UNIVERSITY OF AGDER

Factors that influence the internationalization decision in firms from developing market context.

Case of Bolivian Firms

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This Master's Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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ABSTRACT

This study challenges a very relevant issue within today´s internationalization context. We studied the factors that influence the internationalization decision of firms from developing market context. This qualitative case study approach was chosen as a way to explore the least studied context of firms from developing countries.

We decided to look into the factors that have influenced the internationalization decisions in firms from developing market context because the theories of internationalization seem to mostly focus on firms from developed market context, so we chose three firms from a developing country context to find these factors in order to expand our understanding and potentially extend the few existing theories.

This has been done by looking into related literature of internationalization. Three major approaches, selected from the classical writings in their respected areas in the international business literature, have been reviewed:

1. The Uppsula Internationalization Model (U-M)
2. The Born Global Approach
3. The Network Approach.

Also, we performed an empirical analysis of three firms in Bolivia:

1. Sombreros Chuquisaca (Sucre –Bolivia)
2. Friccion S.A (Santa Cruz – Bolivia)
3. SAO- VBL (Santa Cruz – Bolivia)

We chose Bolivia because it is a good example of a developing country, and hence suitable for conducting this type of research, and finally, we made a critical discussion between theoretical and empirical findings.

Our results suggest two major findings: First, that firms from a developing country context first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands, and; Second, that firms from a developing country context internationalize based on domestic cost advantages versus domestic firms elsewhere. They go where there is little competition in the market, and the domestic players are weak or declining because of higher cost structure.

Finally, the end result and contribution is a fine tuned model/list of propositions concerning factors influencing internationalization decision making in firms from developing market contexts.

We further conclude that substantial research and theory building is required, not only in Bolivia but also in other developing economies so that we begin to gain a knowledgeable understanding of the opportunities and challenges that these firms from developing market context face in the global economy.

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1 Introduction

The new millennium is likely to see a continuation, perhaps a fulfillment of the age of globalization. Firms will have to become more globally oriented in their operations. This will place a high demand on the ability to extend and deepen their use of various forms of international operations in multiple foreign markets Petersen and Welch (2002).

These international operations in multiple foreign markets are described by Mathews and Zander (2007) as a high, effective and promising stage of development of world economy, a new and more challenging phase of the internationalization of economic relations. At this stage, it is not only a convergence of national economies, but it also provides a joint solution of economic problems.

Consequently, economic integration can be represented as a process of economic interaction between countries, leading to a convergence of economic mechanisms, taking the form of interstate agreements and concerted regulated interstate bodies.

Various approaches to internationalization have been outlined, each one of them contributing to the understanding of the firm`s motivation for international operations as well as the strategic decisions concerning the different approaches and the entry modes.Three mayor approaches selected from the classical writings in their respected areas in the international business literature will be reviewed.

The first approach of internationalization to be described is the *Uppsula Internationalization Model (U-M).* This study is more associated with the research of Johanson and Wiedersheim – Paul and Johanson and Vahlne. This study has probably been the inspiration for the development of the Innovation – Related Internationalization Models. Andersen (1993)

Johanson and Wiedersheim – Paul (1975) distinguished between four different models of entering an international market, where the successive stages represent higher degrees of international involvement.

- Stage 1: No regular export activities
- Stage 2: Export Via independent representatives (agents)
- Stage 3: Establishment of an overseas sales subsidiary
- Stage 4 Overseas production / Manufacturing units

The second approach to be presented had challenged the internationalization theories. Oviatt and McDougall (2004); Madsen and Servais (1997); Knight (1996) confirm that firms are internationalizing rapidly and that many have started soon after they were founded. These firms have been referred as ``Born Global``

The Born Global view of internationalization offers a more substantive contrast to the stages model (U-M). This view holds that firms do not internationalize incrementally but enter international markets soon after the firm`s inception Chetty and Campbell-Hunt (2004), such firms may not even have sales in their domestic markets and most of their competitive advantage derives from the sales in multiple foreign countries.

Knight (1996) define born global firm as small – technological oriented firm that operates in international markets form the earliest days of its establishment and it could be characterized as a small firm with less than 500 hundred employees, with an annual revenue of US 100 Million and leading – edge technology.

Finally, the third approach is based on an earlier conceptualization of Johanson and Mattosn (1988) model ``Internationalization in industrial systems — a network approach`` that questions the view of a firm as an independent actor. The network approach model uses social exchange theory to illustrate how firms develop network relationships organically to internationalize.

This approach illustrates the dynamics of how firms interact with their network partners to extend, penetrate and integrate their international markets. Networks can help firms expose themselves to new opportunities, obtain knowledge, learn from experiences, and benefit from the synergistic effect of pooled resources.

Although international business will be still centered on the international economies of the Triad –Western Europe, Japan and North America , the contributions of other countries to world trade, particularly the ``tiger´´ economies of Asia, will grow in significance. Ellis and Williams (1995)

Even in the economies of Latin America, Africa and the rest of Asia, recent economic development policies have been aimed at reducing direct state involvement in business. Restrictive legal and regulatory frameworks are being dismantled and private investment has been encouraged. Kuada and Sørensen (2000)

These new developments call for a reassessment of the previous contemporary internationalization theories to determine the quality of policy and strategy guidelines design to assist firms from developing countries in their efforts to integrate into other developing countries and into the rest of the world.

Research into the internationalization of the firms from developing market context is in an embryotic stage since most of the studies have been concentrated on developed country firms and although the available studies Kuada and Sorensen (2000) provide some valuable insights into the problems faced by developing countries from developing market context, researchers have so far ignored other important issues, such as the factors that influence internationalization decisions specially in firms from a developing country context.

Furthermore, theoretical viewpoints that have informed studies of internationalization of firms in the developed market economies have not been effectively integrated into the developing market- based studies. This omission limits our understanding of the extent to which are the factors that influence internationalization decisions in firms from developing market context and how much does it differs from those of the developed countries.

The main purpose of this study is to develop theory by identifying factors that influence internationalization decisions specifically in firms from a developing country context. This is done by looking into related literature, by empirical analysis of cases, and by a critical discussion between theory and empirical findings.

The analysis of cases highlighted two major findings: First, firms from developing countries context which first enter lower quality markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands. Second, firms from a developing country context internationalize based on domestic cost advantages versus domestic firms elsewhere. They go where there is little competition in the market, and the domestic players are weak or declining because of higher cost structure.

The final result and contribution is a fine tuned model/list of propositions concerning factors influencing internationalization decision making in firms from developing market contexts.

In the following chapters we will go through related literature of main issues in internationalization studies, we will set up a conceptual framework and develop the final research problem based on the existing literature.

The following chapter is dedicated to methodology, where we will go through research design, data collection, data analysis, ethical considerations and quality and quantitative research.

Next, the analysis chapter will follow in which we will introduce our case firms in a more detailed way and we will present the findings from the interviews with the managers followed by a cross case analysis of the results of the three firms.

A discussion will follow where a comparison of our findings to existing theory will be made, and then our conclusion will summarize it all. Finally, a list of literature review and interview guide could be found in the end of the study.

2 Literature Review

Researchers over the last decades had developed different concepts of internationalization; however, in this study we will make use of the concept developed by Andersen (1997) who considers internationalization as a process in which specific attitudes or "orientations" are associated with successive stages in the evolution of international operations.

Even though this concept is widely recognized all over the world, there is not enough evidence in less developed economies that prove it wrong or right because most of the studies have been conducted in firms from the so called Triad Economies formed by Western Europe, Japan and North America.

However, Kuada and Sørensen (2000) indicate that although international business will be still centered on the Triad Economies, it is important to pay attention to the developing economies of Asia, Latin America and Africa.

Economies that during the decades of 60s and 90s had maintained a high growth rate, and in the 21st century had developed areas of competitive advantage as a result of an outward – oriented model driven by market incentives, strong private sector and improvements in recent economic policies. These policies had aimed to reduce the direct involvement of the state in private business. Restrictive regulations and protectionism are being dismantled in order to encourage private sector and foreign investors.

Developing countries are opening their economies to foreign investors, mainly because factors such as globalization and high level of competitiveness of the international markets are forcing them to adjust their strategies and reduce their costs, leading them to perform direct investments in countries with cheaper labor cost such as China, Taiwan, Brazil, and Mexico, just to name a few.

Nevertheless, the research realized in the internationalization process of firms in developing countries is in an emergent stage. As it was mention before, most of the studies among internationalization are focused in already developed economies (Western Europe, Japan and North America). Besides, the few studies that have been published based on developing countries are mainly focused in the export sector development and in the performance of exporting firms.

Although the available studies had provided some valuable insights into the problems faced by developing country exporters, researchers have, so far, ignored the examination of other equal important issues, such as the motives of internationalization, market selection decisions and responses to public assistance schemes.

Theoretical studies of internationalization of the firms in the developed market economies have not been integrated into the reality of the developing countries, this oversight creates uncertainties about how different it is the internationalization process of firms from developed countries to those of the developing countries.

In summary, in the past decades studies of internationalization of the firms had generally concluded that export marketing is the most typical type of internationalization among the firms of developing economies, because it is less risky and it requires less resource commitment. Nevertheless, there is not enough evidence that corroborated this assumption and more studies need to be done in order to develop theory by identifying factors that influence internationalization decisions specifically in firms from a developing country context.

2.1 Categorization of theories of internationalization

Various approaches to internationalization have been outlined, each of them contributing to the understanding of the firm's motivation for international operations as well as the strategic decisions concerning the different approaches and the entry modes. In this segment, literature theories, frameworks and contributions in the context of the internationalization process of the firms will be reviewed.

Three mayor approaches selected form the classical writings in their respected areas in the international business literature will be reviewed. These include the following:

- The UPSULA internationalization model

- The “Born Global” Approach
- The Network Approach to internationalization

2.1.1 The UPSULA internationalization Model

Author	**Entry Mode**	**Target Country**	**Developing Through time**	**Origin Country**	**Target Country**	**Context of study**
J. Johanson and Vahlne (1977)	The model focuses on the gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the incrementally increasing commitments to foreign markets.	Physic Distance Markets Resource commitment to the foreign market Market knowledge		Sweden		Exporting Firms (Various Products)
Reid (1981)	Firms chose entry modes as a result of an export expansion based on an hierarchy model: 1. Export awareness, 2. Export intention, 3. Trial, 4. Evaluation, and 5. Acceptance.	Idiosyncratic preferences of the decision maker. Tariffs Degree of risk and uncertainty attached to the foreign country.		United States	Canada	

Bilkey and Tesar (1977)	The first stage is domestic market, the second stage is unsolicited export order, the third stage is when management actively explores the feasibility of exporting, then in the fourth stage, the firm exports on an experimental basis to some physic close countries, in the fifth stage the firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc. Finally in the last stage the management explores the feasibility of exporting to additional countries that are not physically distanced.	At early export stages firms focus on physical close countries. At later stages firms expand to more distant countries.	Trough Government programs for increasing manufactured exports through: 1. Aggregative export supply, making the export more profitable and 2. Increasing managements' international interests	United States / Wisconsin		Manufacturing Firms

Tamer Cavusgil (1984)	The internationalization process is based on three stages, the first one is Experimental Involvement, second is active Involvement and finally the third one is committed Involvement.	Traditional Markets at early stages. Global markets at more developed stages	Developing commitments starting with short contracts until big investments are made.	United States / Wisconsin and Illinois	Canada Western Europe Far East Australia New Zealand	Manufacturing Firms
Hedlund and Kverneland (1985)	Gradual entry strategy, from direct export, through agent and sales subsidiary to local production.	Low physical Distance	Based on long term relations with local agents, licensing and joint venture partners.	Sweden	Japan	
Sullivan and Bauerschmidt (1990)	The entry modes are developed by stages starting with exports and then to local manufactures, the process in based on cumulative knowledge held by the managers.	Countries similar in consumer behaviors, market, industry, structures, and institutional settings.		Australia Finland Sweden West Germany. Austria		Forest products Industry
Millington and Bayliss (1990)	The internationalization process could be explained by the international experience of the parent company, this is a gradual process that may start with Joint Ventures, then	Specific markets (Niche markets) Experience and information are determinants.		United Kingdom	European Countries	Manufacturing firms.

	subsidiaries and finally new investors.					
Lim, Sharkey, and Kim (1991)	Firms internationalize by stages: -Licensing -Agents -Subsidiaries -Full Production	1. Based on market experiential model. 2. Formal planning. a)Planned b)Organic c)Opportunist	Developing future investments overseas, creating strategic bonds with different partners.	Ohio / United States		Electronic Equipment
Benito and Welch (1994)	The Internationalization process of the firm is based on knowledge experience, skills and networks that are developed in stages, starting with projects, then exports and finally contracting.	Past experiences form the decision maker and networks in different countries.	Expanding personal networks	Nordic Countries		Service Firms

The internationalization process of the individual firm is most closely associated with the research of Johanson and Vahlne. Their studies of international business have indicated that internationalization of the firms is a process in which the firms gradually increase their international involvement. It seems reasonable to assume that, within the frame of economic and business factors, the characteristics of this process influence the pattern and phase of internationalization of firms. J. Johanson and Vahlne (1977)

It is suggested that firms follow a gradual development through a step – wise evolutionary pat, starting from no exports and then move to direct exports, followed by exports via agents and/or distributors and later progressing towards the establishment of an overseas sales subsidiaries, and concluding in the establishment of a foreign manufacturing division in the foreign market.

The model focuses on the gradual acquisition, integration and use of knowledge about foreign markets and operations overseas in one hand, and on the incrementally increasing commitments to foreign markets in the other hand. This international experience could be best understood as the experience that the firm gains through past international involvements.

However, while resource commitment and knowledge acquisition is more associated with risk and cost reduction, there is a third critical variable identified as "physic distance" that does not strictly follow predictions of economic logic. The concept "psychic distance" had been defined as factors preventing or disturbing the flow of information between firm and market, including factors such as differences in language, culture, political systems, level of education, or level of industrial development. J. Johanson and Vahlne (1977, p. 24)

A basic assumption derived from the physic distance concept is that market knowledge is required in order to reach distant countries. In effect, as discussed by Sullivan and Bauerschmidt (1990), the cumulative experimental knowledge of foreign markets prepares the firm to manage the incentives and barriers in markets of progressively greater cognitive and physical distance. Moreover, Millington and Bayliss (1990) explain that international experience and formal planning act as substitutes for market experience, enabling firms to leapfrog the incremental process within markets.

Although taking central stage among theories of internationalization, the UPSULA model has been also criticized. Hedlund and Kverneland (1985) argue that the experiences of Swedish firms in Japan suggest that entry and growth strategies in foreign markets are changing toward more direct and rapid entry modes than those implied by theories of gradual and slow internationalization processes. These modes could be described as "short rote" for managers of international firms that consider moving more quickly and directly towards more ambitious forms of representations in a foreign market than the conventional wisdom of gradual entry would dictate.

2.1.2 Born Global Approach

Author	**Entry Mode**	**Target Country**	**Developing Through time**	**Origin Country**	**Target Country**	**Context of study**
Knight (1996)	Born Global firms collaborate among them to reduce cost, and uncertainty. Foreign Direct Investment, manufacture its own facilities, acquisition, synergies and partnerships are the internationalization modes.	Countries with established agents. Physically close Niche markets	Through Integration. Knowledge sharing.	United Kingdom France Canada Taiwan Australia	South Africa West Germany Australia Belgium United States Scandinavia Spain Former Soviet Union	Chemical Manufacture Information Technology
Madsen and Servais (1997)	Lowest cost mode of operation, entry modes include strategic alliances, exporting through networks to compete internationally.	Based on social networks. Influence of the decision maker	Connecting/integrating networks in different Countries based on existing relationships.	US, Australia, Denmark, Switzerland, Sweden	All over the world	High tech firms Trading companies

Oviatt and Mcdougall (1994)	Born Global firms control specific assets instead of owning them, based on strategic alliances, licensing and franchising, networks and patents and licensing.	Countries with: - Financing possibility -Resource Mobility - Forms to control vital assets. -Good governance structure. -Legal property rights regulations.	Based on trust and moral behavior, also Developing property rights, patents and licensing and legal agreements.	United States Australia Sweden	France United States	Technological and Pharmaceutical Industries
Sharma and Blomstermo (2003)	Foreign market entry mode is based on knowledge supplied by their tie networks. Also include exporting through intermediaries, agents, networks and alliances.	Close Physic countries. Easy access markets (Low Entry barriers)	Developing tie relationships with foreign institutions and important actors such as organizations and governments.	Sweden	Norway Denmark United kingdom France Germany United States	High Tech

Chetty and Campbell-Hunt (2004)	Born global firms focus in a narrow product market scope that is consistent with their small size, based on extensively use of networks and business partners.	Firms chose country target based on knowledge and experience, personal contacts and niche markets.	Extensive use of personal relationships to make the network bigger.	New Zeeland Australia	United Kingdom Australia Canada United States	High technology Manufacturing Services
Niron and Tamar ()	Firms try to reduce the international transportation and communication cost firms employing exports, subsidiaries And merger and acquisitions	Physic close markets at early stages and then expand to global markets.	Joint Production, R&D programs.	Israel	United States European Union SEA.	Knowledge Intensive Technology based products
Luostarinen and Gabrielsson (2006)	Global markets reduce risk and uncertainty, this is the reason firms develop relationship with Business	Choose countries were they have a unique product with almost no competence.	Extensively cooperative operation modes in R&D, marketing, operations etc.	Finland	Europe North America Asia (In this order)	High Tech High design High Service High system business

Freeman, Ron, and Schroder (2006)	Diversification of entry modes and distribution partners reduce the risk of being dependent on one firm, entry modes include Partnerships with large foreign customers and suppliers, J.V to achieve financial constraints and alliances.	Based on network Knowledge, Firms Factors (Managerial commitment and organizational characteristics) Client followership	Creating extensive personal networks contacts, establishing partnership and alliances quickly.	Australia	Western and Eastern Europe Middle East United States	Pharmaceutical firms Photographic retail firms.
Zhou, Wu, and Luo (2007)	Born Global SMEs operate in the broader appeals of social networks. Rapidity and scope of informal social networks develop by the Entrepreneurs of the firms.	Available interpersonal ties and social interactions and Personal advice.	Referral trust and solidarity.	Eastern China		Exporting and importing activities.

Rasmussen, Madsen, and Servais (2012)	1. Born local firms are based on family ownership and chose family networks as entry mode. 2. Born global firms (founders with international experience) use international networks as market entry mode.	Born local firms chose market based on family networks. While born global firms chose foreign countries with high human capital with knowledge of the market.	Trough contracts of collaboration Local control of foreign markets.	Denmark	Norway Sweden Finland Iceland Europe	Manufacturing Firms

In recent years there has been a widespread of relatively new type of firms denominated as "Born Globals". These firms operate in international markets from the earliest days of their establishment. There is growing evidence of the emergence of born global firms in numerous countries, cases of firms in countries such as Australia, Thailand, New Zealand, Israel and Eastern China among others gave birth to the Born Global Phenomenon, challenging the traditional theories of internationalization.

While non – sequential approaches of internationalization mostly examined traditional manufacturing industries, the born global firms were identified among high technology and knowledge intensive firms.

Born Global firms seeing the world as its marketplace from the outset of the firm's founding; unlike traditional companies, Born Global firms do not seen market as simple adjuncts to the domestic market and start exporting one or several products within two years of their establishment, average annual sales usually do not exceed $ 100 Millions. Knight (1996)

These new kinds of firms are formed by active entrepreneurs that emerge as a result of a significant breakthrough in some processes or technologies. Born Global firms may also apply cutting edge technology to develop unique product ideas or new ways of doing business, these products typically involve substantial value adding; the majority of such products may be intended for industrial uses.

Furthermore, a study of Australian and New Zealand firms conducted by Chetty and Campbell-Hunt (2004), found that high technological manufacturing firms use recent advance in technology and communication to manage cross border operations efficiently, allowing them to manufacture complex and non-standard parts faster and cheaper. However, because of their limited resources born global firms will invest less in sales and manufacturing subsidiaries and will rely in collaboration with local firms such as agents, distributors, networks, joint venture partners, etc.

Their enlargement is not dictated by geography or socio – cultural elements, but rather by addressing niche customer groups available across countries.Knight (1996) first observed that there is an increasing role of niche markets that have a growing demand for specialized and customized products. The growing demand among consumers in mature economies for these kind of products give these small firms the opportunity to specialize in the supplying of products that occupy a relative narrow global niche.

It is also important to mention that due to their limited resources, networks play a key role in the internationalization process. Applying the network approach to the born global firms Knight (1996) found that an important phenomenon behind the Born Global firms is the trend of global networks. Successful international commerce today has being increasingly facilitated through partnerships with foreign business – distributors, trading companies, subcontractors, as well as more traditional buyers and sellers, additionally inexperience managers can improve their chances to build succeeding international business if they take the time to build mutually – beneficial, long term alliances with foreign market firms.

Similarly, emerging from a comprehensive literature review of studies covering early internationalizing firms,Oviatt and McDougall (2004) state that born Global firms control specific assets instead of owning them, based on strategic alliances, licensing, franchising, networks and patents in countries with financial possibility, resource mobility and legal property rights regulations.

In summary, recent literature suggests that born global firms internationalize driven by aggressive entrepreneurial management, also related to business networks, following physical distance logic. Also, it states that social interaction among entrepreneurs is highlighted, especially among those who see the world as one market and do not confining them to one single country, thus partnerships and joint ventures reduce the risk of entering new markets without previous knowledge or experience.

