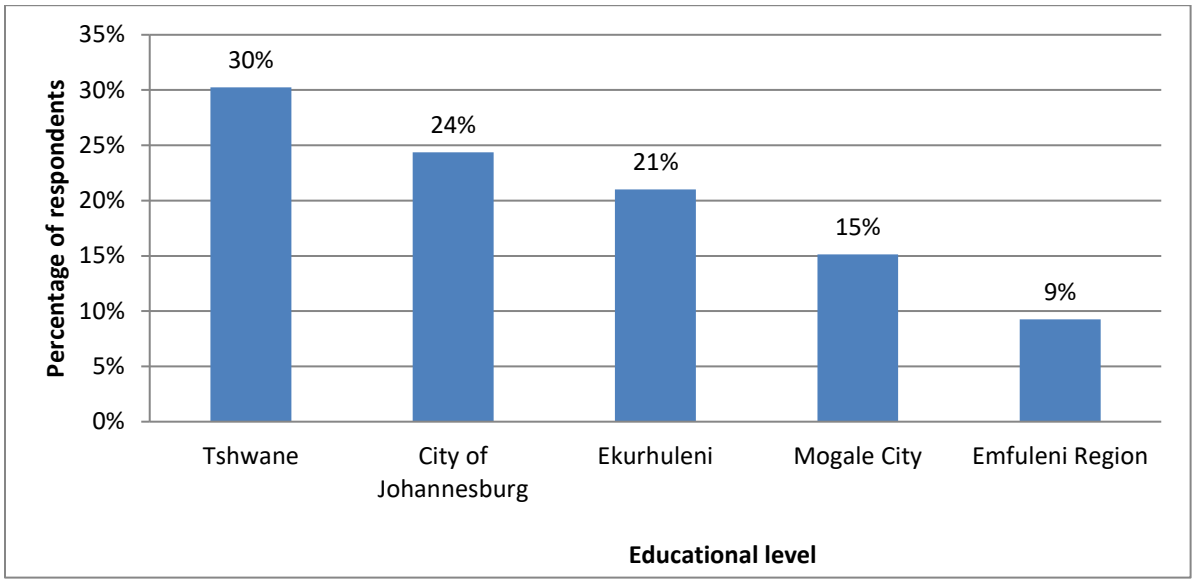


Figure 4.3: Region from which the company operates.

It must be noted that the City of Johannesburg, Tshwane, and Ekurhuleni Municipalities are the three largest Metropolitan Cities in Gauteng Province by population (listed in descending order) and these Cities combined contributes high percentage of revenue towards our National GDP. Mogale City and Emfuleni Regions are the largest local municipalities within their respective districts of West Rand and Sedibeng (both located in Gauteng Province). The lack of multinational companies in these two municipalities is the compelling reason they remain at the heart of economic growth and job creation within those districts. A proportion of 30% of the companies were from Tshwane, 24% were from the City of Johannesburg, 21% from Ekurhuleni, Mogale (15%) and Emfuleni (9%).

4.2.2 Characteristics of the SMEs (internationalized versus non-internationalized)

It was established whether the companies had internationalised or not. The results are shown in **Figure 4.4.** Most of the respondents (72%) indicated that their companies had internationalised.

It can be argued that technological advancement and other factors may have contributed immensely for these Companies to internationalise and established cross-border networks.

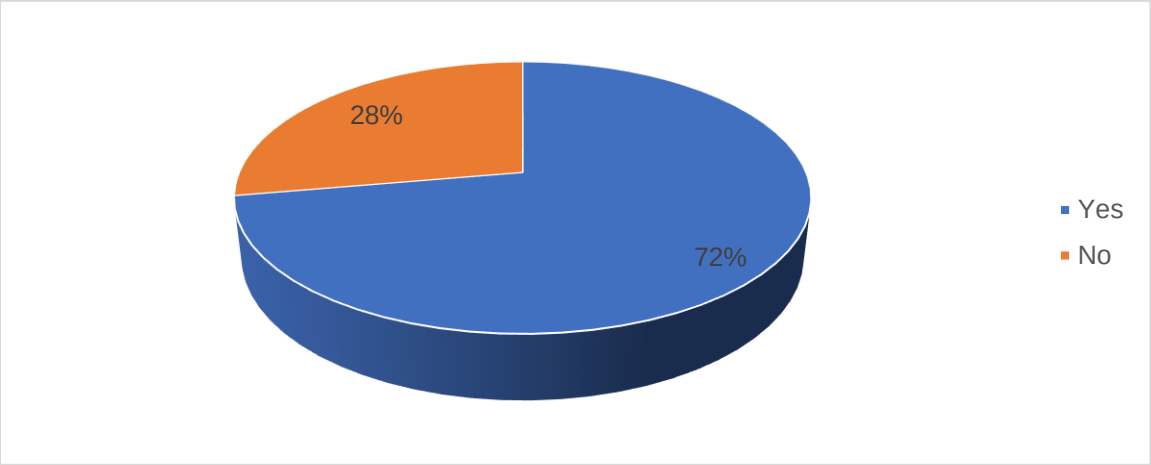


Figure 4.4: Characteristics of internationalized SMEs.

The age at which the companies first engaged in outbound internationalisation was established and the results are shown in **Figure 4.5.**

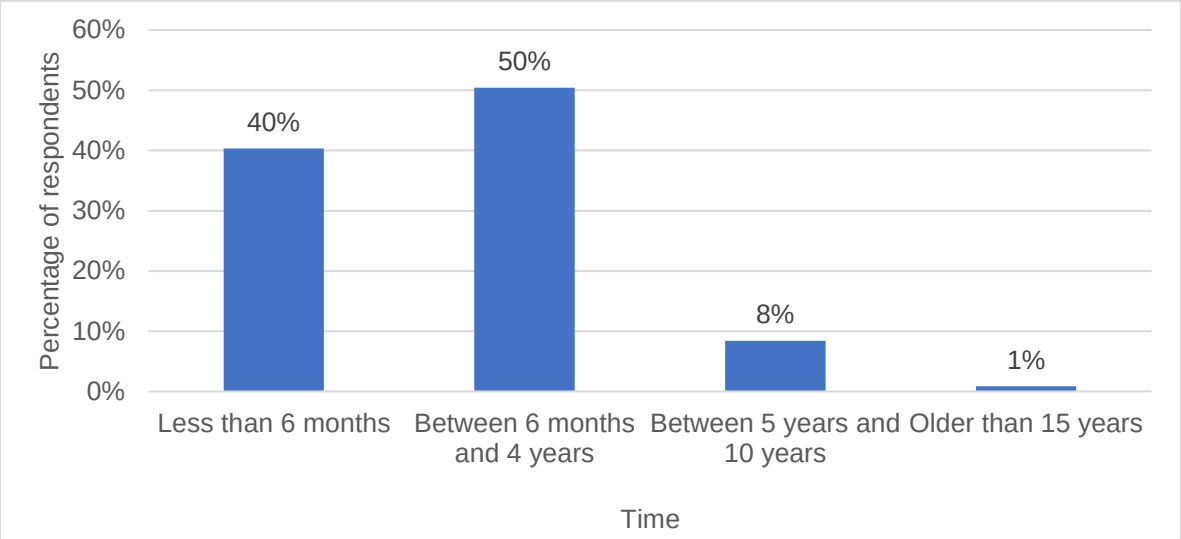


Figure 4.5: At what age did your company first engage in outbound internationalisation?

It must be noted that half or 50% of the respondents indicated that their businesses first engaged in outbound internationalisation when they were between 6 months and 4 years. 40% of them first engaged in outbound internationalisation when their businesses were less than 6 months and 9% when their businesses were older than 5 years.

It can further be noted that 9 in 10 companies chose to engage in internationalisation within 4 years of their formation. Furthermore, 9% of them took this decision after 5 years of their formation of which only 1% internationalised after 15 years. Note the sharp decline in the time when companies first chose to internationalise after 4 years from 50% to 8%. A possible reason to explain this is that companies that have spent over 4 years operating in South Africa are well established and successful and there is, therefore, no incentive for them to internationalise. Further possible reasons will be explored in the chart that follows.

For those who did so within 6 months, it may have been their intention from the formation of their business to internationalise. Nonetheless, most companies who chose to internationalise, did so within early stages of their businesses.

4.2.3 Internationalised versus non-internationalised SMEs.

The bases on which these firms in the sample internationalised on or would internationalise on was established. The results are shown in **Figure 4.6.**

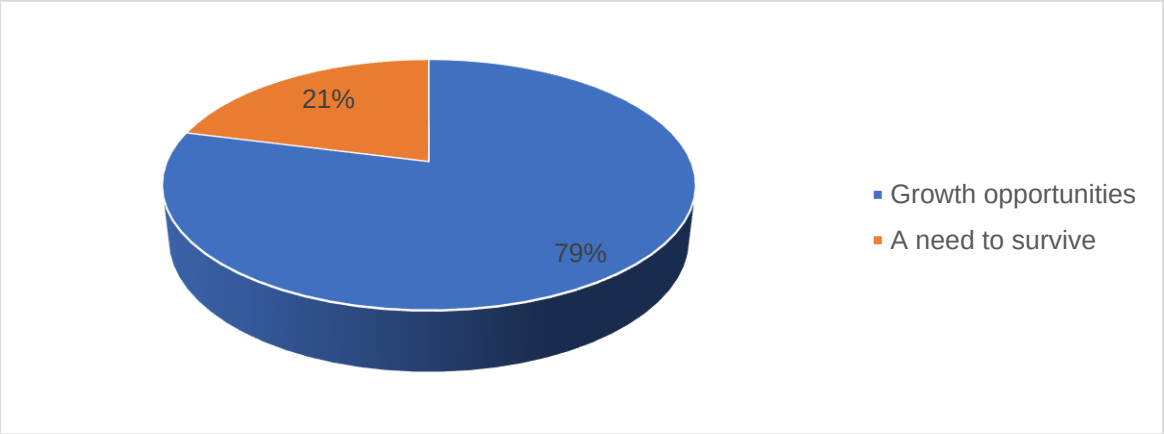


Figure 4.6: The firm has internationalized or would internationalise based on

Most of the respondents (79%) indicated that their firms either internationalised on or would internationalise based on growth opportunities while the other 21% would base their internationalisation on a need for survival. Although no correlation has been established, it is not impractical to presume that businesses which chose to internationalise after 5 years of their formation did so mainly as a need to survive because, prior to that, they may not have had an incentive to engage cross-border trade. Similarly, businesses that took this decision earlier than 5 years in their formation may have done so based on growth opportunities because internationalising was their intentions to grow and enter new markets.

The number of countries from which the firms represented in the sample operate is illustrated in **Figure 4.7.**

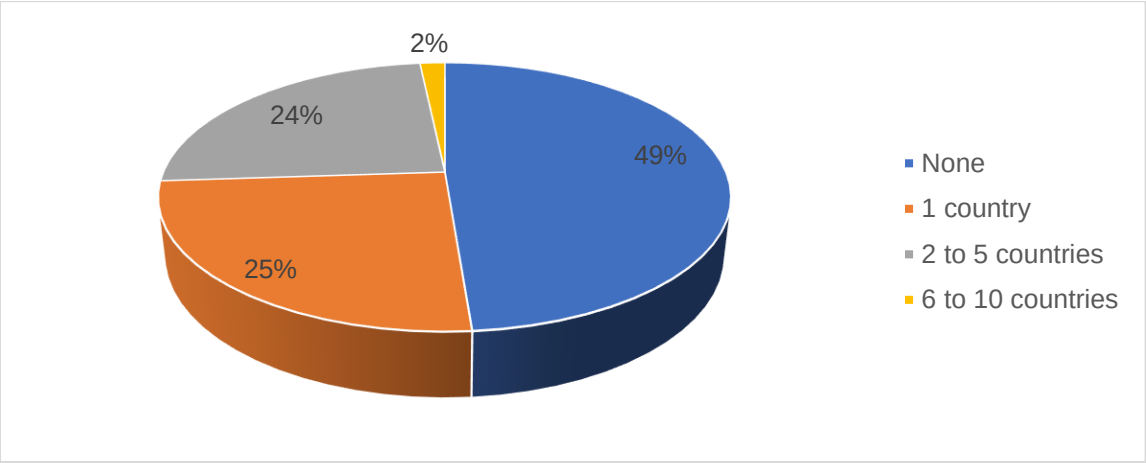


Figure 4.7: How many countries does your company operate in?

It can be noted that one in every four firms operate in one other country, and 24% operate in 2 – 5 countries while 2% operate in 6 – 10 countries.

The proportion of the company's total sales that is derived outside of South Africa was established and the results are shown in **Figure 4.8**.

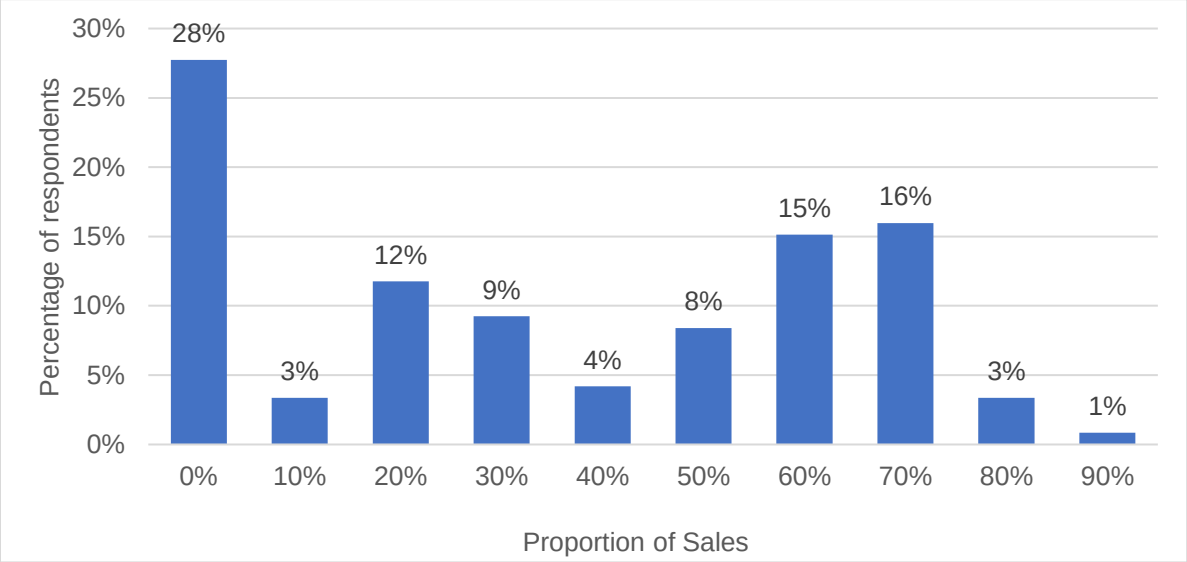


Figure 4.8: Percentage of the company's total sales that is derived outside of South Africa

The results show that 43% of the firms derive 50% or more of their company's total sales from outside of South Africa. Those who do report deriving a proportion of their sales from outside South Africa 70% of their sales were reported by the highest number of respondents (16% i.e., 19 respondents) and 90% were reported by the lowest number of respondents (1% i.e., 1 respondent). The 28% respondents that derive none of the proportion of their sales from outside South Africa correspond to the 28% of respondents who did not internationalise (see **Figure 4.4**). Finally, 28% of the firms derive between 10% - 40% of their company's total sales from outside South Africa.

The results for the extent to which internationalisation had grown in the past 3 years are shown in **Figure 4.9.**

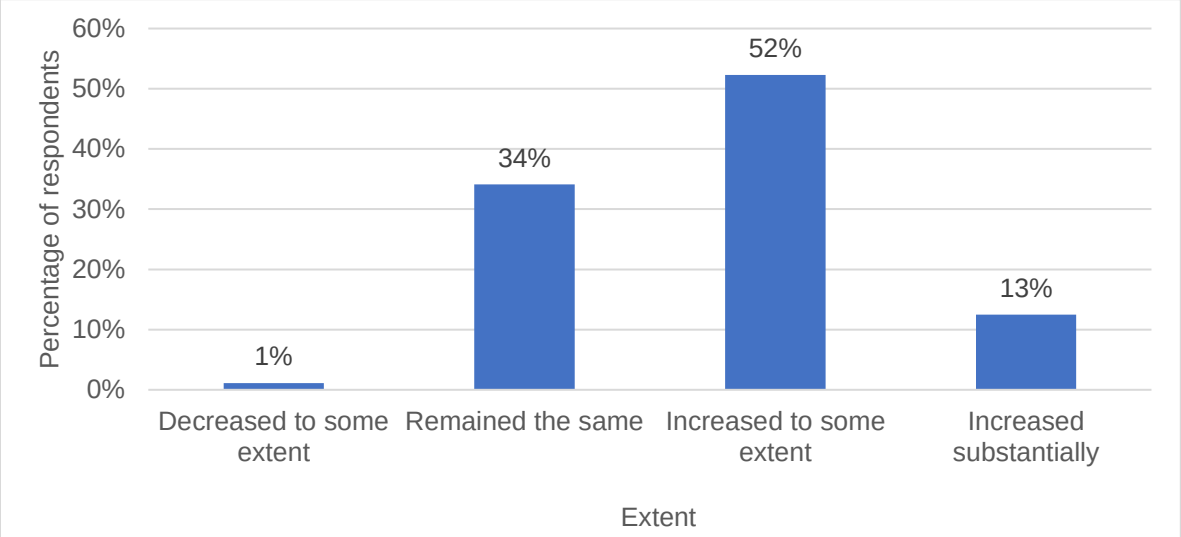


Figure 4.9: Extent of internationalisation growth in past 3 years.

More than half of the firms recorded an increase of internationalisation to some extent (52%) and another 13% recorded a substantial increase in internationalisation. Firms that remained the same are recorded at 34% and 1% of the firms reported a decrease in internationalisation to some extent. A benefit of internationalisation is for economic activity within the company to grow, thus, it is expected that companies report an increase in internationalisation as displayed in the chart above.

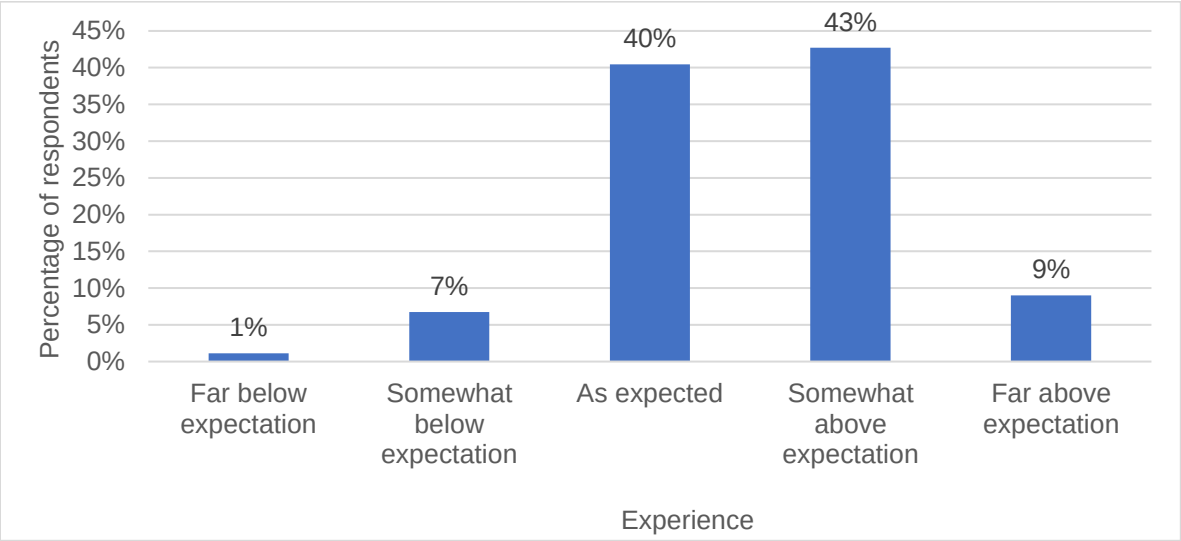


Figure 4.10: Internationalisation experience over the past 3 years.

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The above chart illustrate internationalisation through experience over the past 3 years was as expected (40%), somewhat above expectation (43%) and far above expectation for 9% of the sample. Of the respondents, 8% reported their internationalisation to be below expectation. A higher percentage of respondents (92%) reported internationalisation to be as expected or higher. This could mean that internationalisation provides more opportunities than one had anticipated when they initially chose to internationalise.

The main challenges encountered by the businesses in the past 2 years when developing exports are as detailed in **Figure 4.11.** The top 3 challenges being faced by the companies are Quality of logistics services (60%), Cost of transport services (54%), Establishing contacts with foreign partners / customer base (53%). The top 2 challenges faced are a directly linked to the transportation of the exported products.

This could limit the extent to which companies choose to internationalise as these challenges have financial implications on the company, as opposed to the other challenges which are more tied to the economy, regulations and laws, and societal and ethical constraints. Companies reported local competition as the smallest challenge they face (15%) with Regulations in the destination country following at 23%. This may indicate that there are no/minimal barriers to establishing international networks. Note that the bar graph shows a steady increase in the response rate for each challenge, especially from the challenges “Unstable currency market and/or inflation” to “Cost of transport services” (the range between these two challenges response rate is 54% - 41% = 13%)

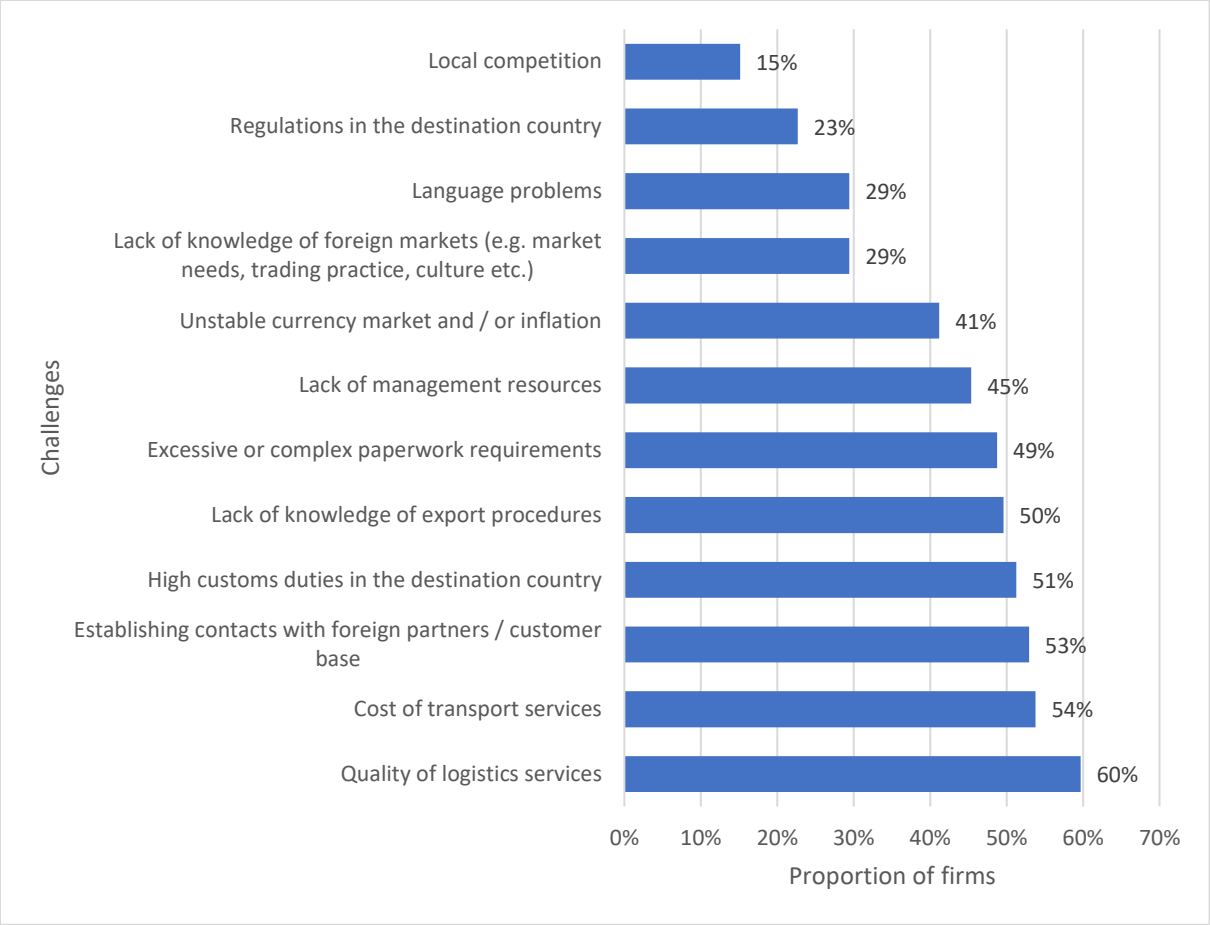


Figure 4.11: Challenges to internationalisation

The competitive advantages of the firms in the sample when competing with other firms on exportation was established and the results are shown in Figure 4.12. Low-cost base (69%) was the main competitive advantage of the firms in the sample followed by uniqueness of the product / service (65%). As the goal of a business is to make a profit, they can achieve this by minimising costs, thus companies' value having a low-cost base, which is probably why it has the highest response rate in the chart above. Note also that the second highest competitive advantage reported by the respondents, the uniqueness of the product/service, may contribute to the low response rate for local competition (**as seen in Figure 4.12).**