2.1.3 Network Approach

Author	**Entry Mode**	**Target Country**	**Developing Through time**	**Origin Country**	**Target Country**	**Context of study**
Johanson and Matson (1988)	Entry mode of the firms is based on the network model, meaning that the firms establishes and develops positions in relation to counterparts in foreign networks. This can be achieved through: -International Expansion -Penetration -International Integration	Based on networks and extensive knowledge about the different actors in foreign markets. Direct experiences. Contacts on the management level. Countries with access to external resources.	Efforts to maintain develop and change the relationships such as technical, planning, knowledge, social, economic and legal bounds. Based on close personal and friendly business relationships.	Germany Sweden Italy France Britain		Industrial firms

Johansen and Vahlne (1990)	Foreign market entry mode of the firms is guided by insiders in the network in the specific country. -International Extension -Penetration -International integration.	Low switching cost to establish a new business relationship. Client followership	These relationships could be developed through ties, like technical, economic and legal aspects.	Sweden		
Coviello & Munro (1995)	Internationalization resulted from the firms' participation in international networks, providing the initial trigger to foreign market selection as well as the entry mode, that includes: Dealers, distributors, joint ventures, Piggy backing Joint marketing agreement.	Based on Network Relationships -Formal -Informal Market performance	Established their own support/service facilities in each country entered	New Zealand	Australia, Singapore, United Kingdom Australia Japan Meddle East Malaysia Indonesia Spain	High Technological firms
Coviello and McAuley (1999)	Internationalization of SMEs focus on non-hierarchical systems where firms invest to strengthen and monitor their position in international	Target country is chosen based on the various network members. Based on cooperative agreements with foreign	Knowledge development trough time that will lead to a more serious commitment in both parties.	Denmark Italy New Zealand Portugal Finland Pakistan		Diverse sectors including Industrial equipment, clothing ,

	networks based on formal and informal relationships. Foreign entry mode is associated to opportunities provided by formal and informal networks.	firms. Networks in foreign markets that realize related activities.				high tech
Chetty and Blankenburg (2000)	This study uses the "Internationalization and network model (Johanson and Mattsson,1988) to illustrate with 4 different cases the possible entry modes: 1. Early Starter 2.Later Starter 3.Lonely 4 International	Close physic distance. Based on the decision maker characteristics. Incentives offered to foreign investors Strong economies Heavy users of the product	Long lasting relationships are based on trust and commitment of the parties involved.	New Zeeland	Australia United States Canada Malaysia	SMEs manufacturing firms in the electrical and industrial machinery and timber processing Industries.

Andersson (2000)	Internationalization process and entry mode is triggered by entrepreneurs, -Market entrepreneur is likely to choose subsidiaries. -Technical entrepreneur will probably choose licensing. -Structure entrepreneur choose established	Marketing entrepreneur choose markets based on how he interprets the situation. -Technical entrepreneur's market choice is reactive, in response to other player's actions. -Structure entrepreneur chooses markets		Sweden	All over the world	Rubber product industries
Zahara and Hitt (2000)	New ventures gain Technological learning s they diversify into international markets. International mode of entry: -Starts us -Acquisitions -Licensing Agreements -Export transactions	Chose foreign country based on: -Technological diversity -Cultural Diversity -Geographic Diversity -Foreign Market segments.	Organizational learning to develop new knowledge sustainable over time.	United States		- Biotechnology - Software, telecommunication - Environmental technologies - Pharmaceuticals - Aerospace, test measurements.
Oviatt and McDouga	Entrepreneur's International network	Based on relationships or networks in	Based on long term relationships,			

ll (2004)	determines the internationalization process. Using strategic Alliances and cross national border networks.	foreign markets.	development agreements and legal contracts.			

Earlier conceptualization questioned the view of the firm as an independent actor, giving rise to a network approach of internationalization but it was not until Johanson and Matson (1988) claimed that internationalization may be viewed as a process in which a firm develops business relationships via networks in foreign countries. These relationships can be used as bridges to other networks in foreign countries and in some cases can even force the firm to enter foreign market networks.

However, it is also clear that firms were able to internationalize very quickly by linking themselves to extensive and established networks. This rapid growth appears to have resulted from the firms' participation in international networks with major partners whom provided the initial trigger to foreign market selection, helping them to reduce the problems of limited capital, management, time and experience in foreign markets.

In addition, Coviello and McAuley (1999) suggested that integrated or comparative studies such as; foreign direct investment, networks and stage process of internationalization are beneficial to our understanding of the overall concept. Nevertheless, it also support the argument that the network perspective provides valuable insight to the dynamics of internationalization in a network-based approach which is more than a description process and it is linked to strategic direction and actions that provides a way of doing business.

Furthermore, formal and informal network contacts were found to be important sources of business opportunities that influence the market selection and entry initiatives. Especially in turbulent high technological industries were firms conduct internationalization process trough entrepreneurial invocation, based on innovation, proactive behavior and risk seeking action, and make extensively use of cooperative alliances among entrepreneurship.

Finally, Oviatt and MCDougall (2005) recognize that networks provide an outline of an anticipated integration that uses the interplay of experience, or tacit, learning and resource commitment in organizations as a driving mechanism. However, because local networks become uniquely adapted to business in local markets, experimental knowledge generated in one market may not be applicable in another market.

In summary, the network approach assumes that international process takes place in formal and informal network settings, where firms are linked each other through business relationships. According to this approach, a business firm becomes international by connecting, establishing and positioning different firms in different foreign markets. Nevertheless, critics to this approach suggest that although relationships and networks are very useful in the internationalization process of the firms, these are too difficult to capture in the strategic plan and decision making process.

2.1.4 Developing countries internationalization process

Author	Entry Mode	Target Country	Developing Trough time	Origin Country	Target Country	Context of study
Zafarullah, Ali, and Young (1997)	Firms start the internationalization process by exporting as a result of market opportunities seen by members of the firms. Entry modes are: Direct sales to former employer abroad. Agent's agreements. Establishment of Wholesaler and Retailers.	The driving factor in choice of market was the location of major buyers. Knowledge of market/customer. Invitation from the foreign market to start exporting. Based on personal networks.	Regular contacts with agents and importers.	Pakistan	Canada United States Australia Netherlands Germany	Various Exporting Industries (Pharmaceutical, Lether and Jackets, Bed sheets, carpets)
Rutashobya and Jaensson (2004)	Foreign market entry modes included indirect exporting (piggybacking) direct exporting through friends, relatives, and other customers, direct exporting to independent distributors, and direct	Based networks that include international artisans groups. Decisions made for the owner/manager based in informal relationships (Friends, relatives o customers)	Long-term relations with foreign independent distributors. Informal long-term relationships with suppliers, to ensure that constant supply for	Tanzania	Japan France	Handicraft exporters enterprises

	exporting to customers, singly or jointly with other cluster members.		export.			
Mtigwe (2005)	The key constructs that motivate the entrepreneurial firm internationalization process are: managerial factors, firm factors, and environmental factors. Entry modes include Foreign Direct investment, Exporting And network partnership.	Physic distance markets. Based on the perception of the firm of the foreign country	Trough market experience and learning curves.	South Africa Zimbabwe		Sothern African exporting firms.
Zain and Ng (2006)	Software firms' initial internationalization process resulted from the opportunities presented by their networks which also influence their entry modes, including: Sales subsidiaries, distributor,	Physically close Markets similarity Market and government requirements Based on decision makers networks in foreign markets		Malaysian	Australia Japan Singapore Middle East Thailand Indonesia Vietnam Cambodia China Philippines	Indigenous small and medium size software firms

	joint venture, export marketing collaboration and dealer.					
Goldstein, Bonaglia, and Mathews (2006)	The internationalization process started with strategic partnerships with market leaders. Becoming first-tier suppliers for lead firms and key regional players, in one case with global ambitions. Entry modes include: Exporting, Acquisitions of both brands and production factories and Greenfield investments.	Developing countries where input costs are lower, but demand growth rates are Higher. Produce in low cost countries and then shipped to rest of the world.	Investing heavily in R&D and innovation. Continuous and substantial process and product upgrading	China Mexico Turkey	Worldwide	Home appliances (so-called "white goods" industry)
Ferro, Préfontaine, and Skander (2009)	HTSMEs internationalization process can follow different paths. Some of the findings regarding entry mode are: -Exports - Distributor /	Physic distance Availability of personal with high degree of education. Decision makers business contacts and networks. Social network	Trust and confidence among partners is essential in Latin American markets in order to develop long lasting	Colombia	Mexico Ecuador Peru Bolivia Spain El Salvador Argentina Uruguay Chile Panamá	SMEs Software industry

	partner, - Developed partnerships –Subsidiaries in the partner main market.	is the catalyst for choice of market and partner	relationships.			
Lopez, Kundu, and Ciravegna (2008)	Two forms of entry mode can be identified: - Through a process of resource accumulation by engaging in markets Within short proximity. "Born Regional" Start exporting at early stages to regional neighboring countries, and then they expand to further markers.	Chose regional markets (those that are geographically and psychologically close to the home market) Niche markets		Costa Rica	México USA Dominican Republic México Panamá Venezuela Salvador Nicaragua Ecuador Canadá	Software firms

Kuada and Sørensen (2000)	Small manufacturers in Kenya pursued an incremental approach to internationalization, with most established operations in domestic markets before moving to foreign markets. Entry modes are based on strategic alliances or relationships, networking and direct exports.	Physic Distance (Neighbor countries with similar language and culture) Based on the good relationships between the governments of neighboring countries and country of origin.	High context countries based their relationships in trust and commitment.	Kenya	Uganda Rwanda Sudan Burundi Congo Tanzania Malawi Somalia	Different exporting small manufactures

Whereas internationalization through downstream activities represent the conventional approach in developed countries, internationalization trough upstream activities seems to be the more likely route of integrating developing country firms. Downstream internationalization focuses its attention in marketing of finished goods and services in a foreign country, especially through exports.

However, developing country firms may also enter foreign markets through their own export initiatives, by acting as a regular supplier to an outsourcing company from a mature market economy, or by making extensively use of formal and informal networks.

On one hand, developed countries studies suggest that firm's first international experience is based on partnerships, joint ventures, acquisitions, licensing or other forms of internationalization started by the home firm. While in the other hand, developing country firm's internationalization process is triggered by an invitation from the foreign market to start exporting.

Petersen and Welch (2002) study of Pakistani firms suggests that developing countries start their first involvement in international markets as a passive player. Also, Zain and Ng (2006) study of Malaysian software firms propose that initial internationalization process of these firms resulted from the opportunities presented by their networks abroad, in the same way other studies of Brazilian and Turkish exporters firms have found that the receipt of unsolicited orders from foreign countries was the most frequent and the most influential factor stimulating export initiation.

Moreover, earlier approaches to internationalization don't sufficiently capture dynamics in developing countries as well as they do in developed ones, for example, the UPSULA model implies that the internationalization of the firms take place in gradual and orderly manner based on learning and accumulation of experience. However, the study of Petersen and Welch (2002) of three Pakistani software firms revealed that their internationalization process did not take place in a gradual and orderly manner, contrary their internationalization process was triggered by personal networks based in the location of mayor buyers leading to the establishment of foreign divisions leap frogging the first steeps suggested by the UPSULA model.

Another basic assumption derived from the physic distance concept of (J. Johanson & Vahlne, 1977) is that market knowledge is required in order to reach distant countries, but in the case of developing countries operations in such physical close countries are not easy to manage and assumptions of similarity in culture, language, laws and regulations may prevent executives from learning about critical differences restricting their scope of analysis and limiting their future expansion to more distant markets.

A second approach of internationalization is the Born Global firms, according to this approach, firms operate in international markets from the earliest days of their establishment and most of them were identified among high technology and knowledge intensive firms, characteristic that can be found among developed country firms.

However, even there is not much information regarding Born Global firms in developing economies, Ellis and Williams (1995) study of Costa Rican firms revealed the presence of firms that actively exported from their inception. A closer look seemed to confirm the presence of early internationalizers or born global firms, a more detailed analysis revealed that most firms are not high technological, contrary they are engage in export activities to regional markets, generally close to the home market in a geographic sense, but not necessarily psychically close.

As result of the evidence found in these Costa Rican firms we can highlight two main points, first there is evidence of Born Global firms in developing economies. Second, firms that focus their main activities not only highly technological products can be considered Born Globals too.

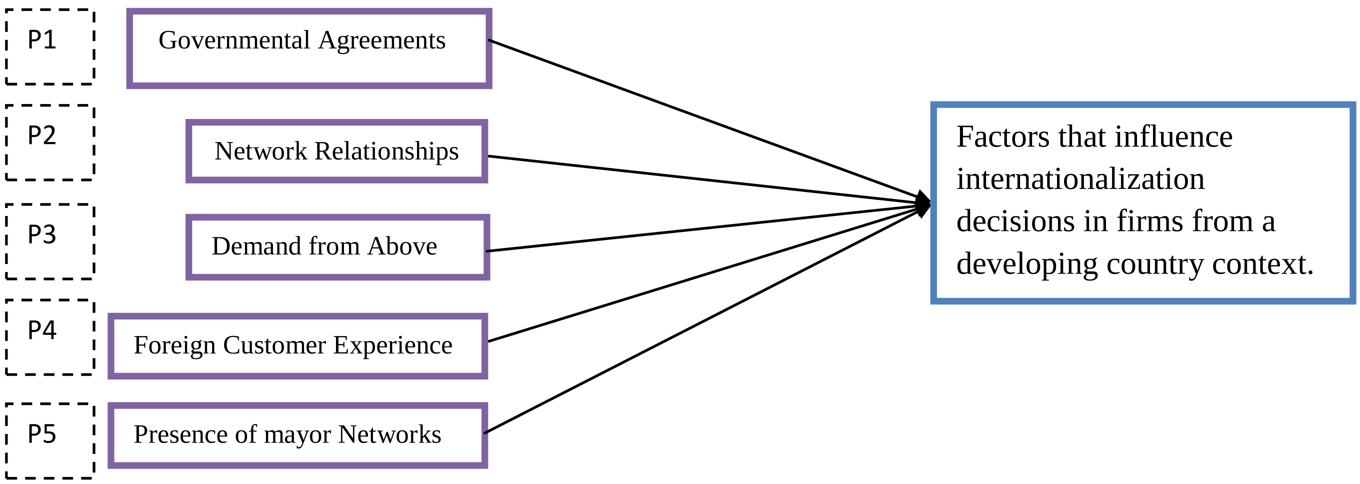
Finally we can conclude at the early stage of this study that formal and informal network contacts play two main roles in the internationalization process of firms from developing countries; first they are important sources of business opportunities influencing market selection and entry initiatives. Second, they help firms form developing countries to gain initial credibility, allowing them access to established channels and local market knowledge, especially in developing countries of Latin American, Africa and part of Asia, countries in which business cultures are based on interpersonal relationships and trust among actors.

2.2 General Approaches

	UPSULA Model	**Born Global Approach**	**Network Approach**	**Developing Countries**
Triggers of internationalization	- Firms gradually (Steep by steep) intensify their	-Opportunity to breakthrough in technology	Major partners among the networks provide	-Social networks -External players

	activities in foreign markets.	process. -Need for specialized and customized products.	the initial trigger to foreign expansion.	that provide the first international experiences.
Market entry and service modes	-Gradual development through a step-wise evolutionary path. -Starting from no exports to direct exports, until manufacturing divisions in the foreign market.	-Fast involvement in international activities since the outset of the firm's founding. -Based on Joint ventures, licensing, partnerships, and synergies.	Firms develop business relationships making extensively use of its networks in foreign countries. Based on partnerships, joint ventures, marketing agreements, and acquisitions.	-Entry foreign markets through export initiatives provided by major players. -Acting as regular suppliers of big firms. -Invitation from foreign market to start exporting. -Based on social Networks agreements (partnerships and Joint Ventures)
Type of Markets	Low Physical distance markets.	Seeing the world as a market place, addressing niche global customers.	Chose markets based on the influence of formal and informal networks.	-Physically close -Location of mayor buyers.
Logic for Market entry sequence	Gradual acquisition of knowledge, experience and incremental commitments in foreign markets allow firms to enter more physic distance market.	-Non sequential logic. -Based on big customers, or niche markets around the globe.	Linking themselves to extensive and established oversea networks.	The entry sequence to foreign markets is based on the opportunities provided by networks or major players.

2.3 INFLUENCING FACTORS IN THE INTERNATIONALIZATION OF FIRMS FROM DEVELOPING COUNTRIES



Preposition 1

Firms from developing countries in order to overcome problems associated with entry barriers, taxes, distribution channels, physic distant markets, competitive positioning and cultural differences will enter foreign markets base on multilateral regulations of international trade among governments of developing countries. According to its preamble, its purpose is the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.

Firms from developing countries will be influenced by government agreements in their foreign market choice.

Preposition 2

The decisions of the firms from developing countries to internationalize could be seeing as the result of their participation in different formal and informal international networks formed by major partners, relatives, employees, friends, ethnic ties, customers, suppliers, agents, distributors etc.

These international networks are important sources of foreign business opportunities that influence not only the market selection but also the entry mode.

Firms from developing countries will be influenced by network relationships in:

(a) Choice of entry mode.

(b) Choice of market to enter.

Preposition 3

As suggested by Johanson and Vahlne (1977) the internationalization is a process in which the firms gradually increase their international involvement. It seems reasonable to assume that, firms from developing countries will start their international activities as supplier of foreign firms to gain international experience and initial credibility in the first stages.

Firms from de developing countries will be influenced by experience from serving foreign customers.

Preposition 4

Their enlargement is not dictated by geography or socio – cultural elements, but rather by addressing niche customer groups available across different countries around the globe. Knight (1996) observed that there is an increasing role of niche markets that have a growing demand for specialized and customized products. This growing demand among consumers in mature economies for these kind of products give firms from developing countries the opportunity to specialize in the supplying of products that occupy a relative narrow global niche.

Firms from developing countries will be influenced by the demand from abroad in choice of foreign market.

Preposition 5

Major firm networks that realize operations around different countries around the globe can be seen as bridges to foreign markets for firms from developing countries. These mayor networks present the opportunity for home firms to follow them across different countries or in some cases even force them to expand their activities when their products or services are required in more than one country or market.

Firms from developing countries will be influenced by the presence of major networks from home country in target country.

3 Methodology

3.1 Context of the Study

Geographically, Bolivia is a landlocked country in South America. It is bordered by Brazil to the north and east, Paraguay and Argentina to the south, and Chile and Peru to the west. Bolivia has a population of almost 10 million people according to the last results of the national statistics institute. The country is divided into three primary geographic zones – the mountains and Altiplano in the west, the Yungas and the temperate valleys in the east and the tropical lowlands. The Western Andes range runs along the Peruvian and Chilean borders, and the Eastern Andes range stretches from Peru to Argentina.

Economically, Bolivia is one of the least developed countries in Latin America. A lack of foreign investment in the key sectors of mining and hydrocarbons and higher food prices pose challenges for the Bolivian economy. The tin industry has received increasing competition from SE Asia, and as a result several tin mines have closed. Although Bolivia has much hydroelectric potential, it is underutilized. However, Bolivia's minerals make up the bulk of its exports; natural gas, soybeans, and crude petroleum are also important. Economy (2010)

The primary export commodities include natural gas, soybeans, crude petroleum, zinc ore and tin and the country's main export partners are Brazil, the US and Japan. In the other hand, Bolivia's primary import commodities include petroleum products, plastics, paper, aircrafts, automobiles and insecticides. The country's main import partners are Brazil, Argentina, the US, Peru and China.

According to the results revealed by the online magazine *Economy Watch,* Bolivia's trade with neighboring countries is growing due to its participation in several regional trade agreements. Bolivia is a member of the Andean Community, along with Peru, Ecuador and Colombia, is also an associate member of the Mercosur, and is focused on developing its market through membership in the Bolivarian Alliance for the Americas (ALBA), whose members include Venezuela, Cuba and Nicaragua. Moreover, Bolivia is a good example of developing country, and hence suitable for conducting this type of research.

3.2 Research Design

Research design can be seen as the ‘’Master plan’’ or framework for relating conceptual research problems to relevant and practical empirical research, and the choice of research design is the overall strategy to get the information wanted within given constrains. Ghauri and Grønhaug (2005). In this sense, research design is a logical plan getting from the initial set of research questions to some set of conclusions or answers about these questions.

In general according to Yin (2009, p. 1), case studies are the preferred strategy when ‘’how’’ or ‘’why’’ questions are being posed, when the investigator has little control over events, and when the focus is on contemporary phenomenon within some real – life context.

The case study is used in many situations to contribute to our knowledge of individual, group, organizational, social, political and related phenomena. Not surprisingly, the case study has been a common research strategy in different research fields such as psychology, sociology, political sciences, business and community planning. Yin (2009)

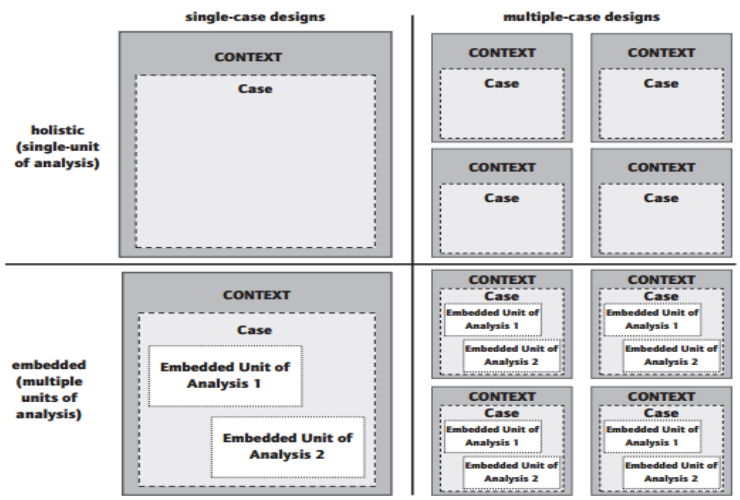
In brief, Yin (2009, p. 2) explain that the case study method allows investigators to retain the holistic and meaningful characteristics of real – life events – such as individual life cycles, organizational and managerial processes, neighborhood change, international relations, and the maturation of industries.