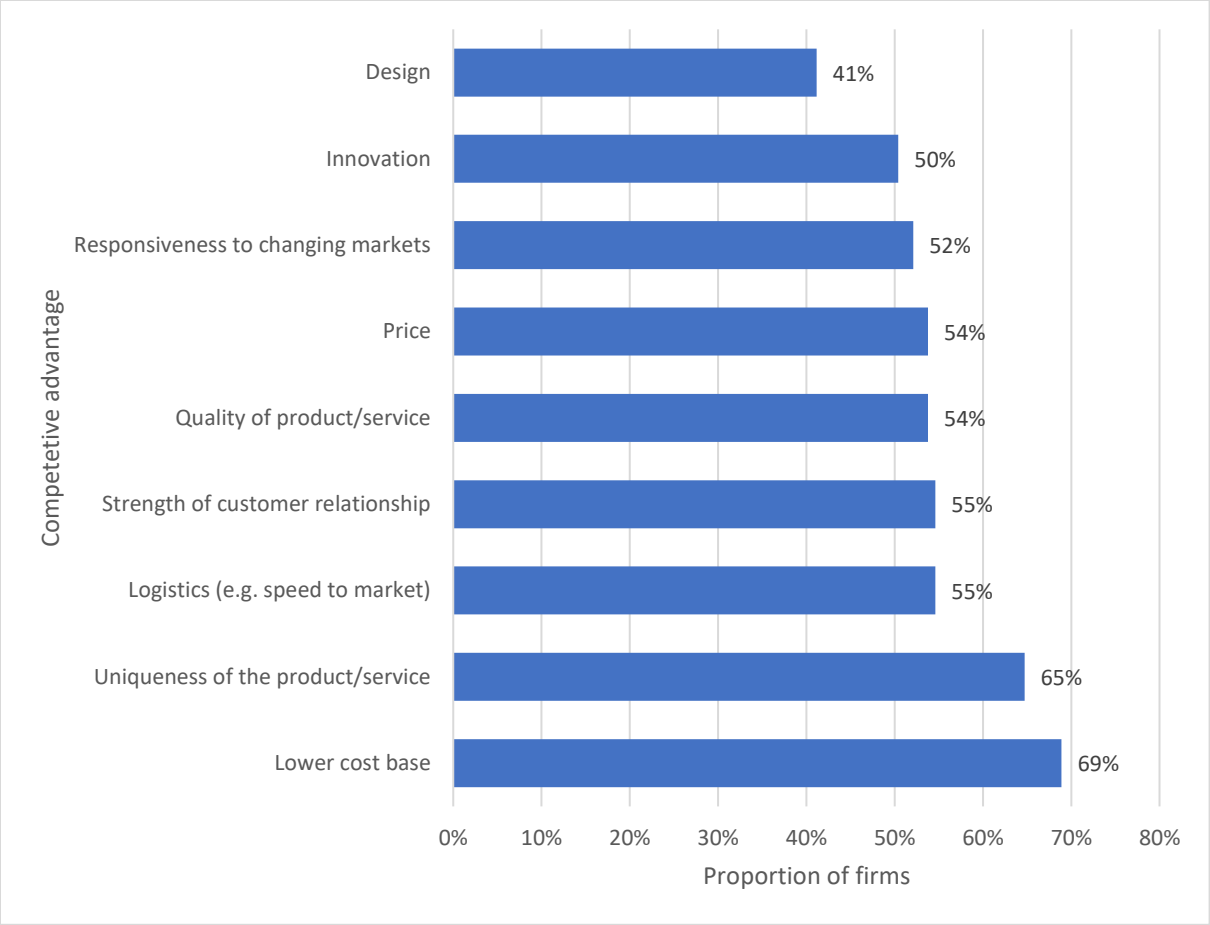


Figure 4.12: Competitive advantages associated with internationalisation.

4.3 Reliability and validity of measurement scales

In this study, both the Bartlett's Test of Sphericity and the KMO test were conducted using Exploratory factor analysis (EFA) to determine the validity of each construct after which the Principal Component Analysis (PCA) was adopted to extract a model. EFA is used to explain latent variables using observed variables. This is important to understand how an underlying factor can affect the model based on observed variables. The underlying variables can also be explained using PCA. The EFA and PCA differ in that the latter seeks to maximise the variance while the former seeks to explain covariance within model variables. The suitability of data used in EFA is tested using the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO). The EFA should only

be used if the KMO value is greater than 0.5 or closer to 1 since that would be an indication of smaller covariance between the variables. Similarly, the Chi Square test, conducted using the Bartlett's Test of Sphericity should show a p-value which is greater than 0.5 if the EFA is to be conducted on the data.

4.3.1 Entrepreneurial alertness

4.3.1.1 Factor analysis

Factor analysis refers to "the use of mathematical techniques to simplify the relationship between a set of variables to determine patterns (Child, 2006). This method is relevant for this study because the tool investigated variable relationships that are not easily measured by grouping them into interpretable factors.

Entrepreneurial Alertness refers to the extent in which the respondent uses their entrepreneurial knowledge to manage their business, from a financial capital perspective by using a Likert Scale where 1 indicates "Strongly disagree" and 5 indicates "Strongly agree". The underlying variables given are listed as follows:

I. Global expansion for my company is financially feasible (*Expansion*)
II. the South African market is easier to obtain financing than the international market (*SA Finance*)
III. Given funding, reinvesting in global expansion is preferable to reinvesting in the domestic company (*Reinvest*)
IV. South African trade tariffs inhibit SMES business (*Tariff*)
V. Financially challenging to adapt product/service to international market (*Adapt*)
VI. Low level financial capital obstructs SMEs from globalising (*Low Level FC*)
VII. Easier to obtain international funding from South African financial institutions than from international sources (*Int Finance*)
VIII. South African accounting requirements are unreasonable for SMEs (*Accounting*)
IX. Internationalisation is easier for large companies with significant financial resources than for SMEs (*Internationalisation*), and

X. Multicultural norms are barriers to SMEs accessing financial capital for internationalisation (*Multicultural*)

XI. EFA resulted in the elimination of 7 of the 10 items that were in the scale because they had factor loadings smaller than the minimum acceptable value of 0.4. Only 3 items were retained in the construct.

The KMO and Bartlett's Test of Sphericity for Entrepreneurial Alertness are shown in **Table 4.1.**

Table 4.1: KMO and Barlett's Test- Entrepreneurial Alertness.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.636
Bartlett's Test of Sphericity	Approx. Chi-Square	49.508
	Df	3
	Sig.	.000

A KMO value of 0.636 > 0.5 implies that the sample size was good enough for conducting analysis while a significant Bartlett's Test of Sphericity (p-value = 0.000 < 0.05) is an indication that the correlations among the items within the scale are high enough to conduct factor analysis.

The total variance explained is summarised in **Table 4.2.**

Table 4.2: Total variance explained- Entrepreneurial Alertness

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.775	59.151	59.151	1.775	59.151	59.151
2	.699	23.303	82.454			
3	.526	17.546	100.000			
Extraction Method: Principal Component Analysis.						

The results revealed that EFA retained one factor that explained 59.151% of the variance in the initial items in the factor. It can be seen in the table above that Component 1 explains 59.151%

of the variation in the model, a higher percentage than the other components. This could mean that Component 1 will be retained in the model for Entrepreneurial Alertness.

The Eigen values ware also plotted on the scree plot shown in **Figure 4.16**.

Scree plot - *Entrepreneurial Alertness*



Figure 4.13: Scree Plot-Entrepreneurial Alertness.

The scree plot also shows that the one factor was retained. The factor loadings for the items within the retained factor / construct are shown in the Component Matrix.

Table 4.3. In the scree plot **(Figure 4.13**), it can be noted that only Component 1 was retained when employing the EFA on the Entrepreneurial Alertness variable due to it having an eigenvalue greater than 1, as required by Kaiser's criterion.

4.3.1.2 Reliability of entrepreneurial alertness sub-constructs

The factor loadings for the items within the retained factor / construct are shown in the Component Matrix **Table 4.3**.

Table 4.3: Component Matrix-Entrepreneurial Alertness.

	Component
	1
Q19 7 It is easier to obtain international funding from South African financial institutions than those from international sources	.820
Q19 2 It is easier to obtain financing in the South African market than in an international market	.755
Q19 10 Multicultural values and norms (i.e., family responsibilities) are barriers to SMEs accessing financial capital for internationalisation	.729
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

The items retained in the construct, loaded highly onto the retained factor. The minimum factor loading was 0.729, which was higher than the minimum acceptable loading of at least 0.4. This shows that the Entrepreneurial Alertness construct was valid and unidimensional.

Note that 3 items were retained in forming a model for Entrepreneurial Alertness, namely Intl Finance, SA Finance and Multicultural. Again, the order in which the items are listed in the findings table above illustrate (in descending order) the impact that the change in these variables have on Entrepreneurial Alertness. All the items listed have positive variables, indicating a positive relationship with the underlying variable. In other words, any increase in value of the observed variables will increase the entrepreneurial alertness a company was perceived to have. The model can thus be written as follows

Entrepreneurial = 0.820 *Intl Finance* + 0.755 *SA Finance* + 0.729 *Multicultural* + e_4

where e_4 = unexplained variation.

This model can be explained as follows. All else equal:

i. one unit increase in *Intl Finance* increases the mean value of *Entrepreneurial* by 0.820 units.
ii. One unit increase in *SA Finance* increases the mean value of *Entrepreneuria*l by 0.755 units.
iii. one unit increase in *Multicultural* increases the mean value of *Entrepreneurial* by 0.729 units.

4.3.2 Cultural intelligence

4.3.2.1 Factor analysis

Cultural intelligence refers to the culture created within the business by assessing the international activities managers partook in within the last 12 months using a Likert Scale where 1 indicates “Strongly disagree” and 5 indicates “Strongly agree”. The underlying variables given were visited several countries to learn about how business is done (*Business*), for education (*Education*), for vacation (*Vacation*), and for purposes other than business (*Other*). The KMO and Bartlett's Test of Sphericity for culture are shown in **Table 4.4.**

Table 4.4: KMO and Barlett's Test-culture.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	125.178
	df	6
	Sig.	.000

A KMO value of 0.757 > 0.5 implies that the sample size was good enough for conducting analysis while a significant Bartlett's Test of Sphericity (*p-value = 0.000 < 0.05*) is an indication that the

correlations among the items within the scale are high enough to conduct factor analysis. The total variance explained is summarised in **Table 4.5.**

Table 4.5: Total variance explained culture.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.391	59.782	59.782	2.391	59.782	59.782
2	.699	17.467	77.249			
3	.518	12.942	90.190			
4	.392	9.810	100.000			
Extraction Method: Principal Component Analysis.						

One factor was also retained for the Cultural construct. The retained one factor explained 59.782% of the variance in the initial items in the factor. It can be seen in **Table 4.5** that Component 1 explains 59.782% of the variation in the model, a higher percentage than the other components. This could likely mean that Component 1 will be retained in the model for Culture Validity as it explains its variation the best of all the components. The Eigen values ware also plotted on the scree plot in **Figure 4.14.**

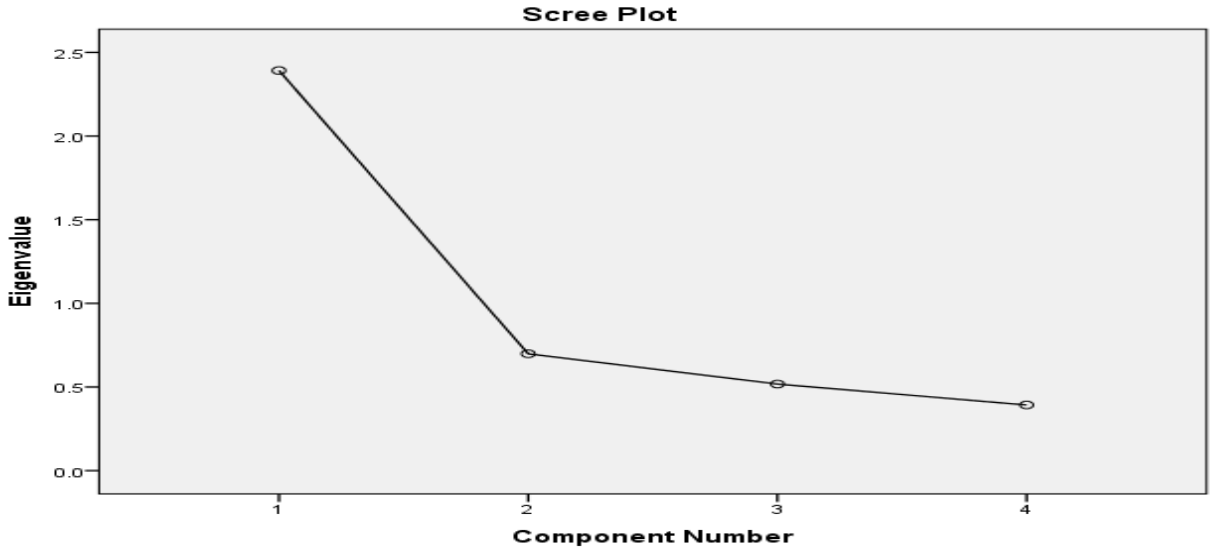


Figure 4.14: Scree Plot-Culture.