3.3 Case Study Design

In each case study design there are a number of critical choices that researchers must make concerning the number of cases that will be included in the study. Ghauri (2004) stated that case studies are a choice of objet to be studied, and not necessarily a methodological choice. Besides, there is no upper or lower limit to the number of cases that should be included in a study. Yin (2009, p. 38) created four types of designs that will be discussed, based on a 2 × 2 matrix (see Figure 1).

The matrix first shows that every type of design will include the desire to analyze contextual conditions in relation to the "case" with the dotted lines between the two signaling that the boundaries between the case and the context are not likely to be sharp. The matrix then shows that single- and multiple-case studies reflect different design situations and that, within these two variants, there also can be unitary or multiple units of analysis. The resulting four types of designs for case studies are (Type 1) single-case (holistic) designs, (Type 2) single-case (embedded)

Figure 1 – Basic Types of Designs for Case Studies



(Source: Yin, 2009 – Originally adopted from COSMOS Corporation)

3.3.1 Single Case Design

In brief, Yin (2009, pp. 39-45) explain single cases as a common design for doing case studies, and two variants have been described: those using holistic design and those using the embedded analysis. Generally, the single case design is eminently justifiable under certain conditions: When the case represents a critical test of existing theory, when there is a rare or unique circumstance, or a representative or typical case, or when the case serves a revelatory, or a longitudinal purpose.

A major step in designing and conducting a single case is defining the unit of analysis. An operational definition is needed and some precaution must be taken before a total commitment to the whole study is made to ensure that the case in fact is relevant to the issues and questions of interest.

Moreover, Yin (2009, p. 46) added that within the single case still be incorporated subunits of analyses, so that a more complex or embedded design is developed. The subunits can often add significant opportunities for extensive analysis, enhancing the insights into the single case. However, if too much attention is given to these subunits, and if the larger, holistic aspects of the case begin to be ignored, the case study itself will have shifted its orientation and changed its nature.

3.3.2 Multiple cases Design

This section has deal with situations in which the same investigation may call for multiple case studies. Yin (2009, pp. 46-53) explain that these types of design are becoming more prevalent, but they are more expensive and time consuming to conduct. Any use of multiple case designs should follow a replication, not a sampling logic, and an investigator must choose each case carefully. The cases should serve in a manner similar to multiple experiments, with a similar results (a literal replication) or contrasting results (a theoretical replication) predicted explicitly at the outset of the investigation.

The individual cases within a multiple case study design may be either holistic or embedded. When embedded design is used, each individual case study may in fact include the collection and analysis of highly quantitative data, including the use of surveys within each case.

3.3.3 Simple case design or multiple cases Design

Most authors (Ghauri (2004); Ghauri and Grønhaug (2005); Yin (2009)) express more preference for the multiple case design for a variety of reasons, as they are viewed to typically yield more robust, generalizable, and testable theory than single case research. This is because multiple cases allow more theory – driven variance and divergence in the data, and not for creating more of the same.

3.3.4 Holistic or Embedded

The fact that a design calls for multiple case studies does not eliminate the variation identified earlier with single cases: Each individual case may still be holistic or embedded. In other words, a multiple case study may consist of multiple holistic cases or multiple embedded cases. The difference between these two variables depends on the type of phenomenon being studied and the research question

3.3.4 Case study Design in the Current Research

Based on the considerations and theories presented above concerning case research and case study design the following choices were made based on the best interests of the different prepositions proposed on the current research.

The research will be based on embedded multiple - case approach, the primary case is the firm`s decisions to internationalize with a set of factors influencing it and the embedded units are the different foreign markets of operation, each with their own set of factors influencing them.

A more detailed summary of the main decisions for this study are presented in the table 2, including the main considerations associated with each case research design. It’s important to mention that the following considerations have been made based on the data presented below, and the same could be modifying in the course of the study.

Table 1 – Research Designs Issues, Choices, and Explanation in the current study

Design Issues	**Choice**	**Explanation**
Types of Design	Explanatory	This type of design will be used to explore causation in order to find underlying principles and decisions that may or may not influence firms form developing countries to internationalize.
Level of Analysis	Firm level Analysis	Firm level of analysis reflects the level at which the decisions to internationalize are made. Including all the decision makers, internal and external of the firm.

Single Vs Multiple	Multiple Case	Even with two cases, there is possibility of direct replication. The decisions that influence internationalization of a single case study are not generic for the rest. Besides, having more than one case-study will aloud to find similarities and differences that are more relevant to the study.
Holistic Vs Embedded	Embedded	The type of the study and the research question call for the conduct of a survey at each case study, identifying the factors that influence in each foreign country selection.
Closed Vs Flexible	Flexible Design	New information or discovery during the data collection can be important, leading to the modification or altering of the original design.

3.4 Data Sources

Data collection can be done through primary or secondary sources. Ghauri (2004) explain that primary sources are consider being the originals and collected specially by the researcher for investigating specific phenomena, while secondary data sources are pieces of information collected by others for purposes most often different from the researcher specific needs.

Moreover, Onkvisit and Shaw (2004) state, that the advantages of primary research are the disadvantages of secondary sources and vice versa. Therefore a study should start by considering secondary research and apply primary research where needed in order to prove or reject finding s from the secondary data or to add further value to already existing data, for this reason existing literature strongly recommend to use a combination of both data sources for analyzing each case.

The combination of data collected from different sources ’formats’ (e.g. interviews and documentation) or a combination of different human informants (e.g. interviews with different informants within the same organization at different positions or managerial hierarchy levels)

Yin (2009), suggest six sources for the case studies: documents, archival records, interviews, direct observation, participation – observation, and physical artifacts. In addition to the attention given to these individuals sources, some prime principles are important to any data collections effort in doing cases studies. These include the use of multiple sources of evidence (evidence from two or more sources, but converging on the same set or findings); a case study data base (a formal assembly of evidence distinct from the final case study report); and a chain of evidence (explicit links between the question asked, the data collected, and the conclusions drawn). The incorporation of these principles into a case study investigation will increase its quality substantially.

3.4.1 Data sources in the current Research

As it was cite by (Yin (2009); Onkvisit and Shaw (2004)) each source has its strengths and weaknesses and no single one has a complete advantage over all others. In fact, the various sources are highly complementary, and a good case study will therefore want to use as many sources as possible.

For this reason, two main sources will be used in the current study to full fit the possible gaps among them: first a complete study of the website`s firm, at two stages, before the interview to have an early insight about the firm`s main activities, and after the interview in order to corroborate the data collected in the interview and for proposes of triangulation. Second and most important, interviews will be done to the decision makers of each firm. Also third actors that are expertise in the field of study and that are not involved or have any relationship with the any of the unit of analysis will be interviewed.

The interview format is semi-structured, indicating that question may not follow a pre – specified sequence and interviewers will be allowed to come back and forth based on their own real – time development of thoughts and theme associations, allowing them to come back to older question with new information.

However, it will be expected that the researcher make sure that all the relevant question are covered in a satisfactory manner, while identifying new themes as they may emerge during the conversation. Finally a summary of the interviews will be provided at the end of the study.

3.5 Data Collection and Management

Yin (2009), outlined three main principles of data collection: Use of multiple sources of evidence, creating a database, and maintaining the chain of evidence.

- ***Multiple sources of evidence / Triangulation***

The use of multiple sources of evidence in case studies allows the investigator to address a broader range of historical, attitudinal and behavioral issues. Besides, the findings and conclusions in a case study are likely to be more convincing and accurate if they are based on multiple sources of information.

Moreover, the rational of using multiple sources of evidence is closely connected with the importance of triangulation, suggesting a convergence of facts and findings, making the conclusions more convincing and accurate than using one solely source. As well, triangulation may be achieved through different modes (such as interviews, questionnaires and observation) or different designs; in this sense data triangulation is only one type of triangulation. Therefore, researchers should consider realizing triangulations among different investigators examining the same phenomenon.

- ***Case Study Database***

A second principle for data collection derived by Yin (2009) is to create a case study database, which is a way to organize and document the data collected for the case studies. This documentation commonly consists of two separated collections; first the data or evidentiary base and second, the report of the researcher whether is an article, a report, or a book format. Luckily, the use of computerized data files has made it easier to organize and document the information that later can be separated and re used for each independent report.

Also, it is very important that every case study or project strives to develop a formal, presentable database so that in principle other investigators can review the evidence directly and not be limited to the written case studies reports. In this manner, a case study database increases noticeably the reliability of the study.

- ***Chain of Evidence***

Finally, maintain a chain of evidence increase the reliability of the information in a case study, allowing to the external observer, or in this situation the reader of the case study to follow the derivation of any evidence, ranging from initial research questions to ultimate case conclusions. The chain of evidence may be achieved through sufficient citation to portions of the case database, which in turn will reveal the evidence as well as the circumstances under which was collected.

3.5.1 Data Collection in the Current Research

The current research will use two main sources as it was discussed above, primary and secondary data. Secondary data is based on an inspection of our case companies websites in order to find some basic information about the firm that could be used to formulate more accurate questions during the interviews and to full fill or compare information if necessary after the interviews, and primary data collected from the interviews of our respondents. By using semi - structured interviews we can ask question regarding our topic in a more open way, allowing us to go back and forward if necessary in order to fully understand the meaning of the answers.

The interviews are expected to last between 30 and 60 minutes and be held with the managers of each firm. In order to make sure that we will get all the information necessary for this study we made and interview guide that could be found in the appendix. The interview guide will be used as a check list to ensure that all the relevant points have been covered during the interview.

The three interviews were hold via Skype due to the physical distance among Norway and Bolivia. Nevertheless, all the interviewees were open into their answers and showed interest in the study making the process much easier than previously expected. Also, the three interviews were recorded using a recorder device for transcription purposes with the consent of the interviewees.

The first interview realized was to Sombreros Chuquisaca the 17^{th} of April, the interviewee was Lic. Gaston E. Heredia A. CEO and owner of the firm, the interview had an approximate duration of 71 minutes in which the interviewee showed interest and good will to help, answering all the questions openly.

The second interview was realized to SAO-VBL, a pseudonym of the real name of firm the 18^{th} of April, the interviewee and the name of the firm can`t be used due to confidentiality agreements. The interview had an approximate duration of 40 minutes, time in which the interviewee spoke very freely about the firm and their activities.

The third interview was realized to Friccion the 20^{th} of April, the interviewee was Lic. Luis Ayala Rojas. General Manager of Friccion Bolivia, the interview had an approximate duration of 33 minutes. The interviewee answered all the questions in a very friendly and open manner.

3.6 Data Analysis

Data analysis consists of examining, categorizing, tabulating, testing or otherwise recombining both quantitative and qualitative evidence to address the initial proposition of a study (Yin, 2009, p. 109), analyzing case study evidence is especially difficult because the strategies and techniques have not been well defined. Been familiar with various tools and manipulative techniques is helpful, but every case study should nevertheless strive to have a general analytical strategy – defining priorities for what to analyze and why.

- ***Analytic Strategies and techniques***

In this circumstance, Yin (2009) explains that the best preparation for conducting case study analysis is to have a general analytic strategy. Three have been described: relaying on the theoretical propositions, rival explanations and case descriptions. Without such strategies (or alternatives to them), case study analysis will proceed with difficulty.

Any of these strategies can be used in practicing five specific techniques for analyzing case studies: pattern matching, explanations building, time-series analysis, logic models, and cross – case synthesis. The first four are applicable whether a study involves a single – or a multiple case design.

While the previous four techniques are relevant to both single and multiple case studies, cross – case synthesis, naturally requires more than one case. This technique treats each case as a separate study, and is based on aggregation of findings across a series of individual studies.

In this context Miles and Huberman (1994) add that cross –case analysis are best made when using various forms of displays that allow the full data set to be presented in a condensed form. Such displays can lead researchers to go back to the field for collecting missing data, or to improve visual arrangements of the data collected before.

- ***Organizing the data: Codes and Coding***

Coding is the organisation of raw data into conceptual categories. Each code is effectively a category or 'bin' into which a piece of data is placed. As Miles and Huberman (1994, p. 56) note: Codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study. Codes are usually attached to 'chunks' of varying size – words, phrases, sentences or whole paragraphs.

It is also important to mention that these codes should be: Valid (that is they should accurately reflect what is being researched), mutually exclusive (in that codes should be distinct, with no overlap) and, exhaustive (that is all relevant data should fit into a code).

3.6.1 Code List in the current Research

The following table consists in the initial code list based on words and fraces to analyze the information collected for the current research. The list is composed by the five prepositions that have been established in the beginning of the study and in order to full fill these five prepositions each one of them counts with a code list. Preposition 1, (four codes), preposition 2 (three codes), preposition 3 (three codes), preposition 4 (three codes) and preposition 5 (three codes). In total 16 initial codes.

Table 2 Initial Code List

Preposition	**Indicators**	**Codes**
Preposition 1	Government Agreements / Influence Market Choice	Industry
		Internationalizing
		Government agreements
		Market Choice
Preposition 2	Network relationship / Market Choice and Entry Mode	Formal Networks
		Informal Networks
		Market Entry
Preposition 3	Experience from Serving Foreign Countries	Serving Foreign Countries
		International Experience
		Supplier of foreign Firms
Preposition 4	Demand from abroad will influence in market choice	Demand From Abroad
		Physich Distance
		Specialized Products
Preposition 5	Presence of Major firms in Local Markets	Followership
		Expansion of Portafolio
		Presence of big Networks

Also, during the analysis four new possible reasons that may influence the decision to internationalize came out; 1) Desire of the owner / Manager to internationalize, 2) Cheap labor conditions in home market, 3) Higher prices in foreign markets than in home market and 4) Small home market.

The next table compares the initial and the final framework, as described earlier. The number of codes ascended from sixteen to twenty.

Table 3 Final list of codes

	Initial Code Table	**Final Code Table**
Level of Analysis	Influence of internationalization decisión	Influence of Internationalization Decisión
Number of codes	Sixteen	Twenty
Preposition	Indicators	Codes
Preposition 1	Government Agreements / Influence Market Choice	Industry
		Internationalizing
		Government Agreemnets
		Market Choice
Preposition 2	Network relationship / Market Choice	Formal Networks
		Informal Networks

	and Entry Mode	Market Entry
Preposition 3	Experience from Serving Foreign Countries	Serving Foreign Countries
		International Experience
		Supplier of foreign Firms
Presposition 4	Demand from abroad will influence in market choice	Demand From Abroad
		Physich Distance
		Specialized Products
Preposition 5	Presence of Major firms in Local Markets	Followership
		Expantion of Portafolio
		Presence of big Networks
Added Codes		Desire of the owner /

		Manager to internationalize
		Cheap labor conditions in home market
		Higher prices in foreign markets than in home market
		Small home market

3.6.2 Data Analysis in the current Research

When the data collection is done and the interviews have been transcribed, the next step will be analyzing the data. In the current research the interview transcripts will be codified manually, the reason is that each case analysis of data gathering is relatively small scale and thus a manageable project to analyze in this manner. However, the limitations of this method is that the number of codes could accumulate very quickly and change as analysis progresses, and keep a record of the emergent codes could represent some level of difficulty.

3.7 Criteria for evaluation of research

According to Bryman and Bell (2003) the most prominent criteria for evaluating business research are reliability, replication and validity. According to them, reliability is concerned with whether the results of a study are repeatable, and often with respect to the stability of the measures used in the research; replication is related with the ability of a research to be replied for other researchers; and validity is concerned with the integrity of research conclusions.

However, a second position in relation to reliability, replication and validity in qualitative research can be discerned. Different authors have suggested that qualitative studies should be evaluated according to a different criteria than the one used to evaluate quantitative research. Lincoln and Guba (1985) have proposed two alternative criteria for assessing qualitative studies:

- ***Trustworthiness and Authenticity***

Trustworthiness is made up of four criteria, each of which has an equivalent criterion in quantitative research: Credibility which parallels internal validity, transferability which parallels external validity, dependability which parallels reliability and confirmability which parallels objectivity.

- ***Credibility***

Refers to the extern to which the findings make sense and met the criteria of trustworthiness, meaning that the interviewees had the possibility to cheek and agree or disagree with the information that subsequently will be presented in the study.

- ***Transferability***

Transferability requires the researcher to provide a detailed description of the setting in which the study was performed. The purpose here is to provide adequate information so that the applicability of the results to other contexts can be judged by the reader.

- ***Dependability***

Dependability requires the researcher to provide the documentation, the data, methods and decisions used in the research, providing transparency to the research showing that the study could be repeated by other researcher doing a similar study and end up in a similar conclusion.

- ***Confirmability***

Confirmability stands for the degree of neutrality of the study. Also, represents the extent to which a study is shaped by respondents or interviewees, and not by the researcher motivated by personal or external interest that may deviate the final results of the study.

In addition to this four trustworthiness criteria Lincoln and Guba (1985) suggest the criteria of *authenticity*, these criteria raise a wider set of issues concerning political impact of the research. However, it has not been influential and its impact on the research is controversial.

3.7.1 Criteria for evaluating the quality of case study research.

At this point of the study, research quality issues will be presented specifically in the context of case study research. The criteria for assessing qualitative studies to be employed will be the principle of trustworthiness, the principle of authenticity have been discarded due to its wider set of issues concerning the political impact that are not contemplated on the research.

To meet the criteria of trustworthiness the four principles mention above will be respected, meaning that the interviewees will be allowed to cheek, agree or make modification to the information collected from the interviews before this one could be used as a final result, in the same manner all the information related to the study will be provided in an adequate format, so that the applicability of the results to other possible contexts can be judged by the reader.

Moreover, all the documentation and data collected in the period of the study will be presented so that it could be repeated by other researchers doing similar studies, and finally the results will stand in a degree of neutrality.

4 ANALYSIS

The following section will introduce the three case companies, and one expertise interview in detail. The information found in each of the interviews will be presented one at the time, and compare later.

4.1.1 Case I: Sombreros Chuquisaca

> *``The desire to venture into the local, national and international market, with an innovative product of excellent quality and the desire to provide Sucre, its native land with jobs and other incomes. These reasons that led to three entrepreneurs of Chuquisaca to the task of design, install and operate a hats' factory`` (Sombreros & Chuquisaca, 2013)*

The city of Sucre (Chuquisaca), a colonial city, declared by UNESCO as a Historical and Cultural city and Heritage of Humanity, Capital of the Republic of Bolivia, since 1925 has been characterized by the manufacture of wool hats and bells, also called with different names in different countries such as helmets, shafts, clochas, felt, hat bodies, carapuzas, capelines, cones, etc.

According to the firm`s web site, in 1991 three professional citizens from Chuquisaca agreed to continue with the tradition, and start importing machinery from Italy and other countries to implement the "Chuquisaca SRL hat factory." And by the middle of 1992 the implementation of factory was completed according to the requirements of the market and the industry.(Chuquisaca, 2000)

In the same year the factory started their activities in small scale sales in the local market, through the passing of the years Sombreros Chuquisaca became one of the most important hat factories in the country, importing the finest wool form Argentina and Uruguay to produce quality products. Today they are not only the biggest hat factory with a total production of 1.5 million hat bodies per year but also the biggest exporter in Bolivia.

Actually Sombreros Chuquisaca export hat bodies to 9 different countries. These are 1) Chile, 2) Argentina, 3) Uruguay, 4) Ecuador, 5) Venezuela, 6) Mexico, 7) Brazil, 8) Peru and 9) Colombia and have plans to enter United States and European markets as well.(Chuquisaca, 2000)

4.1.2 Industry

The General Manager of *Sombreros Chuquisaca*. Lic. Gaston Heredia a man of vast knowledge not only in hats but also in mining describes certain advantages in the hat industry:

> *``First we have a very close supplier of raw material which is Argentina, basically is just aside us, second the natural gas in Bolivia is very cheap and this favors to the development of an industry and third, the work labor is also cheap even though the salaries in Bolivia are ricing to fast is still cheap, considering that the minimum wage is 1.280 Bolivianos almost 172 Dollars per month`` (Sombreros & Chuquisaca, 2013)*

He also mention that the problem in the developed countries like United States and European countries is that the work labor is getting very expensive, forcing the firms to exchange their work force for machines that can do the same job faster and in a more economical way.

> *``But in the case of the hats, the process can`t be mechanical because the there is no modern technology for producing them. The technologies of the hats date from the 50s and the most modern dates from the 70s because the use of hat at that time started a decline period``(Sombreros & Chuquisaca, 2013)*

Even though, the hat is coming back to be used to protect us from the sunlight it will never be used as it was used before, for purposes of tradition and custom, for these reasons he mention that is important for developing countries to find specific products and industries in which we can develop our competitive advantages.

Also, in this specific point of the interview one of the most important problems that developing countries face, or more specifically Bolivian industries face come out, and is that the internal markets are too small and the cost of the developing new products are too high.

> *``In the case of Bolivia and most of the developing economies the purchasing capacity is limited so if we developed a product just for the internal market our cost is too high, and we all know that when we produce in mayor amounts the cost of unit reduces, for this reason we need to find new markets outside our own``(Sombreros & Chuquisaca, 2013)*

4.1.3 Internationalization

Sombreros Chuquisaca is a firm that seeks to continue the tradition of the use of the hat not only in the local market but also in the neighboring countries, and as it mention before the Bolivian market is too small therefore, the cost of the production is too high, forcing the firm to internationalize to other markets.

> *``First of all, the hat industry is a very interesting industry, and even the Bolivian market is small we have close markets like the case of Peru, Ecuador, Chile, and all the Andean region, this markets still continue with the tradition of the use of hats`` (Sombreros & Chuquisaca, 2013)*

He also mention that when they started the factory of hats, their main intention was to satisfied the local demand, since the founders saw that the hats factories that existed at that time were having internal problems of heritage among the owners that lead them to a break down, leaving the market free for a new fresh factory that will full fit the demand.

But it didn`t stay there, once the factory was well established in the national market they saw the possibility to go even further.

> *``We saw that we could grow even more and currently we are still growing, when we started we had a production of over 900 body hats of wool per day. Now we reached the 4 500 body hats of wool per day, of course we had to buy another*

factory among the same owners, now both factories are part of the same owner society and now we are producing 1.5 million body hats of wool per year, and I`ll dare to say that we are one of the biggest factories that produces sheep wool hats in the world`` (Sombreros & Chuquisaca, 2013)

Once Sombreros Chuquisaca decided to enlarge the production of hats they started to export to different markets, according to the manager of the main factory their first market was Peru and the explanation was very simple:

``The Peruvian market is a market very similar to our own market, but the difference is that they have a population of over 30 million Peruvians and we are just 10 million of Bolivians and from those 30 million of Peruvians 15 million of them live in the Peruvian sierra which is the same as the Bolivian altiplano and in both regions the use of hat is very common, so if you make basic mathematics just that region of Peru is bigger that our whole country`` (Sombreros & Chuquisaca, 2013)

So it is obvious that the main two reasons they start exporting to Peru are first the psychic distant meaning neighboring country with similar types of culture, and second the market demand, then they continue to export to another neighboring countries like Colombia, Ecuador, Chile, Argentina, Brazil, etc.

``Initially we started exporting to Peru because of the similarities, then we decided to focus in Colombia, the product we offer there is a little bit different but not too much, then we decided to export also to Chile and then to Argentina, even though this market is more complicated than the others due to its fiscal regulations regarding taxation, and now we are exporting to Brazil and Ecuador too``(Sombreros & Chuquisaca, 2013)

It is important to mention that even though these markets are similar in demand and tradition, Sombreros Chuquisaca had to make a separate analysis to enter each one of them. The general manager expressed that they have to make some modifications in the product to full fit the necessities of each country before start exporting.

Also is vital to mention that this was a process of constant expansion, meaning that they entered all this markets one at the time, once they were able to handle the demand of one market they start studding the demand of the next one to enter successfully, in the words of the manager:

> *``We have an exclusive product for each of country, based on analysis and determination of the specific needs, is not the same for example to sell to Peru and sell to Argentina or to sell to Colombia, first we need to make an analysis of the type of demand, but of course that we look for similar markets``(Sombreros & Chuquisaca, 2013)*

The successful internationalization process of the firm lies in the ability of its members to find similar close markets and to be able to adapt the product to the conditions that each country requires.

4.1.3 Government Agreements

The Bolivian state is the beneficiary of multiple trade agreements that allow products originated in the country to receive tariff preferences in foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices, these agreements are of two types:

4.1.3.1 Trade Agreements

4.1.3.1.1 Cartagena Agreement

The Cartagena Agreement is the mechanism created the Andean Community, which is a sub-regional organization with international legal personality, currently composed of sovereign states of Bolivia, Colombia, Ecuador and Peru, through the organs and institutions of the Andean Integration System (SAI). The Andean Community was originally founded under the name Andean Group dated May 26, 1969, when the governments of Bolivia, Colombia, Chile, Ecuador and Peru signed the "Agreement of Cartagena", which set out the objectives and instruments to achieve integration among member countries. The Andean Community entered since 1995, at the stage of the Customs

Union to enforce its Common External Tariff, thanks to which import goods destined for any of the member countries, are subject to the application of a tribute import only applicable throughout the region. Moreover, the establishment of the Customs Union established internal free trade of goods and services to enjoy the "zero tariff" in the marketing of all of the exportable among member countries. (Bolivia, 2013)

Sombreros Chuquisaca currently make use of the Cartagena Agreement to export body hats to Peru, Colombia and Ecuador.

> *``First we went to the Peru which is a similar market, and then we started exporting to Colombia which is also a good market for us and now we have some activities and negotiations also with Ecuador`` (Sombreros & Chuquisaca, 2013)*

4.1.3.1.2 Economic Complementation Agreement No. 22 BOLIVIA – CHILE

The No.22 Economic Complementation Agreement (ACE 22) between Bolivia and Chile was signed as of April 6, 1993 in the city of Santa Cruz - Bolivia and negotiated bilateral tariff preferences became effective from the first of July of the same year. This agreement, in addition to establish lists of tariff preferences for reciprocal tariff import taxes different products available to the relevant regulations in areas such as tourism cooperation, sanitary standards, promotion and reciprocal protection of investments, mutual cooperation to promote trade, cooperation technical and scientific cooperation and coordination in health and standards-related measures and agreements to promote trade and investment. Thanks to ACE 22 enjoys tariff preferences to 100% in different products of national export supply.(Bolivia, 2013)

Sombreros Chuquisaca started exporting body hats to Chile after consolidating the agreements with Peru, Colombia and Ecuador.

> *``We decided to go to Chile first because is a neighboring country, second because is we have a zero tariff agreement and third because the is market that still maintain the tradition of using hats``(Sombreros & Chuquisaca, 2013)*

4.1.3.1.3 Economic Complementation Agreement No. 31 BOLIVIA – MEXICO

The No.31 Economic Complementation Agreement (ACE 31) is the regulatory mechanism of the Free Trade Agreement between the Republic of Bolivia and the United Mexican States, which was signed in the city of Rio de Janeiro - Brazil on 10th September 1994 by the presidents of Bolivia and Mexico, replacing the Partial Scope Agreement Renegotiation Heritage No. 31, dated April 30, 1983. The Treaty was signed and approved by the Secretariat of the Latin American Integration Association (LAIA) and ACE 31 and put in place in Bolivia in January 1995, General principles of the agreement are the National Treatment, Treatment of Most Favored Nation and Transparency. The Treaty between Bolivia and Mexico, establishes the creation of a Free Trade Zone between the two countries within a maximum of ten years, to be achieved through the implementation of a progressive tariff reduction schedule for the import of goods from Mexico to Bolivia and from Bolivia to Mexico.(Bolivia, 2013)

During the interview when I asked about Mexico the manager said he likes the Mexican market because the people is responsible and they know what they want when they look for a hat.

> *``To sell the product to the Mexicans, we had to make a different analysis and a different strategy, people in Mexico use hats, but they like more thick hats, they believe is that the thicker hats last more than slim ones`` (Sombreros & Chuquisaca, 2013)*

4.1.3.1.4 Economic Complementation Agreement No. 36 BOLIVIA – MERCOSUR

Bolivia's formal relations with Mercosur, as integration scheme, starts at the signing of the Treaty of Asuncion in date March 26, 1991 although at different times, the member countries of the trade block expressed interest in exploring together with Bolivia , the different types and ways to realize more trading links. The December 17, 1996, in the city of Fortaleza, Brazil, the Presidents of Bolivia and the four Mercosur member states signed the Economic Complementation Agreement 36 (ACE 36) that establishes the creation of a Free Trade Area between the parties within a period of ten years. The Free Trade Zone was formed by a trade liberalization program, which applies to products originating in and coming from the territories of the contracting parties and which consists of a progressive tariff reduction schedule and automatic variables in terms and rates, benefiting directly to Bolivia with preferential tax treatment in their exports to Argentina, Brazil, Paraguay and Uruguay.(Bolivia, 2013)

As it was mention before Sombreros Chuquisaca import the finest sheep wool from Argentina to produce the body hats, and lately they exported finish products too, even though the barriers to export to the country are high.

> *``Argentina have a very conservative market policy, they put to many barriers and taxes to import products, even Bolivia have the zero tariff due to the Mercosur Agreement, they still set other kind of taxes to protect their market, some examples include taxes to the utilities, taxes to statistics and all kind of taxes that you can imagine`` (Sombreros & Chuquisaca, 2013)*

The manager also mention that these difficulties are not only for the hat industry but more over there are other country members of the Mercosur that are complaining too about this impositive taxation, because the agreement are based on trade taxes but in Argentina they create new kind of taxes that difficult to enter their markets.

4.1.3.2 General System of Preferences

The general system of preferences has the same role as the trade agreements but with United States and some European countries, its main function is to allow products originated in Bolivia to receive tariff preferences in foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices and include the following:

- **Andean Trade Preference Act (ATPDEA)** The ATPDEA is a preferential import regime granted unilaterally by the United States to Bolivia, Peru, Colombia and Ecuador.(Bolivia, 2013)
- **Generalized System of Preferences of the United States** The Generalized System of Preferences of the United States (GSP) is a unilateral trade policy tool of

the U.S. Government which aims to promote economic growth in developing countries (DCs) and Least Developed Countries (LDCs) beneficiaries of the program.(Bolivia, 2013)

- **Generalized System of Preferences of the European Union** In 1990 the European Union granted to Bolivia, Colombia, Ecuador and Peru a special program that deepened the tariff preferences within the framework of the GSP, as a backup to the effort that these countries had been making in the fight against drug trafficking. (Bolivia, 2013)

- **Generalized System of Preferences of Canada** Canadian Legislation to be applied by a system of tariff preferences for developing countries entered into force on 1 July 1974, as part of a concerted international effort undertaken by most industrialized countries in order to provide assistance to developing countries to increase their exports and increase foreign exchange earnings as well.(Bolivia, 2013)

- **Generalized System of Preferences of Japan** The scheme grants preferential entry free of duty for 226 agricultural and fishery products (9-digit Harmonized System) and all manufactured products, except the 105 items listed on a negative list, whose products are not granted tariff preferences (crude oil, some textiles, plywood and some furs and footwear), from 149 developing countries and 15 territories designated as beneficiaries. Under the scheme, Japan grants unilateral preferential market access for products of the countries seeking preferential treatment. Forty-two countries (42) considered less developed countries (LDCs) are entitled to preferential tariffs. These countries are chosen by the Japanese government between LDCs designated by the United Nations. (Bolivia, 2013)

- **Generalized System of Preferences of Norway** Promulgated on February 20, 1998 by the Ministry of Finance and Customs of Norway in accordance with paragraph 3 of the fourth paragraph of Article 2 of the Customs Tariff introductory provisions cf. Decision of the Norwegian Parliament (Stortinget) of June 15, 1971 and Royal Decree No. 3 September 3, 1971, concerning the generalized system of preferences for the import of products from developing countries.(Bolivia, 2013)

- **Generalized System of Preferences of Switzerland** The Swiss GSP scheme grants preferential treatment in the form of duty-free in most cases, in regard to industrial products. It covers a variety of products and is characterized by the absence of any quantitative restrictions on industrial products. (Bolivia, 2013)

According to the manager of Sombreros Chuquisaca, most of the factories in Bolivia don`t have the capacity in production, the quality or the financial possibility to enter European markets.

> *``We have exported sometime in the past to Norway, but the truth is that we are lacking production capacity to enter European markets; I know the hat factories in Europe and some of the importers too. There is one in Germany, one in Italy, and some other in the East side of Europe like Hungary, Check Republic, Poland, etc.`` (Sombreros & Chuquisaca, 2013)*

We are preparing to enter Europe in a more aggressive way he told me but first we need to accomplish three main thinks:

> *``First is to have more production capacity, second have better quality to enter the European markets and third is to have a person that will distribute exclusively in Europe`` (Sombreros & Chuquisaca, 2013)*

4.1.4 Market Choice

Regarding the market choice I asked directly to Sombreros Chuquisaca`s manager if he believed that the governmental agreements may influence the market choice and he responded the following:

> *``Yes, because these bi lateral or multilateral agreements aloud as to enter the markets with **tariff cero**, so it reduce the cost of the product and give us more possibilities to compete with the local firms`` (Sombreros & Chuquisaca, 2013)*

It is evidently that the governmental agreements are very important for firms at the moment of choosing which markets to enter, the zero tariff agreement make it possible especially for Bolivian firms to compete in international markets in a competitive level. Of course there are many other agreements too but this type is one of the most influential when choosing foreign markets.

4.2 Network Relationships

In this section of the analysis we are trying to evaluate the influence of two kinds of networks in the decision to internationalize, the first one is based on formal relationships and the second is based on informal relationships.

4.2.1 Formal Networks

Sombreros Chuquisaca in order to sell to new markets, need to study the market first and get some knowledge of how businesses are done there, and of course having contacts in different countries makes this process easier and less risky.

> *``We have formal networks, we have contact with distributors in different markets and they are the ones in charge to sell the product. We need to go hand and hand with them in the beginning and after that we can start selling directly to the customer`` (Sombreros & Chuquisaca, 2013)*

As it was stated in the UPSULA model, knowledge and experience are required to enter different markets, in the case of Sombreros Chuquisaca they decide to use formal networks to reduce the risk when entering new markets.

Sombreros Chuquisaca have a policy to get new formal contacts in international markets.

> *``Having good contacts is based on relationships, and these relationships are better when the sessions are face to face because we get to know better to the person. The policy that we have here is that we eager them to visit us, and to see what we have done, what is good and what is bad and of course we are always open to advices and criticism`` (Sombreros & Chuquisaca, 2013)*

Sombreros Chuquisaca don`t seek for new clients but friends and allies.

> *``The most important is to treat well to the person, and develop a friendship with the customer, we don`t look for clients, we develop friendships and allies`` (Sombreros & Chuquisaca, 2013)*

4.2.3 Informal Networks

Sombreros Chuquisaca only works with formal networks, because of the policies mention above. During the interview I asked to the manager if they only work with formal networks, how is that they get the right contacts, and his answer was the following:

> *``I assist to international fairs, there is one very particular in Denver - United States to which I go every year, they have a lot of hats expositions and a lot of visitors, there I get new contacts, share information, and most important established the first contact with possible clients, of courses everything in this business is based on contacts and relationships`` (Sombreros & Chuquisaca, 2013)*

4.2.4 Market Entry

The most common ways of entry market of Sombreros Chuquisaca are producing in Bolivia making extensively use of the cheap labor and then exports to different distributors, agents or in some cases to factories based on formal relationships, due to the characteristics of the product they don`t sell directly to end customers.

> *``We make exports directly to our distributors, agents or factories in each market we attend, we don`t produce the hats abroad because the cost of production is too high`` (Sombreros & Chuquisaca, 2013)*

In summary, in the case of Sombreros Chuquisaca networks relationships does influence the choice of market and the entry mode, as it was discussed above formal relationships are very important to reach new markets and reduce the risk at very early stages, also the way of entry mode are based on personal relationships with different distributors, agents or managers of factories.

4.3 Experience from serving foreign Customers

4.3.1 Serving Foreign Countries

Sombreros Chuquisaca have different foreign customers, with different requirements and they try to analyze each customer in a separate way in order to satisfy their specific needs.

> *``We work directly with the clients, we like to go and visit them frequently in their own factories to see how big is the firm, what kind of work they do and what they specifically need from us``(Sombreros & Chuquisaca, 2013)*

Of course in the hats industry each country have a different qualities and different requirements, for this reason for Sombreros Chuquisaca was easier to start with a neighboring country with similar culture like is the case of Peru, and then expand to other closer markets like Colombia, Brazil, Chile, Argentina, Mexico, etc. but in the case of European and North American markets not only Sombreros Chuquisaca but most of the firms face the following problems:

- **Quality** In North American and European markets, the quality standards are higher than in the South and Central American markets.
- **Funding** To reach the quality standards firms need to make investments in research and development of the plant.
- **Quantity** The volumes for exporting to Europe or North America are bigger, most of the firms don`t have the plant capacity or the personal to produce larger amounts of products in short periods and with specific quality standards.

So what does Sombreros Chuquisaca do to face these problems?

4.3.2 International Experience

> *``We get experience from serving similar and lower quality standards markets, to get better conditions and to improve the product, once we reach the next quality standard required we go to more distant markets with higher quality standards``(Sombreros & Chuquisaca, 2013)*

Currently Sombreros Chuquisaca is making investments to enlarge its second plant in order to be able to face the problems of quality and quantity and start exporting to United States, Spain and Italy among other distant markets.

4.3.3 Supplier of foreign Firms

The firm has no experience serving foreign firms; they only make the sales to distributors, agents and representatives.

> *``Currently the firm has a capacity of production that enable us to full fit the requirements of the local and international market, but we have never been a formal supplier of a foreign firm, because we sell directly to our distributors, agents or representatives in each market we have shares`` (Sombreros & Chuquisaca, 2013)*

In summary, we can conclude that the success of Sombreros Chuquisaca regarding experience from foreign customers relay in tow key points; the first one is the ability of the managers to understand the demand of foreign markets, what they want, how they want and when they want it, and the second key point is the capacity to learn and absorb information from similar markets in order to improve in terms of capacity and quality to reach more distant markets.

4.4 Demand from abroad

4.4.1 Demand of foreign Markets

One of the principle factors that leaded Sombreros Chuquisaca to export abroad Bolivia was not because of the demand from abroad but because the internal market became too small, and acquisition capacity was too poor, so they found new markets in which they could sell their products.

> *``Bolivian markets are too small, besides we need to produce more in order to reduce our costs, but we can`t produce more if we have no market to sell, for this reason we decided that it was time to expand to foreign markets, bigger markets than ours`` (Sombreros & Chuquisaca, 2013)*

A second factor is the proximity of bigger and similar markets.

> *``We have close markets like is the case of Peru, Ecuador, Colombia, Chile, basically all the Andean countries besides, these markets still maintain the use of hats`` (Sombreros & Chuquisaca, 2013)*

And finally a third factor is the willingness to reach new markets.

> *``We started in the national market, we established, we covered the demand and then we decided that it was time to move forward to new markets because we had the capacity to do so and now we are still expanding the capacity to reach even more markets, and not only regional markets but global ones``(Sombreros & Chuquisaca, 2013)*

4.4.2 Psychic distance markets

The first market that Sombreros Chuquisaca decided to enter was Peru, because of the proximity and the similarity not only in the demand but in the culture and traditions.

> *``The Peruvian market is very similar to ours, but the difference from Bolivia is that they are 30 million people and form that number half of them live in the Sierra Peruana which is the region that uses hats, and they have the same customs we have so it is easier to sell our product there``(Sombreros & Chuquisaca, 2013)*

After succeeding penetrating the Peruvian market, Sombreros Chuquisaca expanded to the rest of the neighboring countries like is the case of Colombia, Ecuador, Chile, Argentina, and Brazil among others.

> *``Initially we went to Peru because of the similarities that we have, then we went to the Colombian market, that is a little bit different but we adjusted our product, then we went to Chile and then decide to go to Argentina`` (Sombreros & Chuquisaca, 2013)*

4.4.3 Specialized Products

The buddy hats that Sombreros Chuquisaca produce is a general product that could be adjusted to the specific needs of each customer, normally they find new customers and study them to see what kind of product they need and if they are able to provide them.

> *``First we determine what kind of products they want, who are they buying from and then we see if our prices are similar or not, but normally we have to make a different study for each customer`` (Sombreros & Chuquisaca, 2013)*

Each country has different requirements when buying hats, like for example quality, colors, models, thickness, lightness, etc.

> *``Each country we target want something different, for example Germans want more colors, Spanish like the hat more thick, Argentinians like it light and so on and so on, each market has to be studied separately``(Sombreros & Chuquisaca, 2013)*

In summary, the demand from abroad may influence the choice of market, but the factor that influences the most is the psychic distance, in the case of Sombreros Chuquisaca the similarities in the neighboring markets represented key criteria in their internationalization. In the same manner, there are also other factors that may be considered influential too like the size of the Bolivian market that is too small, and the acquisitive power that is low.

4.5 Presence of mayor foreign firms in local markets

In the case of Sombreros Chuquisaca, there are no major competitors in the local market and nether exist big networks in the hat industry.

``Besides Sombreros Chuquisaca we recently acquired the second biggest factory, now we expanded our production to more than 1.5 Million body hats of sheep wool per year. I will dare to say that we are one of the biggest producers of buddy hats of sheep wool in the world``

The hat factories have been closing up as a consequence of the disuse of the hat after the 20`s and 30`s, time when the use of hat was more common.

``In Colombia the factory is closed, now they have some but is from rabbit hair, in Ecuador there is only one, in Chile also one and in Argentina there are no more and in Brazil there is one. Also in Europe there are some remain of this factories, I know one in Check Republic, one in Hungary, one in Poland and one in Germany, but most of them are closing because the work force is too expensive and the market is every time more reduced``(Sombreros & Chuquisaca, 2013)

Sombreros Chuquisaca have no direct competitors in the sheep wool body hat field, and the constant decrease of production in the rest of the countries have allowed them to grow bigger and to take care of the markets that have been neglected for the old hat firms.

4.6 Summary

The case study of Sombreros Chuquisaca show amazing results, some of the prepositions met as we expected them too, while others have a different influence in the internationalization of the firms form developing countries.

The first preposition that stated that firms from developing countries will be influenced by government agreements in the foreign market choice fully met. The case study of Sombreros Chuquisaca showed that the manager of the firm make extensively use of the following government agreements to choose foreign markets. The following table represents the government agreements and the market choice; also express the order in which the markets have been chosen.

Table 4 Governmental Agreements Impact Choice Of Market

Government Agreements	**Market Choice**	**Country Order**
Trade agreement of Cartagena	Peru	1
Trade agreement of Cartagena	Colombia	2
Trade agreement of Cartagena	Ecuador	3
The Economic complementation agreement number 22. Bolivia – Chile	Chile	4
The Economic complementation	Argentina	5

agreement number 36. Bolivia – MERCOSUR,		
The Economic complementation agreement number 31. Bolivia – Mexico	Mexico	6

These trade agreements allow products of Sombreros Chuquisaca to receive tariff preferences in these foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices.

Second, firms form developing countries will be influenced by network relationships in choice of market entry mode and choice of market to entry also fully met with the following distinctions.

First of all, the network relationships of Sombreros Chuquisaca are dictated by formal agreements among business persons and not family or friendship ties of any kind and second, these networks relationships as the governmental agreements also influence the choice of market and the entry or service mode.

The most common market entry or service modes in the case of Sombreros Chuquisaca are direct exports to representatives, wholesalers, distributors or simply to other fabrics that are in relationship with the product.