The culture scree plot also shows that the one factor was retained. The factor loadings for the items within the retained factor / construct are shown in the Component Matrix **Table 4.6**. In the scree plot above, it can be noted that only Component 1 was retained when employing the EFA on the *Culture* Validity variable due to it having an eigenvalue greater than 1, as required by Kaiser's criterion.

4.3.2.2 Reliability of cultural intelligence sub-constructs

The factor loadings for the items within the retained factor / construct are shown in the Component Matrix **Table 4.6**.

Table 4.6: Component Matrix-Culture.

	Component
	1
Q18 4 Visited of countries for other purposes other than business	.836
Q18 1 Visited several countries to learn about how business is done.	.801
Q18 3 Visited number of countries for vacation	.764
Q18 2 Visited several countries for education	.684
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

The items retained in the construct, loaded highly onto the retained factor. The minimum factor loading was 0.684, which was higher than the minimum acceptable loading of at least 0.4. This shows that the Culture construct was unidimensional and valid. Note that all the items were retained in forming a model for Culture Validity. Note also that the order in which the items are listed in the findings table above illustrate (in descending order) the impact that the change in these variables have on Culture Validity. All the items listed have positive variables, indicating a positive relationship with the underlying variable. In other words, any increase in value of the observed variables will increase cultural climate a company was perceived to have.

The model can thus be written as follows:

Culture = 0.836Other + 0.801Business + 0.764Vacation + 0.684Education + e3

where e3 = unexplained variation

This model can be explained as follows. All else equal:

i. one unit increase in other increases the mean value of Culture by 0.801 units.
ii. one unit increase in Business increases the mean value of Culture by 0.801 units.
iii. one unit increase in Vacation increases the mean value of Culture by 0.726 units.
iv. one unit increase in Education increases the mean value of Culture by 0.674 units.

4.3.3 Positive effect

4.3.3.1 Factor analysis

Positive Effect refers to the extent in which respondents engage in internationalisation using a Likert Scale where 1 indicates “Not engaged” and 5 indicates “Extremely engaged”. The underlying variables given were “Exportation”, “Importation”, “Licencing”, “Franchising”, “Subsidiary”, “Turnkey Projects”, “Strategic Alliance and Joint Venture”.

The Items “Q10.1 Exportation”, and “Q10.2 Importation” were removed from the construct due to low factor loading (factor loading < 0.4). The EFA results for shown in **Table 4.7.**

Table 4.7: KMO and Barlett's - Positive Effect.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.856
Bartlett's Test of Sphericity	Approx. Chi-Square	278.233
	df	15
	Sig.	.000

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) indicated a value of 0.856, which is greater than the minimum requirement of at least 0.5. This implies that the sample size was good enough for conducting analysis. The Bartlett's Test of Sphericity was significant (*p-value = 0.000 < 0.05*). This implies that the correlations among the items within the scale are high enough to conduct factor analysis.

The total variance explained, which shows the number of factors extracted and the total variance explained by the retained construct is summarised in **Table 4.8.**

Table 4.8: Total variance explained - Positive Effect.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.763	62.721	62.721	3.763	62.721	62.721
2	.706	11.769	74.490			
3	.632	10.532	85.023			
4	.346	5.762	90.785			
5	.296	4.941	95.726			
6	.256	4.274	100.000			
Extraction Method: Principal Component Analysis.						

It can be noted that the EFA retained one factor that explained 62.721% of the variance in the initial items in the factor. It can be seen in Table 4.4 above that Component 1 explains 62.721% of the variation in the model, a higher percentage than the other components. This could likely mean that Component 1 will be retained in the model for Positive Effect as it explains its variation the best of all the components. The eigenvalues were also plotted on the scree plot in **Figure 4.13.**

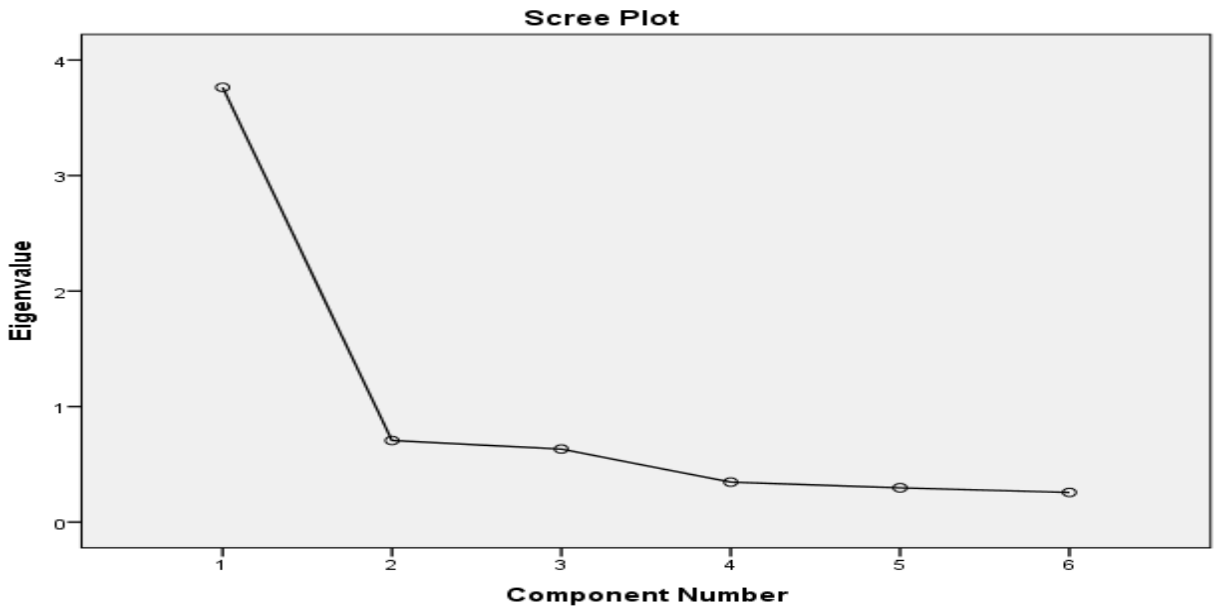


Figure 4.15: Scree plot - Positive Effect.

A steep slope from 1 to 2 and then the graph flattens out is an indication that one factor was extracted.

4.3.3.2 Reliability of positive effect sub-constructs

According to Kaiser's criterion, factors with an eigenvalue which is greater than or equal to 1 should be retained. In the scree plot above, it can be noted that only Component 1 was retained when employing the EFA on the Positive Effect variable due to it having an eigenvalue greater than 1. This can also be deduced due to the steepness of the curve from Components 1 to 2, and thereafter the curve becomes flatter, indicating that Components 2 to 6 should be discarded.

The factor loadings for the items within the retained factor / construct are shown in the Component Matrix table below.

Table 4.9: Component Matrix - Positive Effect.

	Component
	1
Q10 5 Subsidiary	.854
Q10 6 Turnkey Projects	.833
Q10 7 Strategic Alliance	.802
Q10 4 Franchising	.802
Q10 3 Licencing	.764
Q10 8 Joint Venture	.686
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

The items retained in the construct, loaded highly onto the retained factor. The minimum factor loading was 0.686, which was higher than the minimum acceptable loading of at least 0.4. This shows that the Positive Effect construct was valid.

As was noted above, the items "Q10 1 Exportation" and "Q10 2 Importation" were removed from the construct due to low factor loading (factor loading < 0.4). Note that the order in which the items are listed in the findings table above illustrate (in descending order) the impact that the change in these variables have on the Positive Effect variable.

Furthermore, the variables listed have positive coefficients, indicating that all the variables have a positive relationship with the underlying variable Positive Effect. In other words, any increase in value of the observed variables will increase the extent in which companies engage in internationalisation.

The model for Positive Effect can be written as follows:

Positive Effect = 0.854*Subsidiary* + 0.833*Turnkey Project* + 0.802*Strategic* + 0.802*Franchising* + 0.764*Licencing* + 0.*686JointVenture* + e_1

where e_1 = unexplained variation

This model can be explained as follows. All else equal:

i. a one unit increase in *Subsidiary* increases the mean value of Positive Effect by 0.854 units.
ii. one unit increase in *Turnkey Projects* increases the mean value of Positive Effect by 0.833 units.
iii. one unit increase in *Strategic Alliance* increases the mean value of Positive Effect by 0.802 units.
iv. one unit increase in *Franchising* increases the mean value of Positive Effect by 0.802 units.
v. one unit increase in *Licencing* increases the mean value of Positive Effect by 0.764 units.
vi. one unit increase in *Joint Venture* increases the mean value of Positive Effect by 0.686 units.

4.3.4 Degree of internationalisation

4.3.4.1 Factor analysis

Innovation Validity refers to how innovative a company was within the last 12 months using a Likert Scale where 1 indicates “Strongly disagree” and 5 indicates “Strongly agree”. The underlying variables given were Introduced new approaches or offered new solutions (Approaches), discovered a unique way of using/combining resources (Unique), transformed established practices and/or systems (Transformed), and discovered new resources or services/service delivery methods (New Resources).

The KMO and Bartlett's Test of Sphericity for innovation are shown in **Table 4.10.**

Table 4.10: KMO and Barlett's Test - Innovation.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.722
Bartlett's Test of Sphericity	Approx. Chi-Square	105.119
	df	6
	Sig.	.000

A KMO value of 0.722 > 0.5 implies that the sample size was good enough for conducting analysis while a significant Bartlett's Test of Sphericity (p-value = 0.000 < 0.05) is an indication that the correlations among the items within the scale are high enough to conduct factor analysis. The total variance explained is summarised in **Table 4.11.**

Table 4.11: Total variance explained - Innovation.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.265	56.618	56.618	2.265	56.618	56.618
2	.769	19.223	75.841			
3	.525	13.120	88.961			
4	.442	11.039	100.000			
Extraction Method: Principal Component Analysis.						

The EFA results indicates that the one factor was retained, and the retained factor explained 56.618% of the variance in the initial items in the factor. Note that, in the table above, Component 1 explains 56.618% of the variation in the model, a higher percentage than the other components. This could likely mean that Component 1 will be retained in the model for Innovation Validity. The Eigen values were also plotted on the scree plot indicated as **Figure 4.14.**



Figure 4.16: Scree plot - Innovation.

The scree plot shows a steep slope between 1 and 2 components, which confirms that there was one factor retained. In the scree plot above, it can be noted that only Component 1 was retained when employing the EFA on the Innovation Validity variable due to it having an eigenvalue greater than 1, as required by Kaiser's criterion.

4.3.4.2 Reliability of degree of internationalisation

The factor loadings for the items within the retained factor / construct are shown in the Component Matrix **Table 4.12**

Table 4.12: Component Matrix - Innovation.

	Component
	1
Q17 2 Discovered a unique way of using/combining resources	.801
Q17 3 Transformed established practices and/or systems	.801
Q17 4 Discovered new resources or services/ service delivery methods	.726
Q17 1 Introduced new approaches or offered new solutions	.674
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

The items retained in the construct, loaded highly onto the retained factor. The minimum factor loading was 0.686, which was higher than the minimum acceptable loading of at least 0.4. This shows that the Innovation construct was unidimensional and valid.

Note that all the items were retained in forming a model for Innovative Validity. Note also that the order in which the items are listed in the findings table above illustrate (in descending order) the impact that the change in these variables have on Innovative Validity. All the items listed have positive variables, indicating a positive relationship with the underlying variable. In other words, any increase in value of the observed variables will increase how innovative a company was perceived to be.

The model can thus be written as follows:

Innovative = 0.801*Unique* + 0.801*Transformed* + 0.726*New Resources* + 0.674*Approaches* + e_2

where e_2 = unexplained variation

This model can be explained as follows. All else equal: - a one unit increase in Unique increases the mean value of Innovative Validity by 0.801 units.

i. one unit increase in Transformed increases the mean value of Innovative by 0.801 units.
ii. one unit increase in New Resources increases the mean value of Innovative by 0.726 units.
iii. one unit increase in Approaches increases the mean value of Innovative by 0.674 units.