In the case of the third preposition that stated that firms from developing countries will be influenced by the experience from serving foreign customers. Also met, the internationalization success of Sombreros Chuquisaca is based on accumulation of experience from serving first more physic distance markets in order to gain experience until the point of been able to reach more distant markets.

Four, firms from developing countries will be influenced by the demand from abroad in choice of foreign markets does not fully met, like the case of the Peruvian market for example. Even there is a positive relationship among the demand from abroad and the choice of foreign market, it is merely a reflection of the small home market and the need of the manager of Sombreros Chuquisaca to reach bigger markets in order to make more profits.

Finally the fifth preposition is not possible to prove because in the case of the hat industries in Bolivia there are no major networks to work with.

Also, during the interview four new possible reasons that may influence the decision to internationalize came out; 1) Desire of the owner / Manager to internationalize, 2) Cheap labor conditions in home market, 3) Higher prices in foreign markets than in home market and 4) Small home market.

For purposes of analysis the five factors determined before the interview plus the four new ones founded after the interview will be divided in three different groups according the degree of influence that each one have in the internationalization of the firm.

The first group will be classified as High influence and it is composed by:

- Government Agreements
- Cheap Labor Conditions in home market
- Small Home Market
- Experience from serving foreign customers

High influence means that the previous prepositions presented above fully met with the results of the analysis based on the information provided by the CEO / Manger of Sombreros Chuquisaca. In other words we can state that these factors were determinant for the internationalization of the firm.

The second group will be classified as Medium influence and it is composed by:

- Network Relationships
- Desire of the Owner / Manager for internationalization
- Higher international prices in foreign markets than in home market

- Demand from abroad

Medium influence means that the previous prepositions presented above don`t fully met with the results of the analysis based on the information provided by the CEO / Manger of Sombreros Chuquisaca. In other words we can state that these factors may influence the internationalization decision but are not determinants. Also, can be seen as initial factors or triggers for internationalization.

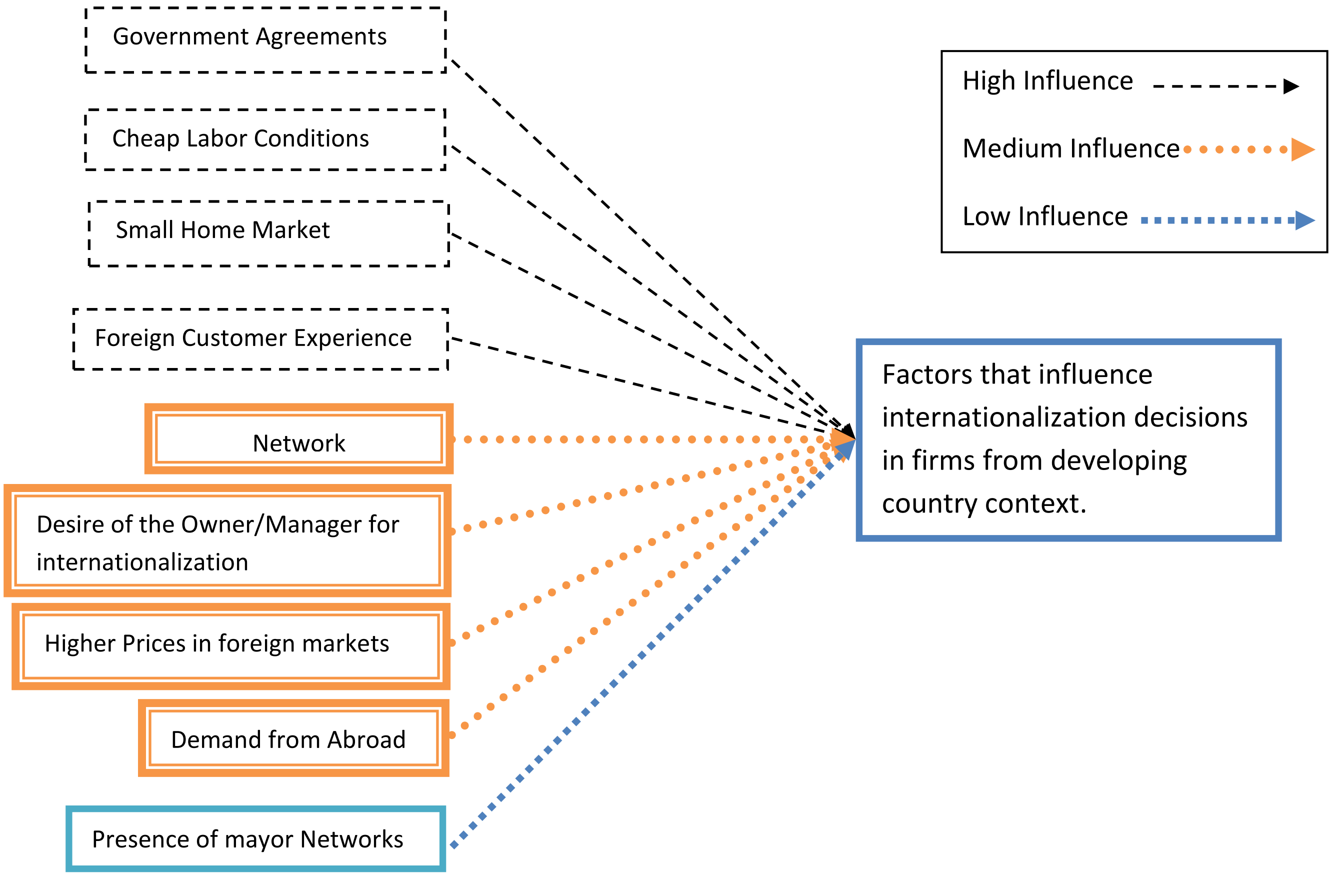
The third group will be classified as low influence and it is composed by:

- Presence of Major Networks in home market

Finally, low influence means that this factor has none or minimum influence in the internationalization decision. Also, could be the case that there is not enough information available regarding the topic of analysis.

The following update figure shows how the old and new factors influence in the internationalization decision of the firms form developing countries.

Figure 2 Sombreros Chuquisaca influence factors



4.7 Case II: Friccion

The firm started its commercial activities as an imported of Brazilian products, most of them were automobile repair parts and it was not until the 7th of October of 1996, date in which the firm was founded that they started fabricating their own products in Bolivian territory for their commercialization and future exports to Brazil.

Nowadays, Friccion offers all kind of quality friction products like breaks and clutches for all kind of automobiles in national and international markets. The commercialization activities in the national market are done by Ingemaq, which is an independent division of Friccion with its own license and administration, currently Ingemaq has three main brands and more than 80 independent workshops throughout Bolivia. (Friccion, 2006)

During the last six years Friccion have been participating in national and international fairs, which had allowed them to enter international markets, today Friccion have more than twenty clients in eighteen different countries.

4.7.1 Industry

In the automobile repair industry the most important criteria to enter foreign markets are the certifications, more and more Bolivian firms make their best efforts to reach international quality certifications, environmental certifications, prevention of labor risk certifications and social responsibility certifications among the most important.

> *``We obtained the AMECA certification in 2002, an award that is well recognized by the American automobile institution. This certification guaranties quality standard products. Thanks to this certification, Friccion products are commercialized by wholesalers in South America, Mexico and the United States`` (Friccion, 2013)*

By commercializing its products in different countries Friccion have been able to generate 60 direct jobs and more than two hundred indirect mainly in workshops, sales and service stations.

> *``We are committed to work with quality under the premises of satisfying the needs and expectations of our customers offering maximum safety in breaks and clutches through effort, attitude and search of constant improvement of our processes``(Friccion, 2013)*

Friccion develops their products based on the quality standards required not only in the local but also in the international markets, based on the constant optimization of their processes Friccion ensure competitive prices in the repair automobile market.

4.7.2 Internationalization

The company started as an imported of Brazilian products for automobile repairs, and after acquiring knowledge about the industry and learning the fabrication processes, they decided to start producing their own products in Bolivia for selling to local market and little bit later start exporting first to Brazil, then to Paraguay finally to Mexico.

> *``For us is more convenient to produce the breaks and the clutches in Bolivia because the labor cost is cheaper than in Brazil, and we don`t need to import the product anymore, besides we have control of the process``(Friccion, 2013)*

In this kind of industry a lot of human work is required, since Bolivia is labor intensive the cost of labor is low, Friccion produce all the parts in Bolivia and then sell them to bigger markets like Brazil and Paraguay.

> *``We produce everything that is related to breaks and clutches repairs for automobiles in Bolivia but most of it is for exporting outside`` (Friccion, 2013)*

In terms of internationalization Friccion first started exporting to Brazil, and after that they decide to start exporting to Paraguay and then to Mexico.

4.7.3 Government Agreements

The Bolivian state is the beneficiary of multiple trade agreements that allow products originated in the country to receive tariff preferences in foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices, these agreements are of two types, trade agreements and general system of preferences.

Friccion is beneficiary of two trade agreements:

- Economic Complementation Agreement No. 31 BOLIVIA – MEXICO, that allow free trade between the Republic of Bolivia and Mexico. (Bolivia, 2013)
- Economic Complementation Agreement No. 36 BOLIVIA – MERCOSUR, which allows a progressive tariff reduction, benefiting directly to Bolivia with preferential tax treatment in their exports to Argentina, Brazil, Paraguay and Uruguay.(Bolivia, 2013)

``We try to use as much as possible the bilateral and multilateral agreements to export our products to different markets because we have lower or zero tariffs`` (Friccion, 2013)

4.7.4 Market Choice

There were two main reasons that lead Friccion to export to Brazil, first because the economical aspect and the second because the size of the market.

> *``We started exporting to Brazil because they have higher prices than in Bolivia, besides the market is bigger than ours`` (Friccion, 2013)*

As it was mention before Friccion fabricates its products in Bolivia because the labor cost is cheap and then sell it to markets in which the prices are higher than in the home country, in this case Brazil, this way there is more margin for profits.

Also in the case of the second and the third country they export too, Paraguay and Mexico the answer was the same.

> *``First we went to Paraguay and then we decided to go to Mexico, because they are close and the cost is less than going to Spain for example`` (Friccion, 2013)*

In summary we can conclude that Bolivian work force is cheaper in comparison with other neighboring countries, and the same neighboring countries represent better economic opportunities regarding prices, size and accessibility of the markets. Beside, governmental agreements permit better conditions for products of Bolivian origin.

4.8 Network Relationships

In this section of the analysis we are trying to evaluate the influence of two kinds of networks in the decision to internationalize, the first one is based on formal relationships and the second is based on informal relationships. Friccion internationalization is based on both formal and informal networks so first we will analyze the relevance of formal networks, then the relevance of informal networks and finally the influence of both in the market choice and entry mode.

4.8.1 Formal Networks

Friccion is a firm that works based on specific orders, they have already established clients in different markets and most of these orders have been acquired using the governmental data base of CAMEX.

CAMEX, (Camara de Exortadores) Exporters Chambers for the acronym in English is a public institution that promotes and encourages international trade. They provide services of logistic, business development, taxation norms and basis for exporting, trade agreements information, statistic of all the business registered to the date, capacitation programs for entrepreneurs, and commercial support among the most important. (CAMEX, 2013)

> *``We are members of CAMEX, as such we get constant information about new possible businesses or clients, we normally use the virtual library to study new possible customers not only in Bolivia but in other countries``* (Friccion, 2013)

4.8.2 Informal Networks

Friccion not only counts with CAMEX to find and reach new customer but also make use of personal contacts of the CEO, managers and employees of the firm.

> *``It is through the contacts that we have that we get new customers, most of the times it is the manager of the firm that gets this contacts. For example his soon that lives in Mexico made the contact with a new client there``* (Friccion, 2013)

It is important to understand that managers and CEOs of firms, have informal networks that have been developing through the years, these informal networks most of the time include ex-employees that work in companies abroad, managers from different firms in the same industry but in different countries, old friends form past university or degree studies, family members that study, live or work abroad can be useful to identify and make the first contact with possible new customers.

> *``We decided to go abroad because the CEO had a direct contact there with a potential new client, so we did the analysis and made and offer and after they accepted we start exporting, sometime after that the manager of that firm*

recommended us with a new client in Paraguay and we did the same, send the offer, they accepted and then we decided to export there too`` (Friccion, 2013)

4.8.3 Market Entry

Friccion chose to internationalize in South and Central American countries because of the short distance, low cost of logistic and most important because of the contacts, as it was mention before they started exporting to Brazil, then to Paraguay and then to Mexico.

The three countries they chose to enter have been based on formal and informal networks, the first market was Brazil based on a direct contact of the CEO of the company, Paraguay was based on the recommendation of the firm from Brazil and Mexico was based on the contact that the son of the CEO of Friccion.

Clearly the market choice is based on the formal and informal networks of the firm and the entry mode are direct exports, the firm produces in Bolivia because of the favorable conditions and then ships it to their contacts that work as distributors or wholesalers in each market.

An interesting point came out during the interview when I asked the manager of Friccion why they don`t export to European markets since they have the quality to do so, and he answered:

> *``Now we are not analyzing this option because we don`t have any contact in the European markets, besides we don`t know the market and if we decide to go first we need someone there to start the negotiations with possible new clients`` (Friccion, 2013)*

Evidently, formal and informal networks will determine not only the market choice but also the market entry mode in the case of Friccion.

4.9 Experience from serving foreign customers

4.9.1 Serving Foreign countries

As it was mention before Friccion started exporting breaks, clutches and automobile parts to the Brazilian market, due to its respectable performance and good contacts, the Brazilian firm recognized the good quality and effort of the Friccion and decided to recommend them as possible suppliers of a new client in Paraguay.

> *``We entered to Paraguay because our client in Brazil had a contact with a client in Paraguay with the same kind of requirements``* *(Friccion, 2013)*

Working as a supplier of a Brazilian firm aloud Friccion not only to gain initial experience in foreign markets but also to expand to new markets like is the case of Paraguay.

4.9.2 International Experience

Friccion started importing breaks, clutches and general automobile repairs form a Brazilian firm before they started selling to national and international markets.

> *``Initially we started as an importer of Brazilian brand products, but later we decide to manufacture our own products to sell them in the national and international market``(Friccion, 2013)*

An interesting fact is that the idea of creating a firm that produces breaks clutches and automobile repair parts was born as a result of the anxiety of trained professionals in engineering and process expertise in the manufacture of breaks, clutches and parts in Brazil.

4.9.3 Supplier of foreign Firm

Friccion got their first experience in the international market as a supplier of a Brazilian firm, besides the firm count with well trained professional in engineering process also in Brazil. The combination of foreign market experience plus the international experience of the leaders of Friccion had made possible for the firm to expand to new markets.

In summary we can conclude that Friccion decision to internationalize have been influenced not only by the experience of the founders acquired in Brazil, but also for their first international customer also in Brazil.

4.10 Demand from abroad will influence in market choice

4.10.1 Demand from abroad

Friccion policy of choosing new markets is not based on the demand from abroad, but from the contacts that the firm can have in different markets.

> *``Normally we look for contacts in the different markets, most of the time these contacts came from the social network of the manager`` (Friccion, 2013)*

Friccion will only enter markets in which they have contacts, or at least residents that know the market and can help the firm to reduce the risk and uncertainty.

4.10.2 Psychic Distance

Friccion enter new markets where they are able to identify opportunities with low market uncertainty and then enter markets at successively greater psychic distance.

> *``We only export to the south and central American markets, we haven`t analyze the option to start exporting to European markets yet because we have no contacts there and we don`t know the market conditions`` (Friccion, 2013)*

In this case Friccion first entered Brazil, a neighboring country with similar market conditions that in the beginning helped the firm to reduce the uncertainty. Also, serving this firm allowed Friccion to gain international experience that later lead them to jump in more psychic distance markets, Paraguay and Mexico.

Clearly psychic distance is a key variable and determinant for expansion into foreign markets.

4.10.3 Specialized Products

The firm produce, sell in the local market and export to international markets very specific kind of products for the fabrication and repair of automobiles. Nevertheless, the firm doesn`t produce these parts for selling to specific or niche markets.

``From the total amount of production that we produce each year, 70 % is sold to international markets, also the production is based on orders and specifications of our clients`` (Friccion, 2013)

After the analysis that have been done in this section we can conclude that the demand from abroad in the case of Friccion does not influence the market choice on the contrary the firm chose markets based in two aspects, the first one is psychic distance markets with low uncertainty and the second are the networks of the firm.

4.11 Presence of mayor foreign firms in local markets

According to the manager of Friccion he doesn`t know about any foreign firm established in Bolivia that could be consider as a competitor.

``There is only one local firm that we believe is our competitor, but we have almost the same prices for similar products, besides most of our bigger competitors are local companies of the markets we export to`` (Friccion, 2013)

In conclusion, major networks haven`t influenced the internationalization of the firm because there are no major networks and in the case that there were, they will not affect directly to the firm because 70 % of the total production is exported to other countries.

4.12 Summary

The case study of Friccion as the case of Sombreros Chuquisaca show amazing results, some of the prepositions met as we expected them too, while others have a different influence in the internationalization of the firms form developing countries.

The first preposition that stated that firms from developing countries will be influenced by government agreements in the foreign market choice didn`t meet completely. Even tough, Friccion benefits from the following too governmental agreements showed in the table below:

Table 5   Governmental Agreements impact choice of market

Governamental Agreements	**Market Choice**	**Contry Order**
The Economic complementation agreement number 36. Bolivia – MERCOSUR,	Brazil	1
The Economic complementation agreement number 36. Bolivia – MERCOSUR,	Paraguay	2
Economic complement agreement N. 31 Bolivia – Mexico	Mexico	3

These have not been the factors that fully influenced the choice of market; of course they are beneficial for the firm because they reduce to the minimum the tariffs. However, the main factors that led Friccion to choose these markets are first of all the size of the Brazilian market which has been the first market to enter, second of all the cheap labor cost to produce in Bolivia and third of all the better prices in foreign markets like Brazil, Paraguay and Mexico.

Regarding the second preposition that stress that firms from developing countries will be influenced by network relationship in the choice of market and entry mode totally met. Friccion chose the markets and the entry mode based on both, formal and informal networks.

First they enter to Brazil based on a direct contact of the CEO of the firm, and then they entered to Paraguay using the recommendation of the Brazilian firm, and finally entered the Mexican market using the contacts that the son of the manager of Friccion Bolivia had in there.

The most common entry modes are direct exports of finished products to their contacts in each market, in this case to Brazil, Paraguay and Mexico.

Preposition number three states that firms from developing countries will be influenced by the experience from serving foreign customers, this preposition did meet. Friccion before been founded was an importing company of Brazilian automobile parts. Besides, the founders of the company are professional engineers, with international experience in the production of breaks and clutches processes.

Concerning preposition four, firms from developing countries will be influenced by the demand from abroad in choice of foreign market didn`t meet. As it was explained in preposition number two, Friccion choose foreign markets based on formal and informal networks. Nevertheless, is important to mention that psychic distance have a very important role here.

Finally, preposition number five that stressed that firms from developing countries will be influenced by the presence of major networks from home country in target country didn`t meet because we couldn`t find major networks in this kind of industry.

Also, like in the case of Sombreros Chuquisaca during the interview four new possible reasons that may influence the decision to internationalize came out; 1) Desire of the owner / Manager to internationalize, 2) Cheap labor conditions in home market, 3) Higher prices in foreign markets than in home market and 4) Small home market.

For purposes of analysis the five factors determined before the interview plus the four new ones founded after the interview will be divided in three different groups according the degree of influence that each one have in the internationalization of the firm.

The first group will be classified as High influence and it is composed by:

- Network Relationships
- Cheap Labor Conditions in home market
- Small Home Market
- Experience from serving foreign customers
- Higher international prices in foreign markets than in home market

High influence means that the previous prepositions presented above fully met with the results of the analysis based on the information provided by General Manager of Friccion. In other words we can state that these factors were determinant for the internationalization of the firm.

The second group will be classified as Medium influence and it is composed by:

- Government Agreements
- Desire of the Owner / Manager for internationalization

Medium influence means that the previous prepositions presented above don`t fully met with the results of the analysis based on the information provided by the General Manager of Friccion. In other words we can state that these factors may influence the internationalization decision but are not determinants. Also, can be seen as initial factors or triggers for internationalization.

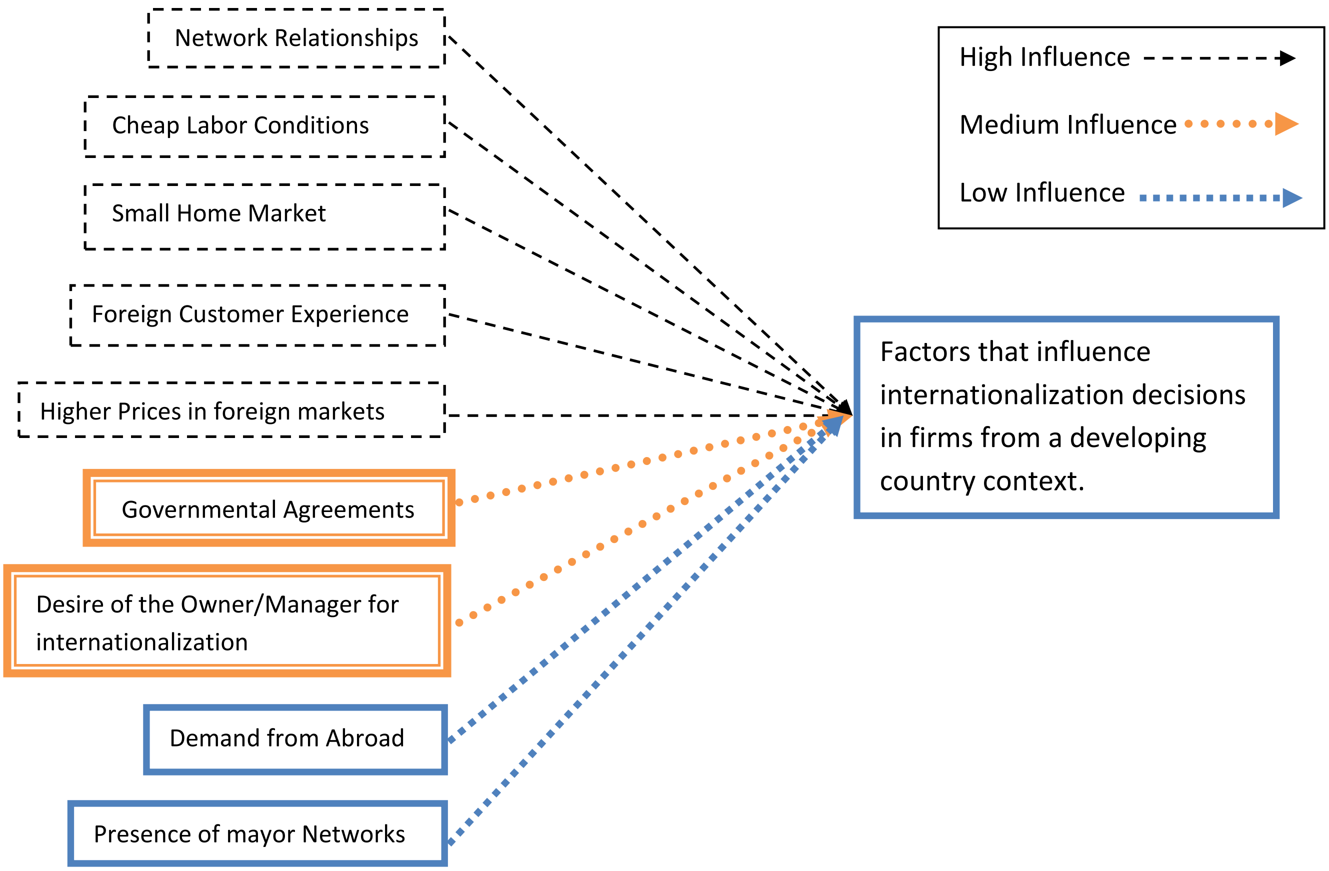
The third group will be classified as low influence and it is composed by:

- Presence of Major Networks in home market
- Demand from abroad

Finally, low influence means that this factor has none or minimum influence in the internationalization decision. Also, could be the case that there is not enough information available regarding the topic of analysis.

The following update figure shows how the old and new factors influence in the internationalization decision of the firms form developing countries.

Figure 3 Friccion Influence Factors



4.13 Case III: SAO-BVN

SAO-BVN, is a pseudonym of the real company name, that due to confidentiality agreements we can`t use in this study. However, the information provided is based on the real company name and international activities.

SAO, (Sociedad aceitera del oriente) was founded in 1975 as an oil industry, installed in the department of Santa Cruz – Bolivia with the purpose of processing cotton seed to obtain crude oil, refined oil and oil cake. The factory was fully implemented with modern technology, with an investment of domestic and foreign capital of 11 million of dollars.

At the end of the 70s besides processing cotton seed, the firm also started processing soybeans, a raw material that gained increasing importance in the agriculture sector of the department of Santa Cruz - Bolivia.

Due to the gradual increase of soybean and sunflower cultivation in the decade of the 80s and 90s, and the government support for the production of oil and derivate products at that time SAO made investments in technology to increase production and refining capacity. This investment allowed the development of an aggressive policy of market diversification and integration of products with higher added value.

It was not until 1998, that ``BVN`` a private American company saw the opportunity to exploit the favorable governmental conditions, the cheap labor cost and the strategic geographical location of the plant (Santa Cruz is the border to the North East with Brazil and South East to Paraguay, two of their major markets today) to buy 50% of the stakes of the company, settling SAO- BOL, and remaining as owner of 90% of the company until today.

4.13.1 Industry

SAO, is part of a huge conglomerate of oil refineries, agricultural and energy products that work worldwide as a part of the BVN company, each day the 30,000 people of BVN conglomerate connect the harvest to the home, transforming crops into products that serve vital needs for food and energy.

With sourcing, transportation, storage and processing assets in more than 75 countries, BVN converts corn, oilseeds, wheat and cocoa into food ingredients, animal feed ingredients, renewable fuels and industrial products that are consumed and used by millions of people every day.

As it was mention before in 1998 BVN corporation bought almost 50 % of SAO`s stakes and became SAO-BVN, currently in Bolivia the firm processes soybean and sunflower seeds into high-quality oils and meals, at this time SAO-BVN edible oils refinery is the largest in Bolivia.

SAO-BVN also provides trading and logistics services to both domestic and international customers reaching nearly 400 employees throughout Bolivia, becoming one of Bolivia's largest manufacturing companies and a leader among exporting firms.

4.13.2 Internationalizing

SAO, started in 1975 as an oil industry which had the propose to process cotton seed to obtain crude oil, refined oil and oil cake for the internal consumption, during the decades of the 80s and 90s the firm made important investments in technology to develop an aggressive policy of market diversification due to the gradual increase of soybean and sunflower cultivation in the department of Santa Cruz in Bolivia.

During these decades the firm only supplied the national market and there were no plans for internationalization until 1998, year in which BVN a private American company bought the majority of the stakes and became the senior partner.

> *``It has been more than ten years since BVN bought the firm, now 90 % of the capital is from foreign investors and the remaining 10 % is from Bolivian investors`` (SAO-VBL, 2013)*

It was a little bit after SAO became SAO-VBL that started exporting to subsidiaries in Colombia, Ecuador, Chile, Paraguay and Venezuela among other countries. Obviously what lead the firm to export to all of these markets were the different subsidiaries that VBL had consolidated in these countries.

A second reason that leaded the firm to start exporting was that the Bolivian market became too small. Due to the magnitude of the plant, soon the firm started having remains of production that could not being sold in a saturated market.

Finally a third reason is that the Bolivian government first wants fulfillment of domestic needs before exports are allowed at all.

4.13.3 Government Agreements

In the industry of seeds as raw material or finished product as it was mention before the government play a key role in the exports, in the case of SAO-VBL Bolivian investors only own the 10 % of the shares, but is the State that is in charge to control the firm`s operations.

> *``The objective of the firm is to export crude oil, refined oil and oil cakes, but now due to the governmental regulations we are forced to export seeds even that is not our main business``(SAO-VBL, 2013)*

The government in Bolivia has strict regulations in this type of industry because it is one the most important in terms of income and employment.

> *``The government had created a regulation to export finished products of soybean and sunflower. Basically it means that if we want to export a finished product first you need to export raw material which in this case is the seed`` (SAO-VBL, 2013)*

Before this regulation, exporting was a free process that was based on the capacity of the firm and the demand of the markets, but now if a firm of this industry wants to exports their products to international markets first they need to meet an internal quota, for example:

> *``To give you an approximation, we need to sell internally (national market) 100 tons of products, and only if we meet the quota we have the possibility to export 200 tons of product to international markets``   (SAO-VBL, 2013)*

This is a protective regulation that the government created in order to control the supply and the price of these kind of products in Bolivia because they are considered critical, in the case of SAO-VBL, this internal quota resulted to small and now is limiting not only the internal sales but also the amount of exports that the firm could realize.

Still, there is multiple trade agreements that allow products originated in the country to receive tariff preferences in foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices.

1) The trade agreement of Cartagena, 2) The Economic complementation agreement number 22. Bolivia – Chile, 3) The Economic complementation agreement number 36. Bolivia – MERCOSUR.

These trade agreements allow products of SAO-VBL to receive tariff preferences in these foreign markets, thereby facilitating export and allowing their arrival to the final consumer at more competitive prices.

> *``We as SAO-VBL Bolivia try to take advantage of all the bilateral and multilateral agreements that the government can provide. The most important ones for us are the agreements with Chile, Peru, Colombia, Ecuador, and a little bit of Venezuela Brazil`` (SAO-VBL, 2013)*

4.13.4 Market Choice

SAO-VBL`s market choice is based on the most favorable conditions that could be sum up in three main points.

First they start exporting to neighboring countries due to the distance and cost.

> *``We attack neighboring countries, once we have penetrated those we analyze the possibility to attack more distant markets`` (SAO-VBL, 2013)*

Second they make use of governmental agreements with countries that are members.

> *``We as SAO-VBL Bolivia try to take advantage of all the bilateral and multilateral agreements that the government can provide. The most important ones for us are the agreements with Colombia, Peru, a little bit of Venezuela and Chile``(SAO-VBL, 2013)*

Third they export to the different subsidiaries that are part of VBL conglomerate.

> *``For us is easier to export to other markets because we have subsidiaries in Colombia, Ecuador, Peru, Chile and many other countries`` (SAO-VBL, 2013)*

4.14 Network Relationship

In this section of the analysis we are trying to evaluate the influence of two kinds of networks in the decision to internationalize of SAO-VBN, the first one is based on formal relationships and the second is based on informal relationships.

4.14.1 Formal Networks

SAO-VBN Bolivia is part of the VBN international conglomerate; therefore, it keeps formal networks relationships with all the members of the conglomerate in all the countries that they have activities; of course these formal networks are based not only in the national ethical and legal agreements but also follows all the international regulations.

> *``We follow all the regulations and government policies in the countries in which we have operations, of course each country is different and it has different regulations, therefore we try that our networks follow all the legal requirements`` (SAO-VBL, 2013)*

Even though, SAO- VBN counts with many formal networks around the globe, the firm maintains strictly commercial relationships with their partners. Moreover, these formal networks are strongly controlled by governmental regulations at home country and international agreements among foreign country members.

4.14.2 Informal Networks

For the previous reasons presented above the company doesn`t maintain informal networks of any kind or type.

> *``I can assure you that all the networks are purely formal, even though there are cases in which we can use informal networks to speed up the process specially in Bolivia, where the business are based on braves, our firm does not allow any kind of business outside the formal ethical frame`` (SAO-VBL, 2013)*

As it was mention before SAO-VBN only maintain business relationships with formal networks based on the national and international regulations and agreements.

4.14.4 Market Entry

The market entry mode of SAO-VBN is a ``piggy back`` strategy on the back of the parent company's international infrastructure to reach foreign countries, currently SAO-BVN Bolivia have commercial activities mainly in Colombia, Ecuador, Peru, Venezuela and Chile and sometimes they also in United States, but only in the case that the main firm in United States faces some problems with their own subsidiaries.

Also, the decision to enter these markets has been based on the agreements and formal networks established among the partners of the VBN conglomerate.

> *``We expand to markets in which we have subsidiaries already established, this way is much easier because we have contacts there`` (SAO-VBL, 2013)*

In summary we can say that SAO-VBN sell their products based on their formal networks that also could be recognized as intercompanies' agreements, in the same way this pre-established agreements among companies in the different countries will determine the market choice and the entry mode.

4.15 Experience from serving foreign customers

4.15.1 Serving Foreign countries

SAO, before been bought by VBN and becoming SAO-VBN process cotton and seed to obtain crude oil, refined oil and cake oil to supply only the regional demand, before the buyout the company didn`t have any international experience serving foreign countries.

> *``In Bolivia, SAO-VBN sells and exports vegetable oils and protein meals from soybeans and sunflower seeds. We produce packaged oils for private labels and for our own brands, which are marketed in the Bolivian market and exported to neighboring countries``* (SAO-VBL, 2013)

Clearly the company before being part of VBL didn`t have any international experience, it was the experience of a foreign company that lead them to start exporting to neighboring countries.

4.15.2 International experience

As it was mention in the paragraph above the firm didn`t had any international experience or any type of business relationships until it became part the VBL conglomerate.

4.15.3 Supplier of foreign firm

SAO alone only supplied the Bolivian market; it was after becoming SAO-VBL that start supplying sub products to foreign firms that could be considered as raw materials.

> *``Even though, we export mainly finished products when we have some surplus we sell it to our partners as a sub product. For example the soybean cake that is consider as a raw material that could be used for poultry and livestock breeding``(SAO-VBL, 2013)*

What is important to highlight is that if SAO, turn out to be an international exporter after becoming SAO-VBL, using the international experience and networks of the foreign firm.

4.16 Demand from abroad will influence in market choice

4.16.1 Demand from abroad

Market choice is based on the demand from the intercompany agreements, which means that the multinational VBL have established subsidiaries to which they sale their product based on such agreements, of course this subsidiaries that are in different countries like Chile, Colombia, Venezuela, Peru, Ecuador and lately in Brazil and Paraguay have been chosen based on their demand and the opportunities that each one of them represent.

Besides, SAO-VBL has a very particular way of doing business and penetrating new markets.

> *``We are constantly creating different kind of business in the same line of industry that we work, so what we do is finding companies in different countries that are interesting for us and then we buy them out to exploit their competitive advantages in their home market ``(SAO-VBL, 2013)*

VBL as a multinational conglomerate buyout what they consider strategically firms in different countries to exploit competitive advantages, being this the case of SAO, that was bought by VBL in order to become SAO-VBL and exploit the advantages that the Bolivian market could offer.

4.16.2 Psychic Distance

Psychic distance is a factor that influence the market choice, SAO-VBL biggest markets are Colombia, Chile, Peru, Ecuador, and Venezuela and the first market they entered was Chile, all of these countries have a few things in common, they are neighboring countries, have similar demand conditions and low distance.

> *``First we attack the closest markets and then we analyze our possibilities to expand to more distant markets`` (SAO-VBL, 2013)*

Nevertheless, SAO-VBL had decided to focus its activities mainly in the South American markets because of the motives that have been presented above.

4.16.3 Specialized Products

SAO-VBS doesn`t produce specialized products, they sell more general products for massive consumption like crude oil, refined oil and oil cake these kind of products can be used in different ways depending of the needs of the final customer.

4.17 Presence of mayor foreign firms in local markets

According to the manager of SAO-VBL, there are two major foreign firms and one local in this industry.

> *``As a matter of fact we are one of the biggest firm in Bolivia that have American Capital, and the second one are FINO S.A which is our biggest competitor and is formed by Bolivian and Peruvian capitals, the third one is only a local firm that could be consider as a competitor too but is not as big as we are, but in the case of FINO we are always competing to enter new markets, to improve the product, to reduce the prices and so on`` (SAO-VBL, 2013)*

Of course, the presence on foreign firms in home markets influence local firms in their decisions, in this case the competition is centralized among the two biggest oil companies that have Bolivian and foreign capital, SAO-VBL and FINO S.A. The actions of one will influence the decision of the other and vice versa.

4.18 Summary

The case study of SAO-VBL show amazing results, some of the prepositions were met as we expected, while others have a different influence in the internationalization of the firms form developing countries.

The first preposition that stated that firms from developing countries will be influenced by government agreements in the foreign market choice fully met. There are three important findings in the case study of SAO-VBL.

First, unlike the other two companies that have been studied before, in this very specific type of industry the government has more restrictive and protectionist regulations that influence in the operation of SAO-VBL.

Second, the following table represents the government agreements and the market choice; also express the order in which the markets have been chosen.

Finally, governments first wants fulfillment of domestic needs before exports are allowed at all.

Table 6 Governmental Agreements impact choice of market

Governamental Agreements	**Market Choice**	**Contry Order**
The Economic complementation agreement number 22. Bolivia – Chile	Chile	1
Trade agreement of Cartagena	Peru	2
Trade agreement of Cartagena	Colmbia	3
Trade agreement of Cartagena	Ecuador	4
The Economic complementation	Venezuela	5

agreement number 36. Bolivia – MERCOSUR,		
The Economic complementation agreement number 36. Bolivia – MERCOSUR,	Brazil	6

Preposition number 2, firm’s form developing countries will be influenced by network relationships in choice of market entry mode and choice of market to entry also fully met.

The information presented for the firm`s manager and the analysis revealed that SAO-VBL have business relationships only with formal networks. The firm has strong policies and regulations regarding national and international networks. However, these formal networks have a direct impact in the market entry mode and market choice.

In other words the market choice is based on the decision of the overall conglomerate, even SAO-BVL Bolivia is asked to develop new products, find new markets for them and contributes to reach to global goals, the final decision regarding market choice and entry or service mode is taking according to the rules that govern the conglomerate.

The third preposition states that firms from developing countries will be influenced by the experience from serving foreign customers didn`t meet mainly because SAO Bolivia hadn`t have any previous experience with foreign firms before becoming SAO-VBL.

Four, firms from developing countries will be influenced by the demand from abroad in choice of foreign markets did meet with the following clarifications. The choice of foreign markets is not only based on their demand but also depends if the firm have already established subsidiaries there.

Finally the fifth preposition states that firms from developing countries will be influenced by the presence of major networks form home country in target country did meet. SAO-VBL is part of a major international network that had influenced in the international decision of the firm since their early establishment.

Also, during the interview four new possible reasons that may influence the decision to internationalize came out; 1) Desire of the owner / Manager to internationalize, 2) Cheap labor conditions in home market, 3) Higher prices in foreign markets than in home market and 4) Small home market.

For purposes of analysis the five factors determined before the interview plus the four new ones founded after the interview will be divided in three different groups according the degree of influence that each one have in the internationalization of the firm.

The first group will be classified as High influence and it is composed by:

- Government Agreements
- Network Relationships
- Small Home Market
- Desire of the Owner / Manager for internationalization

High influence means that the previous prepositions presented above fully met with the results of the analysis based on the information provided by the interviewee of SAO-VBL. In other words we can state that these factors were determinant for the internationalization of the firm.

The second group will be classified as Medium influence and it is composed by:

- Demand from abroad
- Presence of major networks
- Cheap Labor Conditions in home market
- Higher international prices in foreign markets than in home market

Medium influence means that the previous prepositions presented above don`t fully met with the results of the analysis based on the information provided by the interviewee of SAO-VBL. In other words we can state that these factors may influence the internationalization decision but are not determinants. Also, can be seen as initial factors or triggers for internationalization.

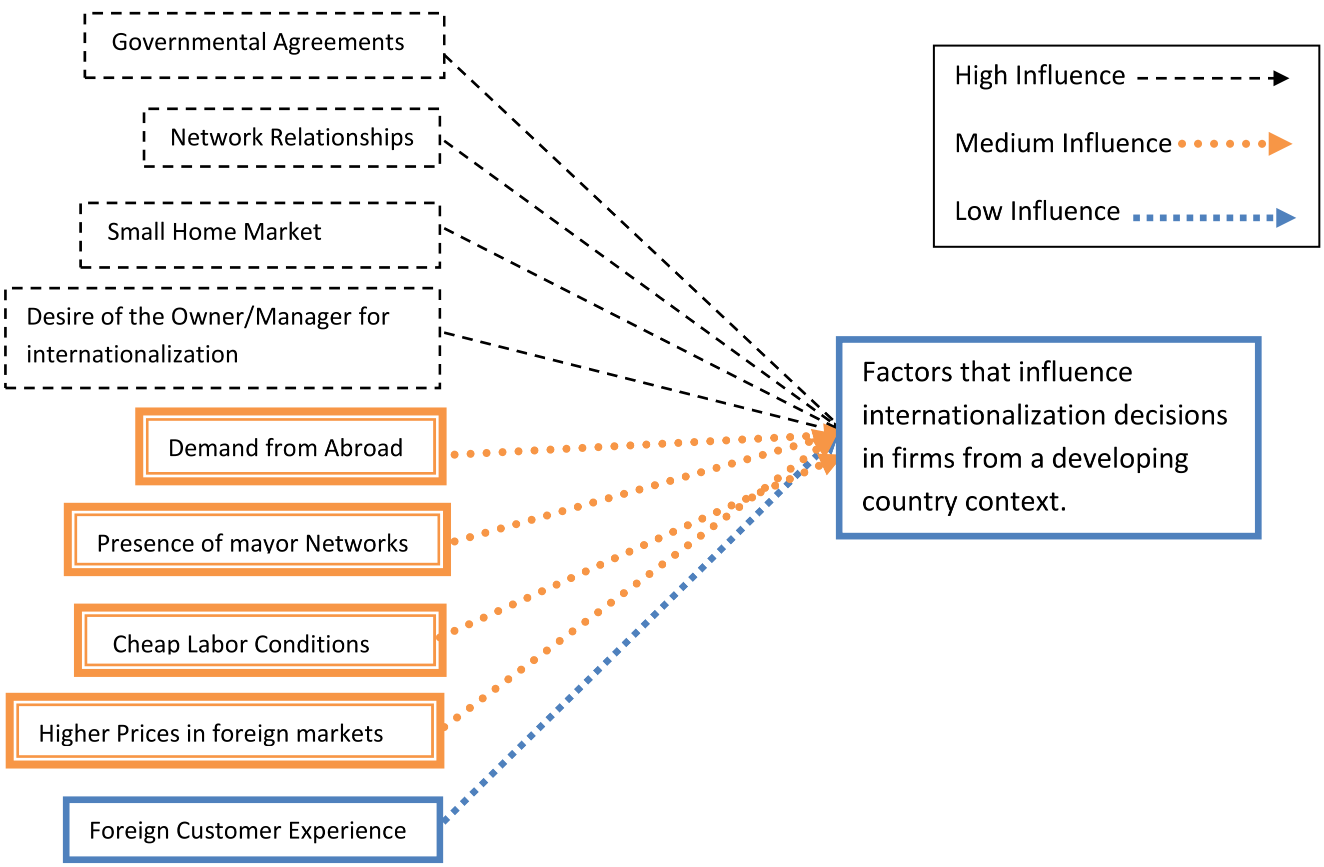
The third group will be classified as low influence and it is composed by:

- Experience from serving foreign customers

Finally, low influence means that this factor has none or minimum influence in the internationalization decision. Also, could be the case that there is not enough information available regarding the topic of analysis.

The following update figure shows how the old and new factors influence in the internationalization decision of the firms form developing countries.