4.3.5 Cronbach's Alpha Scores

The Item Reliability Analysis (IRA) is a method used when determining whether there is internal consistency in the questions asked to model the underlying variable. That is, the higher the internal consistency within a group, the higher the explained variation of the latent variable. The rule of thumb is if Cronbach's alpha is greater than 0.7, it can be concluded that there is a high level of internal consistency. The reliability of the scale was assessed using Cronbach's Alpha. The results for all the four constructs are as shown in **Table 4.13.**

Table 4.13: Reliability of scale - Cronbach's Alpha.

Construct	**Number of items**	**Cronbach's Alpha**	**Reliability level**
Positive Effect	6	0.876	Good
Culture	4	0.774	Acceptable
Entrepreneurial Alertness	3	0.651	Questionable
Innovation	4	0.744	Acceptable

The results in Table 4.13 show that there was a high level of internal consistency between the variables and a good reliability level for the positive effect construct (6 items, $\alpha = 0.876$) since the alpha value was greater than 0.8. There was acceptable reliability between the variables for

Culture (4 items, α =0.774), and *Innovation* (4 items, α =0.744) was within the acceptable range (0.7 – 0.7999) while *Entrepreneurial Alertness* (3 items, α =0.651) had a questionable reliability range (0.6 – 0.6999).

Positive Effect may have a high reading for Cronbach's alpha because 6 (of the 8) questions were retained in the model when using EFA. *Cultural intelligence* and *Innovation* were also deemed high regarding internal consistency; however, *Entrepreneurial Alertness* did not yield the same results. The retained observed variables for *Entrepreneurial Alertness* were *SA Finance, Intl Finance* and *Multicultural*. The latent variable refers to financial capital available to/employed by the businesses. Its Cronbach's alpha of 0.6511, although questionable, indicates that the questions used for this section could be written differently. Although it has a value lower than 0.7, it will be retained in the final model, however, it may yield results that are not accurate.

The items within each scale were combined to form a summated scale for the construct. This was also done even for *Entrepreneurial Alertness* which had a questionable reliability because the reliability level was at least above 0.5, below which the values become unacceptable.

The summated scale for each construct was conducted by calculating the average of the items within each scale. **Table 4.14** shows the descriptive statistics and Pearson's Correlation for the four constructs.

Table 4.14: Descriptive statistics and Pearson correlations.

	M	**SD**	**1**	**2**	**3**	**4**
1. Positive Effect	2.32	1.36	1			
2. Culture	3.04	0.72	.38***	1		
3. Entrepreneurial Alertness	3.37	0.71	-0.05	0.05	1	
4. Innovation	3.53	0.67	0.14	.57***	.19**	1

Notes: M = Variable mean, SD = standard deviation, *** = p < .01, ** = p < .05, * = p < .10

Strongly disagree = 1 and strongly agree = 5

It can be noted that *Entrepreneurial Innovation* (mean = 3.53) was the highest rated attribute followed by *Entrepreneurial Alertness* (mean = 3.37) and *Cultural intelligence* (mean = 3.04). *Positive effect* (mean = 2.32) was the lowest rated construct.

The results revealed that there was a positive and significant correlation between Innovation and each variable of *Cultural intelligence* (r = 0.57, *p-value < 0.01*) and *Entrepreneurial Alertness* (r = 0.19, *p-value < 0.05).*

There was no significant correlation between *Innovation* and *Positive Affect* (r = 0.14, *p-value > 0.1*). This could indicate that innovation within a company will not be linked to how a company chooses to engage internationally. *Entrepreneurial Alertness* shows no significant correlation between Cultural intelligence (r = 0.05, *p-value > 0.1*) as well as between Positive Effect (r = -0.05, *p-value > 0.1*), in which the correlations were positive and negative, respectively. Thus, there is no link between financial capital and the way in which internationalisation occurs, and financial capital and the cultural climate within a business.

4.4 Results of hypothesis testing.

Multiple regression was conducted to assess the hypotheses. The model had innovation as the dependent variable and *Entrepreneurial Alertness*, *Positive Effect*, and *Culture* as the independent variables. The results are shown in **Table 4.15.**

Table 4.15: Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.603[a]	.363	.347	.53904	2.256
a. Predictors: (Constant), *Entrepreneurial Alertness*, *Positive Effect*, *Cultural intelligence*					
b. Dependent Variable: *Innovation* as a proxy for firm performance					

The model summary shows that *Entrepreneurial Alertness*, *Positive Effect*, and *Culture* explained 36.3% of variation in *innovation*. This is because the r-square value was 0.363.

The ANOVA table (**Table 4.16**) has results assessing the null hypothesis that none of the following independent variables *Entrepreneurial Alertness*, *Positive Effect*, and *Culture* is linearly related to innovation against the alternative hypothesis that at least one of the independent variables is linearly related to *Innovation*.

Table 4.16: ANOVA.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.075	3	6.358	21.883	.000[b]
	Residual	33.415	115	.291		
	Total	52.491	118			
a. Dependent Variable: Innovativeness in the firm's performance						
b. Predictors: (Constant), *Entrepreneurial Alertness*, *Positive Effect*, *Cultural intelligence*						

The ANOVA **Table 4.16** have a p-value of 0.000, which shows that at least one of the variables *Entrepreneurial Alertness*, *Positive Effect*, and *Culture* is significant in predicting innovation. The results on which variable is significantly related to innovation is show in the coefficients table (**Table 4.17**).

The results show that there is a significant positive relationship between innovation and each of Culture (B = 0.558, β = 0.599, *p-value = 0.000*) and Entrepreneurial Alertness (B = 0.152, β = 0.161, *p-value = 0.033*). The p-value for *Positive Effect* (0.293) is greater than the generally accepted alpha of 0.05 and thus is not statistically significant in this regression model. *Culture* and *Entrepreneurial Alertness* are statistically significant in determining the *Innovation* level as their p-values of 0.000 and 0.033, respectively, are smaller than the generally accepted alpha level of 0.05.

Table 4.17: Coefficients.

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	1.420	.314		4.519	.000
	Positive Effect	-.042	.040	-.085	-1.057	.293
	Cultural intelligence	.558	.075	.599	7.418	.000
	Entrepreneurial Alertness	.152	.071	.161	2.153	.033
a. Dependent Variable: Innovativeness in the firm's performance						

These findings also support what was noted in the correlation matrix: *Innovation* and *Positive Effect* do not have a significant relationship with each other, yet *Culture* and *Entrepreneurial Alertness* both had significant relationship with Innovation. Thus, a one unit increase in the *Culture* variable will increase the Innovation value by 0.558 and a one unit increase in the *Entrepreneurial Alertness* variable will increase the *Innovation* value by 0.152.

The model diagnostics charts show that the residuals are normally distributed as the bar chart shows most of the residuals were falling below the normal curve and the P-P plot shows values lie close to the diagonal line. This means the residuals do not fall too far from the observed values, which also means there is little error in the residuals and the model may be a suitable approximation of the data.

There was no pattern on the residuals when plotted against the predicted values, which indicates that the relationship between the independent and the dependent variables is linear. Although there are outliers reported in the diagram, the graph is overwhelmingly homoscedastic as required for regression, thus the assumption for homoscedasticity has been met. The VIF as shown in the coefficients table (Table 4.18) were all below 10, which indicates that there was no multicollinearity.

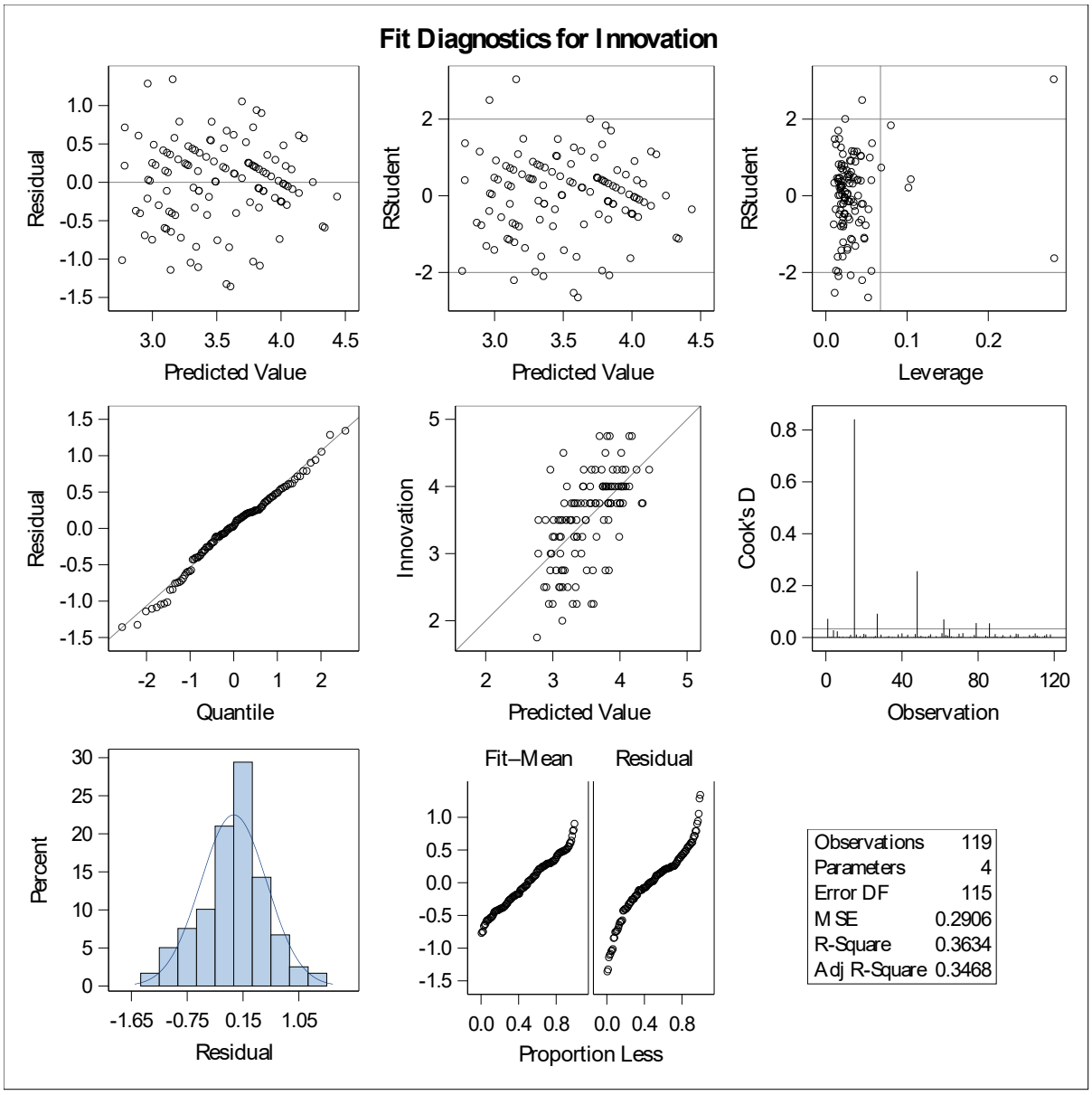


Figure 4.17: Fit diagnostics for Innovation.

The Durbin-Watson value was 2.256, which is within the acceptable range of between 1.4 and 2.6. This indicates that there is no autocorrelation in the data.

The multicollinearity and auto-correlation assumptions for regressions are both met.

All the assumptions were met, and the regression model was:

Innovation = 1.420 – 0.042 *Positive effect* + 0.558 *Culture intelligence* + 0.152 *Entrepreneurial Alertness*

The model can further be explained as follows,

One unit increase in:

i. *Positive effect* decreases *Innovation* by 0.042 units. This is not supported by the correlation matrix which reported a positive relationship between these variables, however, the relationship is weak (r = 0.14) and so the direction of the relationship could be unclear as a result.
ii. *Culture* increases *Innovation* by 0.558 units. This is supported by the significant correlation between these variables in the correlation matrix.
iii. *Entrepreneurial Alertness* increases *Innovation* by 0.152 units. This is supported by the significant correlation between these variables in the correlation matrix.

4.4.1 Hypothesis 1

Results pertaining to hypotheses 1 *(H1*)**: There is a positive significant relationship between *Entrepreneurial Alertness* and *internationalisation of the firm's innovativeness (performance).***

H0: There is no relationship between entrepreneurial Alertness and innovation and the firm's performance.

H1: ***There is a positive significant correlation relationship between entrepreneurial alertness and internationalisation of the firm's innovativeness (performance).***

The results shown in the coefficients table indicates that there is a significant positive relationship between *Entrepreneurial Alertness* (B = 0.152, β = 0.161, p-value = 0.033) and *Innovation* and the firm's performance. The relationship is not positive since the coefficient for *Entrepreneurial Alertness* (B = 0.152) was greater than zero and the relationship is not significant because the p-value was less than 0.05. This implies that the null hypothesis is supported. It is therefore

concluded that *H1* is not supported and that there is no positive correlation between *Entrepreneurial Alertness* and the *Innovation* to the firm's performance.

4.4.2 Hypothesis 2

Results pertaining to hypotheses 2 ***(H2*)**. ***There is a positive correlation between cultural intelligence and internationalisation of the firm's innovativeness (performance).***

H0: There is no relationship between *cultural intelligence* and *innovativeness.*

H1: There is a positive relationship between *cultural intelligence* and the firm's performance and i*nnovativeness*.

The results indicate that there is a no significant positive relationship between *Cultural Intelligence* (B = 0.558, β = 0.599, *p-value = 0.000*) and *Innovation* to the performance. The relationship is positive since the coefficient for *cultural intelligence* (B = 0.558) was greater than zero and the relationship is not significant because the p-value was less than 0.05.

This implies that the null hypothesis is rejected in favour of the alternative hypotheses. It is therefore concluded that *H2* is supported and that there is a positive relationship between *cultural intelligence* and innovativeness.

4.4.3 Hypothesis 3

Results pertaining to hypotheses 3 **(*H3*)**. ***There is a positive correlation between positive effect and internationalisation of the firm's innovativeness (performance).***

H0: There is no relationship between *positive effect* and the firm's performance and *innovativeness.*

H1: There is no positive relationship between *positive effect* and the influence of *innovation* in the firm's performance.

The results from the coefficients table indicate that there is significant positive relationship between *positive effect* (B = -0.042, β = -0.085, *p-value = 0.293*) and the *innovation*. The relationship is insignificant because the p-value is greater than 0.05. This implies that there is sufficient evidence to reject the null hypothesis and therefore conclusion is that *H3* is supported and that there is a relationship between *positive effect* and the influence of *innovation* in the firm's performance.

4.5 Summary of the results

In conclusion, the total sample was 150 manufacturing SMEs comprising of internationalised firms, only 137 participants responded. The dependent variable was degree of internationalisation whose proxy was innovation. The independent variables were entrepreneurial alertness, cultural intelligence, and positive effect. These were tested using EFA and Cronbach Alpha Sampling adequacy for the dependent and independent variables was tested using both Bartlett's Test of Sphericity and Kaiser-Meyer-Olkin Test. To address skewness in the dependent and independent variables, non-parametric tests were conducted. The results for Hypothesis 1 do not show a positive relationship between Entrepreneurial Alertness and innovation and the firm's performance. For Hypothesis 2, the show a significant positive relationship between *Cultural Intelligence* and *Innovation* to the performance. For Hypothesis 3, the results show that there is a positive relationship between *positive effect* and the influence of *innovation* in the firm's performance.

CHAPTER: 5 DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter explains and discusses the results presented in Chapter 4 within the context of the literature review conducted in Chapter 2. The chapter is organised around specific sections such as demographic profile of respondents and discussion of the research hypotheses underpinning the research. In terms of the demographic profile of the respondents, this refers to the characteristics of the internationalised and non-internationalised SMEs sample forming the study. The chapter ends with a conclusion.

5.2 Demographic profile of the respondents

5.2.1 Description of respondents and characteristics of SMEs

In respect of formal education, the results showed that 45% of the respondents had attained and completed undergraduate Degree and Diploma programmes. This is not surprising considering that GEM research (GEM, 2012) has noted that one of the reasons why South Africa has poor levels of early-stage entrepreneurial activity is the low level of overall education, especially in maths and science (Herrington & Kew, 2010). The low level of education in the respondents also affirms findings from the World Economic Forum Global Competitive index which notes that South Africa ranks lowly in terms of higher education and training.

The recent world-wide economic crisis has had a dramatic impact on economic development. The effect on South Africa has been significant, with over a million jobs lost during 2009. With the high indebtedness of consumers, the journey out of the crisis is likely to be long and slow, however, the Global Entrepreneurship Monitor (GEM) study conducted by (Herrington & Kew in 2010) suggests that specifically in the South African context there is a positive correlation between opportunity-driven entrepreneurship and levels of education. Lastly the link between

secondary and tertiary education and formal entrepreneurship is suggested by (Jimenez et al., 2015), as being an enabler for entrepreneurship through increasing self-confidence, lowering the perceived risk of starting a business and developing human capital.

This sets an agenda for increased investments in higher education and training in South Africa to improve early-stage entrepreneurial activity. Further studies in a developing country context support the notion that an added year of education can raise entrepreneurial profits by an average 5.5% (Kolstad & Wiig, 2015).

In terms of the age distribution of the respondents, almost 80% were in operation for less than 6 years while the remainder were operational for between 7 years to 10 years. This is consistent with a study by Urban & Shree (2012) which established that almost 60% of SMEs in South Africa were younger than 10 years. This is an indication that SMEs are generally still evolving in the country and there is need for increased support to this important sector of the economy to avoid failure.

The Regions from which the companies operate indicate that the City of Johannesburg, Tshwane, and Ekurhuleni Municipalities are the three largest Metropolitan Cities in Gauteng Province by population (listed in descending order) and these cities combined contribute high percentage of revenue towards South Africa's GDP. Mogale City and Emfuleni Regions are the largest local municipalities within their respective districts of West Rand and Sedibeng (both located in Gauteng Province). A proportion of 30% of the companies were from Tshwane, 24% were from the City of Johannesburg, 21% from Ekurhuleni, Mogale (15%) and Emfuleni (9%).

This is in line with cumulative statistics produced by SA Statistics for the period 2008 to 2016 on provincial GDP contribution to the economy which shows that Gauteng had the lion share and had also the highest concentration of SMEs (Dayile, 2016). The research only focused on manufacturing sector SMEs and excludes disaggregated data on SMEs operating in other sectors such as Agriculture and Construction. However, the study by (Dayile, 2016) also confirms that

manufacturing had the highest concentration of SMEs (33%) followed by agriculture (13%) and construction (11%) underscoring its importance and justifying its selection as the level of analysis for this study.

5.2.2 Characteristics of Internationalized SMEs

On the question whether the company had internationalised, an overwhelming majority (72%) indicated that they had internationalised. When interpreted with their response to the question on what they based this need to internationalise on, it can be argued that these SMEs are proactive and assess international markets for opportunities that exist there.

For instance, 79% of these firms indicated that they either internationalised on or would internationalise based on growth opportunities while the other 21% would base their internationalisation on a need for survival suggesting that manufacturing SMEs are looking beyond the domestic market and responding proactively to pull factors in international markets in line with (Cziknota & Ronkainen, 2012) who argue that proactive motives such as profit and growth, foreign market opportunities and information, management instinct and economies of scale push firms to internationalise.

In response to the question on the extent of internationalisation in past 3 years, more than half of the firms recorded an increase of internationalisation to some extent (52%) and another 13% recorded a substantial increase in internationalisation. Firms that remained the same are recorded at 34% and 1% of the firms reported a decrease in internationalisation to some extent. This is supportive of the conclusions made in the foregoing that South African manufacturing SMEs are proactive, responding to both 'pull' and 'push' factors as drivers of internationalisation.

This is consistent with literature reviewed in Chapter 2 in which defined push motives as the negative conditions in a firm's domestic market which compel it to seek better conditions in the cross-border markets while 'pull' motives are therefore the attractive conditions in the foreign

markets which the firm wants to exploit through internationalisation. In the 2016 Budget Speech, it was noted that SMEs gave South Africa's economic environment an unfavourable low rating of 39% and this was not expected to change in the medium term due to low economic growth and weak domestic demand.

Building on the discussion in the foregoing, the research established that 50% of the respondents indicated that their businesses first engaged in outbound internationalisation when they were between 6 months and 4 years. 40% of them first engaged in outbound internationalisation when their businesses were less than 6 months and 9% when their businesses were older than 5 years. It was further noted that 9 in 10 companies chose to engage in internationalisation within 4 years of their formation. This seems to confirm the Born Global model of internationalisation reviewed in Chapter 2.

The point of the Upsala phenomenon in South African manufacturing SMEs needs to be interrogated from two perspectives: challenges faced by SMEs in the domestic market; and the opportunity to ramp up sales revenue afforded by international markets. There is sufficient evidence to buttress each of these two points based on primary data.

The research has established that the main challenges encountered by the businesses in the past 2 years when developing exports are *'Quality of logistics services"* (60%), *"Cost of transport services"* (54%), and *"Establishing contacts with foreign partners / customer base"* (53%). Companies reported *"local competition"* as the smallest challenge they face (15%) with *"Regulations in the destination country"* following at 23%. This may indicate that there are no/minimal barriers to establishing international networks.

This is supported by GEM research (2012) which concluded that the domestic market imposes several challenges for successful and sustained early-stage entrepreneurial activity in the form of, *inter alia*, lack of access to finance, difficult regulatory environment, and entrepreneurial and social factors which inhibit entrepreneurship. The fact that these were not mentioned by the

SMEs in the study does not negate their importance but is an indication of their relative low weighting to manufacturing sector SMEs.

The Upsala model sees internationalisation as a key conduit of ramping up export sales and earnings and this was confirmed by primary data which shows that 43% of the firms derive 50% or more of their company's total sales from outside of South Africa. Those who do report (16%) derive 70% of their sales from outside South Africa. This shows a high focus on export growth through internationalisation in line with the findings of the OECD (2013) contend that SMEs in developing countries have the potential to improve income distribution, create employment and facilitate export growth.

In view of this, manufacturing SMEs in South Africa are expanding their export markets as confirmed by primary data which shows that one in every four firms operate in one other country, and 24% operate in 2 – 5 countries while 2% operate in 6 – 10 countries. This is further affirmation of the Upsala phenomenon of these SMEs as they take advantage of globalisation and technological advances to reach every corner of the global marketplace.

Consistent with the foregoing, there is heightened internationalisation focus among these SMEs as a higher percentage of respondents (92%) reported internationalisation to be as expected or higher with only 8% reporting that their internationalisation is below expectation. This could mean that internationalisation provides more opportunities than one had anticipated when they initially chose to internationalise.

This is not surprising considering that these SMEs see internationalisation as conferring several competitive advantages. The competitive advantages of the firms in the sample when competing with other firms on exportation was established and shows that *"Low-cost base"* (69%) was the main competitive advantage of the firms in the sample followed by *"uniqueness of the product / service"* (65%). *Design and Innovation"* are reported as the competitive advantages with the lowest values at 41% and 50%, respectively. This is in line with the findings by (Keupp & Gassman,

2009) who argue that SMEs are absorbed in globalisation processes based on market-seeking, efficiency-seeking, asset-seeking, and resource-seeking motives.

5.3 Hypothesis 1:

There is a positive significant correlation between Entrepreneurial Alertness and the Internationalisation of the firm's innovativeness (performance)

The objective of this study in relation to the above-mentioned hypothesis was to determine how entrepreneurial alertness (measured in terms of knowledge and experience of international markets) influences the firm's innovativeness (performance) of SMEs. It is important to point out that reliability and validity tests on the measurement of this scale were adequate to address the research question in this regard and the results are based on a statistically sound measurement basis through the online survey.

The entrepreneurial alertness as an independent variable in this research had taken into cognisance many aspects including Israel Kirzner's concept of entrepreneurship as alertness to profit opportunities as one of the most influential modern interpretations of the entrepreneurial function. Shane & Venkataraman's (2000, p.218) influential assessment defines entrepreneurship research as "the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited, the field involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them."

The sub-constructs for entrepreneurial alertness used in the study were: *Uses advanced communication technology*; *Responds well to international customer needs*; *Clear International Vision*; *International Proactiveness*; *Commitment to International Markets*; and *International customer orientation* as reflected in Chapter 4. A review of the results in respect of entrepreneurial alertness indicates lack of a significant positive correlation which is not in line

with pertinent literature thereby suggesting lack of significant support for Hypothesis 1. The only outlier is the subs-construct pertaining to the use of advanced communication technology.

In terms of Hypothesis 1, there is no significant support for the hypothesised positive correlation between entrepreneurial alertness and internationalisation of the firm's innovativeness (performance) of SMEs in South Africa suggesting that a lack of entrepreneurial alertness is not a major barrier to internationalisation success by these SMEs.

5.4 Hypothesis 2: There is a positive significant correlation between cultural intelligence and the Internationalisation of the firm's innovativeness (performance).