Figure 4 SAO - BVL Influence Factors



4.19 Cross Case Analysis

4.19.1 Industry

Friccion and SAO-VBL are located in eastern part of Bolivia in the department of Santa Cruz de la Sierra due to the favorable economic conditions. The main sectors that drive the economy are the oil, forestry, agricultural business, and construction. Santa Cruz contributes to more than 80% of national agricultural production and is the border with Brazil and Paraguay, countries in which both firms have subsidiaries. Sombreros Chuquisaca is located in the center south of Bolivia in the city of Sucre known as the capital of the traditions and culture. The city is home of largest indigenous population who maintain their traditional clothing and customs, including the use of hats.

The three firms have chosen to establish their plants in strategic geographical locations, in the case of SAO-VBL and Friccion they are closer to their main target markets Brazil and Paraguay and in the case of Sombreros Chuquisaca Sucre is a city of traditions and also is closer to its target markets, Peru, Chile and Argentina.

But is not only the geographic locations that favored the firms in their internationalization, there are other three main factors that also influenced it. The first one is the cheap labor in Bolivia compared with other neighboring countries. Second, the prices of the products are higher also in neighboring countries and finally the natural gas is cheaper in Bolivia and this favors to the development of an industry.

4.19.2 Internationalizing

The three firms have been created with the ultimate propose to serve the national market, once the national market became too small they decided to enter neighboring countries. Sombreros Chuquisaca decided to start exporting to Peru due to the similarities in the demand and the closeness, and then they expand to more distant markets like are Colombia, Ecuador, Argentina, Chile and Brazil.

SAO-VBL and Fricion, also felt that the market was too small and decided to expand their activities to different markets, both firms first target market was Brazil mainly because of the physic distance and the better conditions for commerce, then they expanded respectively to more distant markets like Paraguay and Mexico in the case of Friccion and Paraguay, Colombia, Ecuador, Chile and Venezuela.

4.19.3 Government Agreements

The following table shows the detail of government agreements that each firm takes part of.

Table 7 Trade Agreements

T.A / GSP	**TRADE AGREEMENTS**			
Firms	**Cartagena Agreement**	**Economic Complementation Agreement No. 22 BOLIVIA – CHILE**	**Economic Complementation Agreement No. 31 BOLIVIA – MEXICO**	**Economic Complementation Agreement No. 36 BOLIVIA – MERCOSUR**
S Chuquisaca	X	X	X	X
Friccion			X	X
SAO-VBL	X	X		X

4.19.4 Market Choice

It is clearly that the governmental agreements are very important for the three firms at the moment of choosing which markets to enter, the zero tariff agreement make it possible especially for Bolivian firms to compete in international markets in a competitive level.

4.20 Network Relationship

4.20.1 Formal Networks

The three firms consider that formal networks are the main sources of information and are very important to enter foreign markets in a less risky way. Each firm has a different way to develop their formal networks. In the case of sombreros Chuquisaca, and Friccion the relationship is more friendly and open, while in the case of SAO-VBL the relationship are strictly related to business.

4.20.2 Informal Networks

Sombreros Chuquisaca and SAO-VBL have policies that strictly prohibit the business relationships with informal networks of any kind. On the other hand, Friccion is very depended of their informal networks, especially the ones related with the manager of the company.

4.20.3 Market Entry

The Market entry modes of the three firms are different one to each other, for instance: Sombreros Chuquisaca use agents, distributors and wholesalers, Friccion make direct exports to concrete customers while SAO-VBL has local manufacturing facilities in each country they operate.

4.21 Experience from serving foreign countries

4.21.1 Serving Foreign Countries

The three cases have similarities and differences regarding serving foreign countries, first the differences; Friccion started as an importer of brakes and clutches from a Brazilian firm, SAO was only attending the national market before been bought out by VBL and Sombreros Chuquisaca didn`t count with any international experience before their first excursion in to international markets.

However, the three firm’s first international experience were to psychic distance countries, in the case of SAO-VBL and Friccion was Brazil and in the Case of Sombreros Chuquisaca to Peru and after penetrating these markets they continue with other neighboring countries. It is not a surprise to see that the three firms followed a stage process in which first they gain knowledge and experience and then expand to more distant markets.

4.21.2 International Experience

Only Friccion had international experience working as an importer of Brazilian products, Sombreros Chuquisaca and SAO –VBL didn`t count with any international experience before their first excursions in foreign markets.

However, the analysis of the information provided for three managers of three different firms showed that the firms enter one market at the time, and gain international experience before going to more distant markets.

4.21.3 Supplier of foreign firms

None of the firms had previous experience working as a supplier of a foreign firm before internationalizing.

4.22 Demand from Abroad will influence in market choice

4.22.1 Demand from Abroad

The demand from abroad has a minimum impact in the market choice for the three firms that have been analyzed. However, there are new factors in the case of sombreros Chuquisaca the demand from abroad is not as important as the size of the market and the acquisitive power of the clients, Friccion considers more important to have contact in the market than just letting them guide for the demand and finally SAO-VBL chose their markets based on intercompany agreements.

4.22.2 Psychic Distance

The results from the three different interviews proved that psychic distance does influence in the market choice. All the firms started exporting to neighboring countries that are physically close, have the same traditions, and the demand is similar, until they gained knowledge and experience for after expanding to more psychic distant markets.

4.22.3 Specialized Products

Sombreros Chuquisaca and Friccion produce specific products for determine clients according to the specification and quality requirements while SAO –VBL produce more general or finished products for massive consumption not like the other two firms that produce more individual products.

4.23 Presence of Major networks foreign firms in local market

As it was expected the three managers declared that they don`t have a real competence in their respectively industry because they are in the top of it. However, the analysis shows that there exists some competition. In the case of SAO-VBL there are other two major international firms that fight for the same markets in Bolivia and also in South American countries too, Friccion compete with major Brazilian firms and Sombreros Chuquisaca even though counts with two of the biggest hat factories in the continent there are still competition with smaller factories.

4.24 Summary table of the cross case analysis

All the factors and their influence in the internationalization decision from firms form developing countries have been summarized in the following table.

The three cases that have been analyzed in the study are divided in three different columns, each one of them subdivided in two columns, the first one is to measure the impact and the second to describe if its supported or not supported and why. At the same time the initial preposition plus the new ones are presented in columns in order to make the reading more pleasant.

INITIAL PREPOSITIONS	CASE 1 SOMBREROS CHUQUISACA		CASE 2 FRICCION		CASE 3 SAO-BVL	
	Impact	Description	Impact	Description	Impact	Description
Governments Agreements	Supported	The firm makes extensively use of the government agreements to choose foreign markets and to receive tariff preferences in these foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices.	Supported	Government agreements influenced the decision of internationalization because they reduce the exporting tariffs to the minimum, dropping the total price of the products. Therefore, the firm has a competitive advantage with similar or substitute products in foreign markets.	Supported	Government agreements do influence the decision to export to foreign markets even though the policies are more restrictive for this specific industry. The governments first wants fulfillment of domestic needs before exports are allowed at all.
Network Relationships	Supported	The firm operates only with formal networks. These networks relationships do influence the choice of market and the entry mode. Besides,	Supported	Friccion decision to internationalize was influenced for formal and informal networks. However, the most important sources are informal	Supported	As sombreros Chuquisaca, SAO VBL only operates with formal networks. However, these formal networks have a direct impact in the

		they reduce the risk and uncertainty to enter new markets for first time.		networks based on personal contacts and family members in foreign markets.		market entry mode and market choice
Experience from Serving foreign Customers	Supported	The internationalization success of Sombreros Chuquisaca is based on accumulation of experience from serving first more physic distance markets in order to gain experience until the point of been able to reach more distant markets.	Supported	Friccion started its international activities importing automobile parts from Brazil. After acquiring the necessary knowledge and international experience they became producers and later exporter of products to international markets.	Not Supported	SAO Bolivia hadn`t have any previous experience with foreign firms before becoming SAO-VBL, the firm only operated in the Bolivian Markets.
Demand from Abroad	Not supported	The demand from abroad and the choice of foreign market, it is merely a reflection of the small home market and the need of the managers to reach bigger markets in order to	Not supported	Is not supported because Friccion choose foreign markets based on formal and informal networks.	Not Supported	The choice of foreign markets is not based on the demand from abroad, it depends if the firm have already established subsidiaries or some sort of arrangements in

		make more profits.				those countries.
Presence of major networks	Not supported	The preposition is not possible to prove because in the case of the hat industries in Bolivia there are no major networks to compare with.	Not supported	There are not major networks for this kind of industry in Bolivia.	Supported	VBL is part of a major international network that had influenced in the international decision of SAO since they bought the firm in order to become SAO-VBL.
ADDED FACTORS						
Firms from developing market context first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands.	Supported	Sombreros Chuquisaca first enter similar markets with lower quality standards, most of them in south America, once the quality is improved they gradually enter markets with higher quality demands like U.E and Europe.	Not supported	Friccion enter the different markets based on formal and informal contacts, the quality demand was irrelevant at that stage.	Not supported	SAO-VBL had established subsidiaries in different countries. Besides each subsidiary must have the same quality standards.
Psychic Distance influenced the market choice in firms from developing market context.	Supported	Sombreros Chuquisaca chose to enter neighboring countries because	Supported	Friccion chose to enter neighboring countries because of the similarities in culture, type of	Supported	SAO-VBL established subsidiaries in neighboring countries because

		of the similarities in culture, type of demand and physic distance.		demand and physic distance.		of the similarities in culture, type of demand and physic distance.
Firms from developing market context will internationalize based on domestic cost advantages versus domestic firms elsewhere.	Supported	Sombreros Chuquisaca entered markets where they saw that every day there are less and less hat factories due to the reduce demand and higher costs of production.	Supported	Friccion decided to produce in Bolivia to take advantage of the low domestic cost, for later sell the products to markets with higher production cost, gaining competitive advantage in prices.	Supported	SAO –VBL like Friccion decided to produce in Bolivia to take advantage of the low domestic cost, for later sell the products to markets with higher production cost, gaining competitive advantage in prices.
Small home markets	Supported	The home market is too small, forcing the manager of the firm to expand to foreign markets in order to reach economies of scale and maximize profits.	Supported	As Sombreros Chuquisaca, Friccion is certain that the Bolivian market after some years will became small, and finding new markets is an inevitable choice.	Supported	Same case as the other two companies, SAO-VBL found that hat the Bolivian market after some years will became small, and finding new markets is an inevitable choice.

Desire of the Owner/Manager for internationalization	Supported	Since the foundation of the firm the manager had the desire to supply not only local markets but also to provide international markets with quality Bolivian hats.	Supported	The CEO had previous international experience working in a foreign company. This influenced his decision to make his own company international too.	Supported	SAO-VBL, respond to global goals, and one of them are the internationalization to different markets with different types of products.
Cheap Labor Conditions	Supported	Bolivian labor wages are very law in comparison with the rest of the continent, which give better conditions to the firm in terms of workers.	Supported	Bolivian labor conditions represent a favorable environment for the production of breaks and clutches since these products are labor intensive.	Supported	Same case like the other two firms, Bolivian labor wages are very law in comparison with the rest of the continent, which give better conditions to the firm in terms of workers
Higher Prices in foreign markets	Supported	International prices are higher therefore, are more attractive for Bolivian firms.	Supported	Same reason as sombreros Chuquisaca, international prices are higher therefore, are more attractive for Bolivian firms.	Supported	Same reason as both firms, international prices are higher therefore, are more attractive.

4.25 Summary Graph of the cross case analysis

The next graph represent the findings in the three cases that have been analyzed in this study, for this propose the factors that influence the internationalization decision of the firms from developing countries have been divided in three groups according to the following classification:

1. Factors found to have an impact in all three cases represent strong influence.

   - Governments Agreements
   - Network Relationships
   - Small home markets
   - Desire of the Owner/Manager for internationalization
   - Cheap Labor Conditions
   - Higher Prices in foreign markets
   - Psychic Distance
   - Domestic cost advantages versus domestic firms elsewhere.

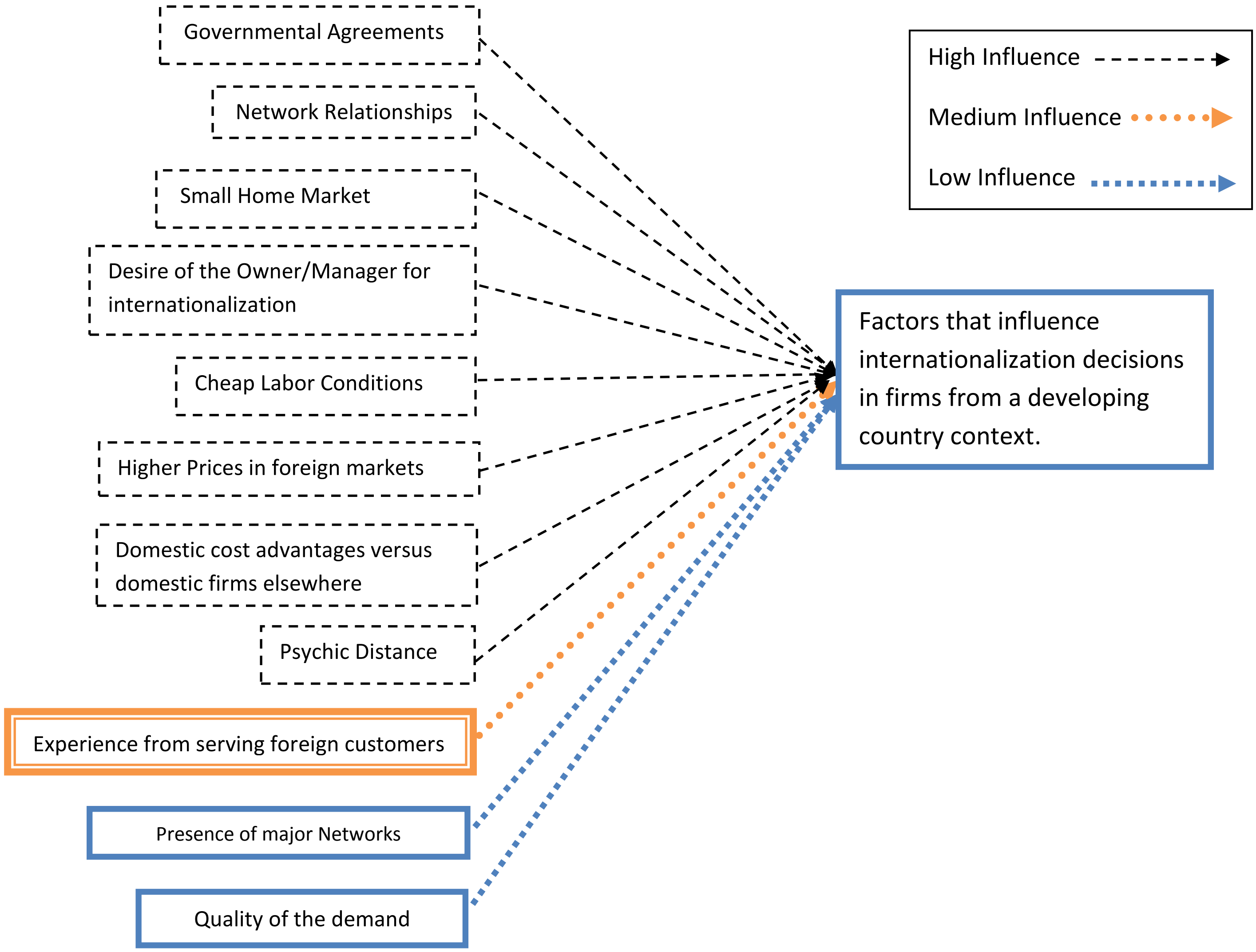
2. Factors found to influence two of the three cases represent medium influence.

   - Experience from Serving foreign Customers

3. Factors found to influence one of the three cases represent low/weak influence.

   - Presence of major networks
   - Quality of the demand

Figure 4 Summary of cross case analysis



5 Discussion

The ultimate goal of this study is to provide an overview of the contemporary theories and decisions that influence internationalization in the firms from developing countries, for this reason we have chosen to study three Bolivian companies, each one of them form different industries; Sombreros Chuquisaca is devoted to the hat industry, Friccion attend the industry of automobile parts, specializing in breaks and clutches and SAO-VBL is dedicated to the agricultural industry.

Researchers over the last decades had developed different concepts of internationalization; however in this study we will make use of the concept developed by Andersen (1997) who considers internationalization as a process in which specific attitudes or “orientations” are associated with successive stages in the evolution of international operations.

Even though this concept is widely recognized all over the world, there is not enough evidence in less developed economies that prove it wrong or right because most of the studies have been conducted in firms from the so called Triad Economies formed by Western Europe, Japan and North America.

However, (Kuada & Sørensen, 2000) indicate that although international business will be still centered on the Triad Economies it is important to pay attention to the developing economies of Asia, Latin America and Africa. For this reason we have chosen Bolivia which is a good example of a developing country, and hence suitable for conducting this type of research.

In summary, in the past decades studies of internationalization of the firms had generally concluded that export marketing is the most typical type of internationalization among the firms of developing economies, because is less risky and requires less resource commitment.

Nevertheless, with the information provided for these three firms we will corroborate or discard this assumption, and develop new theory by identifying factors that influence internationalization decisions specifically in firms from a developing country context.

This has been done by looking into related literature, by empirical analysis of cases, and by a critical discussion between theory and empirical findings. Consequently, the end result and contribution is a fine tuned model/list of propositions concerning factors influencing internationalization decision making in firms from developing market contexts.

5.1 Internationalizing

J. Johanson and Vahlne (1977), Bilkey and Tesar (1977); Sullivan and Bauerschmidt (1990) and Benito and Welch (1994) in their studies of international business have indicated that internationalization of the firms is a process in which the firms gradually increase their international involvement. It seems reasonable to assume that, within the frame of economic and business factors, the characteristics of this process influence the pattern and phase of internationalization of firms.

Moreover, Bilkey and Tesar (1977) and Hedlund and Kverneland (1985) describe that at early export stages firms focus on psychic close countries and at later stages they expand to more distant countries based on the analyses we can conclude that the results support these theories.

Sombreros Chuquisaca decided to start exporting to Peru due to the similarities in the demand and the closeness, and then they expand to more distant markets like are Colombia, Ecuador, Argentina, Chile and Brazil.

SAO-VBL and Fricion, decided to expand their activities to different markets, both firms first target market was Brazil mainly because of the physic distance and the better conditions for commerce and after they expanded respectively to more distant markets like Paraguay and Mexico in the case of SAO-VBL and Paraguay, Colombia, Ecuador, Chile and Venezuela in the case of Friccion.

Also, as noticed by Benito and Welch (1994) past experiences form the decision maker may also influence in the internationalization decision. In the case of Friccion, the founders / CEOs of the firm first worked for a Brazilian firm fabricating automobile parts, after gaining enough knowledge and experience they decide to open their own production factory in

Bolivia and later after consolidating the national market they start exporting their products to Brazil.

5.1.1 Government Agreements

Studies proposed by J. Johanson and Vahlne (1977); Bilkey and Tesar (1977); Sullivan and Bauerschmidt (1990); Benito and Welch (1994); Hedlund and Kverneland (1985); Zain and Ng (2006); Mtigwe (2005); Lopez et al. (2008) and Kuada and Sørensen (2000) suggest that firms chose markets based on low psychic distant, Reid (1981) and Millington and Bayliss (1990) suggest that the market choice is influenced by the past experiences of the decision makers, Madsen and Servais (1997); Chetty and Campbell-Hunt (2004); Rasmussen et al. (2012); Freeman et al. (2006) and Zhou et al. (2007) propose that market choice is based on available interpersonal ties, social interactions and personal advice.

Moreover, we can find authors such as Johanson and Matson (1988); Coviello and McAuley (1999); Oviatt and McDougall (2004); Zafarullah et al. (1997); Rutashobya and Jaensson (2004) and Ferro et al. (2009) that believed that firms will chose target countries or markets based on networks and extensive knowledge about the different actors in foreign markets, direct experiences, contacts on the management level.

All this studies support our findings and will being discussed forward. However, there is one finding that have not been discussed in the preview literature and it is **``Government Agreements``**.

The Bolivian state is the beneficiary of multiple trade agreements that allow products originated in the country to receive tariff preferences in foreign markets, thereby facilitating export and allowing their arrival to the final consumer at competitive prices.

The most common agreements used by the three firms are: 1) The Cartagena Agreement, 2) the Economic Complementation Agreement No. 22 BOLIVIA – CHILE, 3) Economic Complementation Agreement No. 31 BOLIVIA – MEXICO and 4) Economic Complementation Agreement No. 36 BOLIVIA – MERCOSUR.

It is clear that the governmental agreements are very important for the three firms at the moment of choosing which markets to enter. The study revealed that all the three firms maintain business relationships with countries that are part of these trade agreements.

The following table represents the government agreements and the market choices, also express the order in which the markets have been chosen.

Table 8 Governmental Agreements Sombreros Chuquisaca

Governamental Agreements	**Market Choice**	**Contry Order**
Trade agreement of Cartagena	Peru	1
Trade agreement of Cartagena	Colombia	2
Trade agreement of Cartagena	Ecuador	3
The Economic complementation agreement number 22. Bolivia – Chile	Chile	4
The Economic complementation agreement number 36. Bolivia – MERCOSUR,	Argentina	5
The Economic complementation agreement number 31. Bolivia – Mexico	Mexico	6

Table 9 Governmental Agreements Friccion

Governamental Agreements	Market Choice	Contry Order
The Economic complementation agreement number 36. Bolivia – MERCOSUR,	Brazil	1
The Economic complementation agreement number 36. Bolivia – MERCOSUR,	Paraguay	2
Economic complement agreement N. 31 Bolivia – Mexico	Mexico	3

Table 10 Governmental Agreements SAO-VBL

Governamental Agreements	**Market Choice**	**Contry Order**
Trade agreement of Cartagena	Colombia	1
Trade of Economic Complementation number 22 Bolivia- Chile	Chile	2
Trade agreement of Cartagena	Peru	3
Trade agreement of Cartagena	Ecuador	4
The economic complementation agreement number 36. Bolivia -MERCOSUR	Venezuela	5
Trade agreement of Cartagena	Paraguay	6

Preposition 1: *Government agreements influence the market choice of firms from developing market context.*

Clearly government agreements had had a high influence in the internationalization decision of these three firms.