The purpose of this study in relation to the above-mentioned hypothesis was to determine how knowledge and experience of international markets influence the degree of internationalisation of SMEs. It is important to indicate that reliability and validity tests on the measurement of this scale were adequate to address the research question in this regard and the results are based on a statistically sound measurement basis through the online survey.

Cultural intelligence refers to the culture created within the business by assessing the international activities managers partook in within the last 12 months using a Likert Scale where 1 indicates "Strongly disagree" and 5 indicates "Strongly agree". The underlying variables given were "visited a number of countries to learn about how business is done" (*Business*), "visited a number of countries for education" (Education), "visited a number of countries for vacation" (*Vacation*), and "visited a number of countries for purposes other than business" (*Other*). These were essentially the sub-constructs for cultural intelligence used in the study.

Principal component analysis using varimax rotation conducted on the three factors shows that "business" and "vacation" loaded highly while "other" loaded lowly. This is line with literature which argues that managers who are culturally intelligent tend to embrace cultural diversity and can function in environments which are culturally diverse to them.

Early & Peterson (2004) defined cultural intelligence, as one's ability to effectively adapt to new cultural environments, which (Barreira et al., 2013) indicated it is pivotal to metacognition, as the concept centres on cognitive flexibility. The fact that South African managers of manufacturing SMEs tend to travel abroad for business and vacation underscores this point and is an indicator of high cultural intelligence which can translate to effectiveness in opportunity identification, appraisal, and exploitation under international entrepreneurship.

The results in Chapter 4 indicate that there is a significant positive relationship between cultural Intelligence and Innovation to the performance. It is therefore concluded that Hypothesis 2 is supported and that there is a positive correlation between cultural intelligence and innovativeness which is a proxy for firm performance. This means that cultural intelligence may be a barrier to the internationalisation efforts of manufacturing sector SMEs in South Africa

5.5 Hypothesis 3: There is a positive significant correlation between positive effect and the internationalisation of the firm's innovativeness (performance).

The purpose of this study in consideration to the abovementioned hypothesis was to establish if there's positive effect of SMEs cross border trade or internationalisation. The validity and reliability tests on the measurement of this scale were adequate to comply and address the research question. The results are based on a statistical sound measurement through the online survey.

Positive Effect denotes the extent to which respondents engage in internationalisation using Likert Scale where 1 indicates *"Not engaged"* and 5 indicates *"Extremely engaged"* the underlying variables or sub constructs in this regard were *"Exportation", "Importation", "Licensing", "Franchising", "Subsidiary", "Turnkey Projects", "Strategic Alliances"* and *"Joint Venture".*

The Items "Q10 1 *Exportation",* and Q10 2 *Importation* were removed from the construct due to low factor loading (factor loading < 04). The EFA results are shown in Chapter 4, Table 3. 65% of respondents believe that SMEs in manufacturing sector from Gauteng lack own financial

resources to venture into foreign markets while 35% of respondents concurred with their counterparts. An overwhelming 65% of respondents also raised some concerns regarding *exchange rate control policies*, the *quotas system and tariffs* which are hindering SMEs to go beyond the borders of South Africa.

The results are in sync with literature reviewed in Chapter 2 on the outcomes of the construct of positive effect and modes of entry into internationalisation. Greenberg & Baron (2008) indicated that a positive effect, which is brought about by a sense of purpose, increases opportunity alertness to the external environment, increases one's ability to be creative and increases individual performance. The interaction between the positive environment and the entrepreneurial motivation gives birth to the development of strategies that bring about a desirable entrepreneurial outcome. These entrepreneurial outcomes can be described as opportunity discovery and exploitation (Shane & Venkataraman, 2000), a speedy decision (Alvarez & Busenitz, 2001) or also as growing the company substantially (Wikuland & Shepard, 2003).

According to Anderson & Gatignon (1986), entry modes differ greatly in their mix of advantages and drawbacks. The trade-offs involved are difficult to evaluate and little understood. There are four modes of foreign market entry which are prominent dependable on the host's country cultural practices and how amiable government policies to foreign businesses, namely: exporting, licensing, joint venture, and sole venture. A favourable entry method into a foreign country is joint ventures or licensing arrangements (Talaga, Chandran, & Phatak, 1985).

The results in Chapter 4 suggest that South African manufacturing SMEs are not pursuing one mode of entry in foreign markets based on the significant positive effect that they demonstrate but they a raft of modes which are not mutually exclusive to each other. The existence of numerous modes of entry to internationalisation is therefore a barrier to internationalisation.

The results from Chapter 4 indicate that there is a significant positive relationship between positive effect and the innovation. This implies that Hypothesis 3 is supported and that there is relationship between positive effect and the influence of innovation in the firm's performance.

5.6 Conclusion

In summary, manufacturing SMEs in South Africa view positive effect and cultural intelligence as a barrier to internationalisation and do not consider entrepreneurship alertness as such. This finding does not contradict literature reviewed but gave credence to it. To that extent, **Hypothesis 1:** There is positive correlation between entrepreneurial alertness and the firm's innovativeness (performance) of SMEs is **rejected** as there is adequate evidence from literature supporting it. The results in Chapter 4 suggest that South African manufacturing SMEs are not pursuing one mode of entry into foreign markets based on the moderate positive effect that they demonstrate but that they deploy a raft of modes which are not mutually exclusive to each other. The existence of numerous modes of entry to internationalisation is a barrier to internationalisation. To that extent, **Hypothesis 3:** There is a positive correlation between positive effect and the firm's performance and innovativeness is **accepted** as it is moderately supported.

CHAPTER: 6 CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter discusses conclusions, implications and recommendations emerging from the study in terms of what conclusions can be drawn generally and hypothetically, the contributions to the academy, government and policymakers of the study findings, and an articulation of the recommendations. The chapter also proffers suggestions for future research.

6.2 Study conclusions

As articulated in Chapter 1, the purpose of the study was to investigate and identify the various factors that facilitate or hinder South African manufacturing small, medium, and micro-sized entities (SMEs) in their cross-border trading (exporting) activities. The research sought to measure the influence of dimensions of entrepreneurial alertness and cultural intelligence on the cross-border trading performance of South African manufacturing SMEs. Several conclusions can be drawn from the empirical findings and these are discussed in juxtaposition with pertinent literature. There are areas of convergence and divergence with literature and these are pointed out as part of assessing the overall contribution of the study.

6.3 Conclusion based on hypotheses.

Several conclusions emerge from the study based on its hypothesized links between entrepreneurial alertness, cultural intelligence, and positive effect on the internationalisation process of SMEs. The study concludes that cultural intelligence and positive effect are significant barriers to the degree of internationalisation by manufacturing sector SMEs while entrepreneurial alertness is not.

These findings differ from literature reviewed on entrepreneurial alertness (see for example. George et al. 2016; Herrington & Wood 2003; Baron 2010; and Chimucheka, 2015; Shane 2000; Shane, 2012; Kumar & Abimari, 2014) and cultural intelligence (see for example, Early & Peterson,

2004; Barreira, et al., 2013; and Ang & Van Dyne, 2008). The study findings do not agree with literature on the important role played by entrepreneurial alertness in opportunity recognition, appraisal, and exploitation in the internationalisation process. Literature asserts that an individual, whom have a high entrepreneurial alertness (EA), has both complex and adaptive mental schema, that enables them to engage in lateral or "out of the box" thinking, which enables enhanced individual performance. South African manufacturing sector SMEs believe that to participate meaningfully in the internationalisation process, they therefore do not need to possess a high degree of entrepreneurial alertness as confirmed by results from the principal component analysis in Chapter 4.

In the same vein, cultural intelligence was established to be a key factor in the internationalisation process through the empirical findings, this is in sync with literature on the role that cultural intelligence plays in international entrepreneurship. For instance, Early & Peterson, (2004), contend that Individuals with cultural intelligence challenge cultural assumptions and adjust their mental models about intercultural experiences thus giving them the capability of functioning effectively in multicultural contexts which is a critical competency of effective global leaders.

On the other hand, empirical findings on positive effect, agree with literature. The findings agree with Makate et al., (2019) but the study findings reject what was provided by Canh et al., (2019) who provided that positive effect is not a theory that most researchers favor to generalize on a firm's performance. This study finds that positive effect is an important factor in the internationalisation process of manufacturing sector SMEs.

6.3.1 General conclusion

There are growing calls in the academic for richer empirical and theoretical studies into various dimensions of the emergent discipline of international entrepreneurship. There are calls for meso-theory studies at various levels such as sectors, firms, regions, and individuals. This is

envisaged to give deeper insights into the phenomenon. It is in response to such calls that this study was formulated as it focuses on SMEs operating in the manufacturing sector of an emerging economy.

South Africa, an emerging economy, can benefit a lot from a vibrant manufacturing SMEs sector. Several studies have highlighted the importance of manufacturing and the SMEs in South Africa. According to the OECD (2008), internationalisation and international entrepreneurship among SMEs is a topic of considerable relevance owing to the observed growth effects of cross-border venturing, and the demonstrated capacity of SMEs to drive economic development at regional, national, and global levels. SMEs play an essential role in South Africa's national economy by generating employment, developing new products and services, and participating in international trade.

The government also sees great merit in a vibrant manufacturing sector. To that extent, the government has prioritized investment promotion in the manufacturing sector through the National Industrial Policy Framework and has mandated the Department of Trade and Industry (dti) to come up with incentives for enterprise and manufacturing investment. The Manufacturing Investment Programme offers grants to both local and foreign-owned manufacturers and enterprises to ramp up production capacity. This Programme also covers SMEs operating in Gauteng Province and can assist them greatly in internationalising their activities and products.

This study has established that manufacturing sector SMEs are facing a depressed domestic market characterized by several operational challenges. To ramp up export sales, many are pursuing various modes of entry into foreign markets. Their ability to succeed in these markets' hinges on two critical factors: positive effect and cultural intelligence.

6.4 Implications of the study and recommendations

This section discusses the implications of the study for academia, government, and policymakers. It also proffers some recommendations based on its empirical findings.

6.4.1 Implications for academia

The empirical findings have academic implications in terms of contribution to a generic theory on international entrepreneurship, specifically in terms of the factors which enhance internationalisation performance by SMEs in an emerging economy context. This is particularly important because existing frameworks of international entrepreneurship have been grounded in the Western world epistemology making their generalization to other contexts problematic. This because there are significant differences between the developed and world and the developing world. This creates a niche for studies which are grounded in the lived experiences of SMEs operating in developing countries. This point was captured by (Hofstede, 1985) in his seminal study on the difference cultures and how they influence certain business practices and behaviours.

An understanding of the factors such as entrepreneurial alertness, cultural intelligence and positive effect which enhance or inhibit international entrepreneurship of South African manufacturing sector SMEs contributes to existing knowledge on the same phenomenon. For instance, one study has examined the role played by social capital, human capital, and financial capital in the internationalisation of women-owned SMEs (Dayile, 2016), while another has looked at the same phenomenon looking Indigenous-owned SMEs (Sono, 2018). Similarly, studies by Urban & Shree (2012) had set the foundations for sustained research interest in international entrepreneurship focusing on South Africa.

Studies of this nature will enrich existing literature on international entrepreneurship globally which allows for comparisons in terms of whether context has an effect in terms of how some factors affect internationalisation process than others.

6.4.2 Implications for government

This study is particularly important for government of South Africa in view of its prioritization of SMEs and the manufacturing sector under the National Development Plan. As noted in literature the Small Enterprises Development Agency (SEDA, 2012: & SEDA, 2016) reports that SMEs are one of the elements that contribute to reducing the rate of unemployment in South Africa since make use of low-skilled individuals for labour. This is important of the high unemployment rate in South Africa which stands at close to 30%.

Manufacturing sector SMEs are important in this job creation agenda as it is key to addressing other challenges such as inequalities and poverty, therefore, the creation of jobs occurred as well as the faster economic growth. Manufacturing is declining globally, and the South Africa's manufacturing industry is no exception to this downward trend. The government has noted this and set up programmes to support manufacturing competitiveness. The South African government has prioritised investment promotion in the manufacturing sector through the National Industrial Policy Framework and has mandated the Department of Trade and Industry (dti) to come up with incentives for enterprise and manufacturing investment. The Manufacturing Investment Programme offers grants to both local and foreign-owned manufacturers and enterprises to ramp up production capacity. This programme also covers SMEs operating in Gauteng Province and can assist them greatly in internationalising their activities and products.

The success of the above programmes hinges on there being an enabling environment in the economy which, when it is combined with the right entrepreneurial alertness and cultural intelligence of the entrepreneurs, can result in successful internationalisation through exports and other modes of entry.

6.4.3 Implications for practitioners

The study's unit of analysis was the individual owning or managing an SMES. The study's constructs of entrepreneurial; alertness and cultural intelligence are specific to these practitioners. There are other players involved in the entrepreneurship development space in South Africa such as training institutions which offer customized programmes to support entrepreneurs. The study's findings have relevance to both.