Sombreros Chuquisaca made extensively use of the government agreements to choose the following markets: Peru, Colombia, Ecuador, Chile, Argentina and Mexico and to receive tariff preferences that had facilitated the export process and allowed their arrival to the final consumer at competitive prices.

In the case of Friccion government agreements also influenced the decision to internationalize to the following markets: Brazil, Paraguay and Mexico because they reduced the exporting tariffs to the minimum, dropping the total price of the products creating a competitive advantage in those markets.

Finally, Government agreements had also influenced the decision of SAO-BVL to export to Colombia, Chile, Peru, Ecuador, Venezuela and Paraguay even though the policies are more restrictive for this specific industry since the governments first wants fulfillment of domestic needs before exports are allowed at all.

5.2 Network Relationships

Network relationships are viewed by Johanson and Matson (1988); Coviello and McAuley (1999) and Oviatt and McDougall (2004) as a process in which a firm develops business contacts via networks in foreign countries. These relationships can be used as bridges to other networks in foreign countries and in some cases can even force the firm to enter new markets.

It is also clear that firms were able to internationalize very quickly by linking themselves to extensive and established networks. This is the case of the rapid growth of SAO-VBL that have resulted from the firms' participation in international networks with major partners, in this case VBL conglomerate whom provided the initial trigger to foreign market selection, helping SAO to reduce the problems of limited capital, management, time and experience in foreign markets.

Coviello and McAuley (1999) proposed that networks can be classified in two types, formal networks and informal networks. SAO-VBN based its operations on formal network because is an international conglomerate that uses this mean to expand their activities around the globe.

The case of Sombreros Chuquisaca is more peculiar than the case before because formerly sells to new foreign clients they need to study the market first and get some knowledge of how businesses are done there and of course having contacts in different countries made the process easier and less risky.

This way of thinking is familiar with the concept of Sharma and Blomstermo (2003) that state that firms choose markets based on the knowledge supplied by their tie networks.

Finally, as mention by Coviello and McAuley (1999) network relationships can be also informal, which bring as to our last case, Friccion. Madsen and Servais (1997); Chetty and Campbell-Hunt (2004); and Zhou et al. (2007) state that decision makers are influenced by social and personal networks when choosing markets to enter.

Friccion chose to start exporting to Brazil because the CEO of the firm had a direct contact there that facilitated the process.

Also, Rasmussen et al. (2012) sustain that firms are based on family ownership and chose family networks as entry mode in foreign markets. In the same way, Friccion started exporting to Mexico because the son of the CEO is living there, and he got the necessary contacts to start exporting.

Preposition 2 *Firms from developing countries are influenced by formal and informal network relationships in:*

a) Choice of entry mode

b) Choice of market to enter

Evidently network relationships had a high influence in the internationalization decision, the choice of entry mode and the choice of market in the all the firms.

Sombreros Chuquisaca uses formal networks to enter new markets, first they analyze the possible market to enter, and then they develop formal relationships with local factories, wholesaler or agents and then start with direct exports as a form of entry mode.

The firm has a more friendly and open relationship with its agents, distributors or wholesalers, since they not only sell the product but also provide information to the firm about the markets, helping them to make the right decisions.

SAO-VBL, also work strictly with formal networks, the firm chose foreign markets based on the different subsidiaries that have been established by their networks. The only entry mode is direct sales.

Finally, Friccion as described by Zafarullah et al. (1997) started the internationalization process by exporting as a result of market opportunities seen by members of the firms. Friccion started exporting to Brazil because the CEO of the firm had a direct contact there, the second market they entered Paraguay was based on the advice of the Brazilian firm they served first, and finally they entered to Mexico because the son of the CEO lives there and he got some contacts there.

Also, as described by Zafarullah et al. (1997) Friccion entry modes are based on direct sales to former employees or contacts abroad.

5.3 Experience from serving foreign Customers

Goldstein et al. (2006) argued that the internationalization process may be influenced by strategic partnerships with market leaders and that firm could become first-tier suppliers for lead firms and key regional players.

This study is based in the fact that firms from developed countries will have partners, joint ventures, marketing agreements or green fields with firms from developing economies like China or Mexico in order to take advantage of lower cost of inputs, cheap labor or ideal geographical position to produce at lower cost and then shipped it to the rest of the world.

To put it another way, firms from developing countries could use this opportunities to become partners or suppliers of firms from developing countries to gain initial knowledge and experience so that afterword they could take their activities to foreign markets.

Nevertheless, the analysis of the cases revealed the following results; in the case of Sombreros Chuquisaca, the firm didn`t have previous experience working with foreign firms. So in order to compensate the lack of experience and knowledge in this matter they decided to start exporting to neighboring countries with similar demand conditions and lower quality requirements, like Peru, Colombia, Brazil, Chile, Argentina and afterword enter more distant markets with higher quality demands like Mexico or United States.

The case of Friccion revealed different results, since the founders of the firm first acquiere knowledge and experience when they were working for a Brazilian firm, then they become importers of Brazilian products in Bolvia and later they started producing their own goods for local consumption and finaly exporting back to Brazil and other foreign markets.

Clearly the CEOs of Friccion had a good understanding of the Brazilian market and the demand conditions before they started exporting.

Finally the case of SAO-VBL also showed different results, clearly the firm before being part of VBL conglomerate didn`t have any international experience, it was the experience of a foreign company that lead them to start exporting to neighboring countries like Colombia, Chile, Peru, Venezuela, Ecuador and Brazil.

Preposition 3 ``a`` *Firms from developing countries are influenced by the experience from serving foreign customers.*

Manifestly, experience from serving foreign countries influenced the internationalization decision of SAO-VBL and Friccion.

However, Sombreros Chuquisaca didn´t count with previous international experience before they decided to internationalize, first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands.

Preposition 3 ``b`` *Firms from developing market context first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands.*

5.4 Demand from Abroad influence the choice of target market

Chetty and Campbell-Hunt (2004) proposed that firms will chose target markets based on 1) Strong economies and 2) Heavy users of the product and Zafarullah et al. (1997) in the same manner stated that the driving factor in choice of market was the location of major buyers.

However, none of these theories have been reinforced in this study. Sombreros Chuquisaca chose to enter Peru because of the similarities in the demand conditions and then continue to other less similar markets, Friccion entered Brazil, Paraguay and Mexico based on their contacts and finally SAO-VBL chose Colombia, Peru, Venezuela, Argentina, Ecuador and Brazil based on intercompany agreements.

The early **Preposition number 4 that stated that** *firms from developing countries will be influenced by the demand from abroad in choice of foreign market* is not supported by the results.

Nevertheless, results from the three different interviews proved that psychic distance as mention in the UPPSULA model does influence in the market choice. All the firms started exporting to neighboring countries that are physically close, have the same traditions, and the demand is similar until they gained knowledge and experience for after expanding to more psychic distant markets.

New Preposition **Preposition 4 ``a``** *Psychic Distance influenced the market choice in firms from developing market context.*

5.5 Presence of Major networks foreign firms in local market

Rutashobya and Jaensson (2004) in their study of Tanzanian handcraft exporters stated that firms are influenced by the presence of international networks in home countries, Zain and Ng (2006) proposed that firms' initial internationalization process resulted from the opportunities presented by international networks in home countries, finally Goldstein et al. (2006) anticipated that the internationalization process started with strategic partnerships with market leaders.

The early **Preposition 5 that stated that** *Firms from developing countries will be influenced by the presence of major networks from home country in target country* is not supported.

Also, the findings don`t support the studies of Rutashobya and Jaensson (2004), Zain and Ng (2006) and Goldstein et al. (2006) because in the case of Sombreros Chuquisaca every year there are less and less hat factories that produce that type of product in the world, Friccion has two major competitors but they don`t influence the firm at all since 70 % of their total production is exported to foreign markets and finally in the case of SAO-VBN, the most influential network is VBL, which now is partner of SAO.

New **Preposition 5 ``a``** *Firms from developing market context will internationalize based on domestic cost advantages versus domestic firms elsewhere*.

They go where there is little competition in the market, and the domestic players are weak or declining because of higher cost structure.

New Findings *Firms from developing countries will be influenced by: 1) Small home markets, 2) Desire of the owner / manager for internationalization, 3) Cheaper labor conditions and 4) Higher prices in foreign markets.*

The four factors presented above have an impact in all three cases; therefore represent strong influence in the internationalization decision of firms from developing countries.

- **Small Markets** The results of the three firms coincide that the Bolivian market is small and limited, and there is an inevitable need to find new markets.

- **Desire of the Owner / Manager for internationalization** The managers / CEOs of the three companies had the desire for internationalization. However, each one of them in a different way. Sombreros Chuquisaca CEO and Manager since the foundation of the firm had the desire to take the Bolivian products abroad, in the case of Friccion was the past international experience of the CEO that lead the firm to expand into foreign markets and finally in the case of SAO –VBL are the global goals of the conglomerate that prime SAO-VBL to enter new foreign markets.

- **Cheap Labor Conditions** The three firms agreed that Bolivian labor cost is very cheap in comparison with the rest of the neighboring countries. Therefore, is more convenient to produce in Bolivia instead of importing or producing in target countries.

- **Higher Prices in Foreign Markets** This last factor is connected with the cheap labor conditions, here the three firms also coincide in the fact that is more convenient to produce the goods in Bolivia at lower cost and then sell them abroad at higher prices.

The following table compares the initial and final prepositions, as described earlier. The numbers of prepositions have been increased from 5 to 10.

Table 11 Final Prepositions

	Initial Prepositions	Final Prepositions
Level of Analysis	Factors that influence internationalization decisions specifically in firms from a developing country context.	Factors that influence internationalization decisions specifically in firms from a developing country context.
Number of Factors	5	11
Presposition and Changes	Firms from developing countries will be influenced by government agreements in their	Government agreements influence the market choice of firms from developing market context
	Firms from developing countries will be influenced by network relationships in: a) Choice of Entry mode b) Choice of market to enter	Firms from developing countries are influenced by formal and informal network relationships in: a) Choice of Entry mode b) Choice of market to enter
	Firms from developing countries will be influenced by the experience from serving foreign customers.	Firms from developing countries are influenced by the experience from serving foreign customers.
	Firms from developing countries will be influenced by the demand from abroad in choice of foreign market	Firms from developing market context first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands.

	Firms from developing countries will be influenced by the presence of major networks from home country in target country.	Firms from developing market context are not influenced by the presence of major networks from home country in target country.
Added Factors		
		Psychic Distance influenced the market choice in firms from developing market context.
		Firms from developing market context will internationalize based on domestic cost advantages
		Small home markets
		Desire of the owner /CEO for internationalization
		Cheap labor conditions
		Higher prices in foreign markets

6. Conclusion

This concluding chapter will highlight the theoretical contributions emerging form the research, will provide a list of the main findings, will acknowledge the limitations of the study and finally will propose implications for theory and practice.

6.1 Purpose of the study

The main purpose of this study is to develop theory by identifying factors that influence internationalization decisions specifically in firms from a developing country context. This has been done by looking into related literature, by empirical analysis of cases, and by a critical discussion between theory and empirical findings. The end result and contribution is a fine tuned model/list of propositions concerning factors influencing internationalization decision making in firms from developing market contexts.

6.2 List of Main Findings

a) Findings supported by previous theories

1. As described by J. Johanson and Vahlne (1977) internationalization of the firms is a process in which the firms gradually increase their international involvement.

2. As described in the Uppsula Model, early export stages firms focus on psychic close countries and at later stages they expand to more distant countries.

3. As described by Benito and Welch (1994) past experiences form the decision maker may also influence in the internationalization decision of the firms.

4. As described by Johanson and Matson (1988); Coviello and McAuley (1999); Oviatt and McDougall (2004) et al. Firms will chose target countries or markets based on networks and extensive knowledge about the different actors in foreign markets, based on direct experiences and contacts on the management level.

5. As described by Rasmussen et al. (2012) firms are based on family ownership and chose family networks as entry mode in foreign markets.

6. As described by Knight (1996) in his study of born globals, firms from developing countries start exporting as a result of the market opportunity seen by the CEO or Manager of the firm.

7. As mention in Dunning's "localization" dimensions of his OLI framework. The high cost of labor in developed economies is forcing firms to start making physical investments in developing economies where the cost of labor is cheaper, creating opportunities for the home firms.

b) Previous theories not supported by the findings

1. As described by Chetty and Campbell-Hunt (2004) that firms will chose target markets based on 1) Strong economies and 2) Heavy users of the product.

2. As described by Zafarullah et al. (1997) the driving factor in choice of market was the location of major buyers.

6.3 List of the main contributions

The following findings are the contribution of the study:

1. Firms from from a developing country context first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands.

2. Firms from a developing country context internationalize based on domestic cost advantages versus domestic firms elsewhere. They go where there is little competition in the market, and the domestic players are weak or declining because of higher cost structure.

3. Finally, the end result and contribution is a fine tuned model/list of propositions concerning factors influencing internationalization decision making in firms from developing market contexts.

6.4 Limitations of the study

The following points listed describe the limitation and challenges of the study:

1. Even though Bolivia is a good example of developing country, and hence suitable for conducting this type of research, the results are limited to what extent Bolivia really represents for developing countries in general. Developing countries in Africa are different from those in Latin America. And even between Latin American countries there are big differences.

2. The analysis has been based on interviews with a single informant from each company. Here, it is clear that if interviews were made with different stakeholders (i.e. owners, employees, customers, distributors, etc.), additional insights and perspectives could have been added. In this sense, the presented findings are limited and constrained to a managerial perspective from a single manager of each firm.

3. The interviews has been realized through Skype, therefore it had some limitations: first the incapacity to interpreted body language while they answer the questions, second the slow connection in the Bolivian servers limited the fluency during the interview and at some time had to be stopped and started again after few minutes creating distraction in the interviewee, finally the limited time of the Managers constrain the length of their answers.

6.5 Opportunities for further studies

The discussion in this study highlighted the main factors that influence internationalization decisions especially in firms form developing country context, helping to develop theory by identifying them.

However, as noted by Kuada and Sørensen (2000) doubtlessly substantial research and theory building is required, not only in Bolivia, but also in other developing economies, for us to begin to gain an knowledgeable understanding of the opportunities and challenges that this firms face in the century. Finally, to conclude this chapter, we consider that is important to emphasize some of the research issues that require especial attention.

It will be appreciated if more students, universities or organization for the development studies with more founding, time and research skills could study what influences internationalization decision of firms from developing market context in Latin America, Africa and Asia in a separate way and then see the differences and similarities towards markets and countries in order to be able to propose new theories.

Also, will be interesting to make a country analysis based on specific industries to analyze if the factors that triggered internationalization are general and can be applied to different industries like manufacturing and high technological for example, or if each industry has their own set of factors that influence the decision to internationalize.

In the same manner, in recent years there has been a widespread of relatively new type of firms in numerous countries denominated as "Born Globals", cases of firms in countries such as Australia, Thailand, New Zealand, Israel and Eastern China among others gave birth to the Born Global Phenomenon, challenging the traditional theories of internationalization. This study cover the basics, however there is still a huge lack of information of this type of firms in Latin America that requires more studies.

Finally, theories tend to either omit the government and its institutions or to regard then as a power over and above business, a power that stipulates the free space for business actions. Future research needs to explicitly include government – business relations in theories of how government influences the internationalization decision of firms not only from developed economies but also from developing economies.

6.6 Implications for theory and practice

This study carry implications for the export sector from developing countries, it is evident that developing countries require the formulation and committed implementation of coherent national export policies. Policy and decision makers require a better insight into the perceived constraints of their exporter and non-exporter firms and the prevailing systems of operation that influence their behavior. Kuada and Sørensen (2000, pp. 178-179) pointed out the following points that are relevant for this type of study:

1. In developing country context, formal and informal networks play to main roles, the first one is to provide information about different markets, and the second is the creation of joint resources for reducing marketing cost. A better understanding of the system will provide ideas for policy interventions aimed to strengthening these networks.

2. Cross border trade may be seriously constrained by exporter`s inadequate knowledge of business practices in neighboring countries as well as inadequate language skills. The results of this study showed that firms from developing market context tend to internationalize to psychic distant and neighboring countries because it results easier to understand the business practices and avoid language barriers, limiting their expansion. Policy makers should provide export business trainees with requisite language skills (at least English) and business knowledge from more distant markets like African, European and Asian and not only from those centered in Latin America.

3. The Government though specific institutions like CADEX for example provides information about exports, tariffs and international business. However, it is also worth considering the establishment of export promotion offices in neighboring countries to help exporters to make contacts with key business networks in the countries.

4. Financial constraints, most of the time the difference between exporters and non-exporters, success and failure are the financial possibilities of the firms. Even though there are some institution dedicated to the exporting sector, is still necessary the establishment of special financing institution that provide medium and long term investment funds to producer and exporters through the creation of export guaranty schemes.

4\. Finally, the theories and findings established in this study may serve as guide for managers that consider exporting. They will be able to evaluate how other companies have chosen markets and implemented different entry modes. Morover, the tuned model/list of propositions concerning factors influencing internationalization decision making in firms from developing market contexts can be seen as a roadmap for their own internationalization process.

5. Most managers of firms from developing country contexts may face similar resources constraints, as exhibited in the analysis of Sombreros Chuquisaca, Friccion and SAO- VBL, this thesis can be used as an example of how managers used different factors to overcome these constrains.

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INTERVIEW GUIDE

I Lead – in

Thank you for the opportunity, my name is Gustavo Barja Deuer I am currently cursing the Master degree in International Management at U.I.A (Kristiansand – Norway) as part of a bilateral agreement between the University of S.F.X.Ch (Sucre – Bolivia) and UIA.

Description to the study

I intend to study internationalization in the context of firms from developing countries, while trying to understand the unique challenges they are facing, strategies they are adopting, and the reasons for their decisions throughout the process.

Implications, importance and appreciation

Reasons for internationalization might be perceived different from firm to firm.

With few studies conducted in developing countries, I believe that this study will contribute to some of the existing literature.

I really appreciate that you are willing to use some of your time to help me conduct this research.

Confidentiality

Would you mind to use the webcam during the whole interview / in the beginning for a formal presentation/ just audio?

The interview will be recorded for this study purposes only. No one else will have access to this recording, and it will only be used for research purposes, transcription and translation.

I will send the case analysis report back to you for feedback before completing the thesis. In case you wish to provide feedback to make sure I understood all your answers properly.

Would you like to stay anonymous or will you allow me to use the firm's name in this study.

II Agenda

Reflection questions:

Could you tell me about your company and its main product lines?

Please tell me about the international activities of the company – in which foreign markets are you active and what type of engagement do you have in each market?

Can you describe how your company has gone abroad?

How did you select the countries you chose to enter?

What challenges did you face when entering each country?

*Make sure to get answers regarding what influence them to go abroad and not staying home.

Internationalization decision

1. Please describe to me a typical process of a decision to go abroad. Think about markets you have entered in the past, and how did that decision develop?
2. Assuming you have plans to enter a new foreign market in the near future – please describe what will you do to make that happen? What actions will be taken? Which people will be involved? How?
3. Who makes internationalization decisions in your firm? What is their position? What kind of roles and responsibilities do they have? What kind of background do they have? Why are they making these decisions?
4. How did you get your first order? Was it the first market you exported to?
5. What was your primary motivation to start the export business?
6. Do exporters in your line of business have any associations or communities? What are the roles of these associations? Are you currently member of one?

*Make sure to mention government agreements if the interviewee didn't mention any.

7. How much of your total amount exports still going to this country /ies (We don't need exact numbers, a percentage will be enough)

8. Do you sell through importers, agents, distributors, representatives or other? Can you tell me the reason underlying your choice of sales?

*Make sure to get the main reason of the firm's choice of selling.

9. Is the company part of an international or local network? Which?

a) How do this network/s influenced or still doing it in the choice of market entry?

b) How much influence do these networks have in the choice of entry?

c) Are there any other informal networks based on friendships or families? How do these informal networks affect your internationalization decision?

* Pay attention to "informal" and friendship-based networks. Make sure to discuss friends and family in the context of network questions.

10. Can you describe some of the relationships you developed with distributors, supplier, and customers in each country you operate?

11. How do you obtain customers in different countries? Why do you use this approach to find new customers in these countries?

*Make sure to understand the impact of the networks in the internationalization decision if there is any, if there are formal OR INFORMAL.

12. Can you describe your first international experience as a new firm in a foreign market?

13. Did the firm served any international firm before going abroad?

a) Yes, did this experience influence the decision to internationalize?

b)No, why do you think that.

*Find if there is any relation between past international experience and decision to internationalize.

14. What kind of industry do you serve?

15. How would you describe your portfolio of products according to the demands of your customers? (general or specific)

*What kind of demand does the company seek to satisfied (niche markets, global markets)

16. Did you notice the presence of mayor firms and networks in this kind of industry?

a) Yes, what kind of effect do you think this mayor firms or networks have in local business?

b) No. (Next question)

*Find out if mayor firms and networks influence the decision to internationalize.

III Closing

17. What have been the major problems you have faced in your export business?

18. How did you solve them?

19. Do you currently experience any problem? Which?

20. What kind of difficulties do you think that Bolivian firms experience when they internationalize?

21. What in your opinion, should be done to minimize these difficulties?

*Personal insight

Anything else you would like to add, that we have not covered? Any further documentation?

Can I contact you later via e-mail, if I have any further questions following your analysis of the data?

I will send them a copy of the final thesis.

Thank you for your time and collaboration, the information collected today will contribute to the few existing literature in this topic.