Entrepreneurs need to understand the importance of entrepreneurial alertness and cultural intelligence as key capitals for successful internationalisation. Literature has shown the importance of these capitals. For instance, (McClelland, 1961) and Shane, et al, (2012) claimed that to bring out innovative ideas, the entrepreneur needs to be a dynamic, driven, independent and flexible individual with the need for achievement and the willingness to change, locus of control and take risks with an adaptive behavior.

The results mean that training institutions need to development courses which enhance the entrepreneurial alertness and cultural intelligence of SMES owners and managers if they are to be effectiveness in identifying, appraising and exploiting opportunities in the international markets.

The study only shed light on various factors including what will influence the internationalisation or hindering the growth of South African (SA) manufacturing small, medium, and micro-sized entities (SMEs) on cross border (export) trade activity of SMEs in South Africa. There is growing interest in Strategic Alliances as an area of interest in international entrepreneurship. Strategic Alliances are emerging (Moroz & Michael, 2015) as a way in which resource-deficient SMEs in the developing world can overcome these by partnering with resource-rich entities in other contexts. The study has shown that cultural intelligence and entrepreneurial alertness are important capitals for successful internationalisation.

6.5 Suggestions for further research

The SMEs sector is receiving pronounced acknowledgement for its' economic contribution in the development sector. However, this study only considered drivers of innovation amongst SMEs in the manufacturing sector of cross border (export) trade activity in South Africa. There is growing interest in Strategic Alliances as an area of interest in international entrepreneurship. Strategic Alliances are emerging (Moroz, 2015) as a way in which resource-deficient SMEs in the developing world can overcome these by partnering with resource-rich entities in other contexts. The study has shown that cultural intelligence and entrepreneurial alertness are important capitals for successful internationalisation.

Limitations of the study

- The findings of the survey should not be generalized at the national or international levels
- The findings may remain biased in nature as per the values, ethics, and competencies of the respondents.
- The research is limited by the early-stage development of social entrepreneurship as an emerging phenomenon.
- The study was reliant upon the responds from SMEs in the manufacturing sector Gauteng only, although consensus would have been achieved, avoidance or delay in completing the questionnaire/survey was a distinct possibility.
- Lastly, Respondents might not have been honest in answering the questions, this can influence the findings. To avoid this confusion the scale used to obtained information was clear and simplified.

6.6 Conclusion

The purpose of this study was to investigate and identify various factors including what will influence the internationalisation or hindering the growth of South African (SA) manufacturing small, medium, and micro-sized entities (SMEs) on cross border (export) trade activity. The literature reviewed three theories which are Entrepreneurial alertness, cultural intelligence, and positive effect. They were also the independent variables whilst the degree of

internationalisation was the dependant variable. A conceptual model was derived to show the hypothesised links between entrepreneurial alertness, cultural intelligence, and positive effect and the degree of internationalisation. The study further discussed the internationalisation theory by explaining modes of internationalisation, market entry modes and degree of internationalisation. The core focus was to understand the mind-set of these entrepreneurs, their attitudes, and intentions on cross border trade. The literature review established that entrepreneurial mind-set is a key component of business operations as it has the capacity to determine business growth or failure.

The study tested three hypotheses: Entrepreneurial alertness and innovation, Positive effect and innovation, Cultural intelligence, and innovation. The study found that Entrepreneurial alertness is not a major barrier to SMEs internationalisation success. This means that although it has been cited by several researchers as a pre-requisite in internationalisation, this study finds that the success of SMEs internationalisation process is not affected by lack of Entrepreneurial alertness. The study also found that Positive effect and Cultural intelligence are major barriers for the internationalisation of SMEs. This means that entrepreneurs looking to internationalise their business operations must possess positive effect and cultural intelligence to succeed. This is mainly because culture affects environment and traditions, it is to the advantage of the entrepreneur to be able to maneuver around different cultures to succeed. Positive effect is important for entrepreneurs because it provides them with a sense of awareness of the environment, they will be operating in.

South Africa is currently facing a high rate of unemployment and the SMEs sector is very much able to provide jobs and this study has highlighted how much the country can benefit from the manufacturing sector. The development of the South African SMEs sector opens the country to participate more in international trade.

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APPENDIX A

Research instrument

Question 1

Does your company have less than 250 employees?

- Yes
- No

Question 2

Age of the Company

- 6 Months to 2 years
- 3 years to 6 years
- 7 years to 10 years
- 11 years to 15 years
- Older than 15 years

Question 3

Level of education completed

- Matriculation or lower
- Technical
- Short Programme Completed
- Diploma / Degree Completed
- Post Graduate qualification completed

Question 4

Which part of Gauteng Province does your Company operate from?

- City of Johannesburg
- Tshwane
- Ekurhuleni
- Mogale City and
- Emfuleni Region

Q23
Has your organization internationalized?

- Yes
- No

Internationalisation Block Options

Question 5

At what age did your company first engage in outbound internationalisation (i.e. excludes Importation)?

- Less than 6 months
- Between 6 months and 4 years
- Between 5 years and 10 years
- Between 11 years and 15 years
- Older than 15 years

Question 6

The firm has internationalized or would internationalize based on

- Growth opportunities

- A need to survive

Question 7

How has your firm performed in the past 3 years?

- Loss
- Break-Even
- Profit

Question 8

How many countries does your company operate in?

- None
- 1 country
- 2 to 5 countries
- 6 to 10 countries
- More than 10 countries

Question 9

What percentage of your company's total sales is derived outside of South Africa?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

Question 10

To what extent do you engage in each of the following types of internationalisation? Where the extent is NIL, please tick on N/A)

	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	× N/A
Exportation	○	○	○	○	○	○	○	○	○	○	○	○
Importation	○	○	○	○	○	○	○	○	○	○	○	○
Licensing	○	○	○	○	○	○	○	○	○	○	○	○
Franchising	◉	○	○	○	○	○	○	○	○	○	○	○
Subsidiary	○	○	○	○	○	○	○	○	○	○	○	○
Turnkey Projects	○	○	○	○	○	○	○	○	○	○	○	○
Strategic Alliance	○	○	○	○	○	○	○	○	○	○	○	○
Joint Venture	○	○	○	○	○	○	○	○	○	○	○	○

Question 11

Looking at the last 2 years, what were the 5 main challenges your firm encountered when developing exports? Select the top 5 responses.

- ☐ Lack of knowledge of foreign markets (e.g. market needs, trading practice, culture etc.)
- ☐ Establishing contacts with foreign partners / customer base
- ☐ Language problems
- ☐ Lack of management resources
- ☐ High customs duties in the destination country
- ☐ Lack of knowledge of export procedures
- ☐ Excessive or complex paperwork requirements
- ☐ Quality of logistics services

- ☐ Cost of transport services
- ☐ Unstable currency market and / or inflation
- ☐ Regulations in the destination country
- ☐ Local competition

Question 12

In your opinion, what makes your firm more competitive than your competitors when exporting?
Select the top 5 responses.

- ☐ Innovation
- ☐ Design
- ☐ Quality of product/service
- ☐ Price
- ☐ Lower cost base
- ☐ Responsiveness to changing markets
- ☐ Logistics (e.g. speed to market)
- ☐ Uniqueness of the product/service
- ☐ Strength of customer relationship
- ☐ Other, please specify

Question 13

How much has the level of internationalisation grown in the past 3 years?

	Decreased substantially	Decreased to some extent	Remained the same	Increased to some extent	Increased substantially	× N/A
Extent of internationalisation growth in past 3 years	○	○	○	○	○	○

Question 14

Would you describe the internationalisation experience of your firm over the last 3 years?

	Far below expectation	Somewhat below expectation	As expected	Somewhat above expectation	Far above expectation	× N/A
Internationalisation experience over the past 3 years	○	○	○	○	○	○

Question 15

Please indicate how much you agree or disagree with the following statements by selecting one option

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I have experience working in or with a foreign market	○	○	○	○	○
I hired managers who have obtained degrees or studied abroad	○	○	○	○	○
I hired managers with international working experience	○	○	○	○	○
It is important for my employees to have knowledge of	○	○	○	○	○

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
international markets and economies					
The company continuously searches for potential international markets					
I believe low levels of foreign knowledge and experience is a major preventative factor that obstructs SMEs from globalising					
The company engaged in a variety of international activities					
Sharing knowledge and information with international contacts is important for enhancing the company's overall learning					
Multicultural values and norms are barriers to South African SMEs accessing international knowledge and experience necessary for successful internationalisation					

Question 16

Please indicate if the managers in your company have these attributes

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Commitment to International Markets	○	○	○	○	○
Clear International Vision	○	○	○	○	○
International Proactiveness	○	○	○	○	○
International customer orientation	○	○	○	○	○
Responds well to international customer needs	○	○	○	○	○
Uses advanced communication technology	○	○	○	○	○

Question 17

In the last 12 months did your organization do the following?

	Strongly disagree	Disagree	Neither agree nor disagree	agree	Strongly agree
Introduced new approaches or offered new solutions	○	○	○	○	○
Discovered a unique way of using/combining resources	○	○	○	○	○
Transformed established practices and/or systems	○	○	○	○	○
Discovered new resources or services/ service delivery methods	○	○	○	○	○

Question 18
In the last 12 months did Managers in your organization do the following?

	Strongly disagree	Disagree	Neither agree nor disagree	agree	Strongly agree
Visited a number of countries to learn about how business is done.	○	○	○	○	○
Visited a number of countries for education	○	○	○	○	○
Visited number of countries for vacation	○	○	○	○	○
Visited of countries for other purposes other than business	○	○	○	○	○

Please indicate how much you agree or disagree with the following statements by selecting one option

	Strongly disagree	Disagree	Neither agree nor disagree	agree	Strongly agree
In my opinion global expansion for my company is financially feasible	○	○	○	○	○
It is easier to obtain financing in the South African market than in an international market	○	○	○	○	○
If funding was available, I would prefer to use it for global expansion rather than reinvesting it in the domestic company	○	○	○	○	○
South African trade tariffs (imports and exports) inhibit SMES business	○	○	○	○	○
It is financially challenging to adapt my	○	○	○	○	○

	Strongly disagree	Disagree	Neither agree nor disagree	agree	Strongly agree
product or service to the international market					
I believe low level of financial capital is a major preventative factor that obstructs SMEs from globalising					
It is easier to obtain international funding from South African financial institutions than those from international sources					
The South African requirements of audited financial statements, liquidity tests and cash flow are unreasonable for an SMEs					
Internationalisation is easier for large companies with significant financial resources than it is for SMEs					
Multicultural values and norms (i.e. family responsibilities) are barriers to SMEs accessing financial capital for internationalisation					

APPENDIX B

Consistency Matrix

What is the role of entrepreneurial alertness, cultural intelligence and positive effect on the scope and extent of internationalisation of manufacturing sector SMEs?					
Sub-problem	**Literature Review**	**Hypotheses**	**Source of data**	**Type of data**	**Analysis**
Determine the role played by entrepreneurial alertness in the internationalisation of manufacturing SMEs	George et al. (2016); Kirzner (1979); Gaglio and Katz (2001); Reuber and Fisher, (1994); Man, Lau and Chan (2002); Tang (2008)	**Hypothesis 1**: There is a positive correlation between entrepreneurial alertness and the internationalisation of manufacturing SMEs	Actual questionnaire questions to provide statistical data. From question 15 to question 17 including question 19	Ordinal data	Correlation
Determine the role played by cultural intelligence in the internationalisation of manufacturing SMEs	Spreitzer, McCall, & Mahoney, (1997); Bartlett & Goshal, 1992); Early and Peterson (2004); Barreira *et al.* (2013); Ang & Van Dyne, (2008);Triandis, 2006); Earley & Ang, (2003)	**Hypothesis 2:** There is a positive correlation between cultural intelligence and the internationalisation of manufacturing SMEs	Actual questionnaire questions to provide statistical data. From question 18 to	Ordinal data	Correlation
Determine the influence of positive effect on the internationalisation of manufacturing SMEs	Greenberg & Baron (2008); Hills *et al*. (2002); Griffin and Ross (1991); Davies and Walters, (2004). Alvarez	**Hypothesis 3:** There is a positive correlation between positive effect and the internationalisation	Actual questionnaire questions to provide statistical data. From question	Ordinal data	Correlation

What is the role of entrepreneurial alertness, cultural intelligence and positive effect on the scope and extent of internationalisation of manufacturing sector SMEs?					
Sub-problem	**Literature Review**	**Hypotheses**	**Source of data**	**Type of data**	**Analysis**
	and Busenitz, (2001); Wikland and Shepard, (2003).	of manufacturing SMEs	1 to question 13		