A Rainbow Nation Hunting for Opportunities Abroad

A study on the implications of BEE on South African SMMEs when they internationalize

Author: Angelica Ring
Ida Ederlöv
Supervisor: Richard Owusu
Examiner: Clarinda Rodrigues
Date: 24-05-2017
Subject: International Business
Level: Bachelor Thesis
Course code: 2FE51E
Abstract
Due to South Africa's history of apartheid the current regime have implemented the Black Economic Empowerment (BEE) policy to rectify the discrimination against previously disadvantaged groups. The BEE policy gives incentives for companies to hire non-whites in higher positions, like management, and the ambition with this is to create equality. With a qualitative research method and using an abductive approach this study research how South African SMMEs are influenced by the BEE policy when they internationalize.

This study concludes that South African SMMEs are differently influenced by the BEE policy when they internationalize. Furthermore, this research shows that the impact is highly dependent on the business owners ethnicity. The influence the BEE policy had on black owned business was predominantly positive. However, the effect the BEE policy had on white owned businesses was more complex. As far as this research shows, the influence the BEE policy had on SMMEs when they internationalize are an extension of how the BEE policy influenced them in the domestic market. The authors recommendation is that the relationship between BEE and internationalization is further investigated and that this study is complemented with a quantitative research.

Keywords
South Africa, Small Micro and Medium Sized Enterprises (SMMEs), Internationalization, The South African Business environment, Black Economic Empowerment (BEE)
Concept Definitions

ANC - African National Congress. Political party in South Africa which came to power after apartheid ended in 1994. Are still the ruling party today in the country.

Apartheid - Phenomena supported by the regime in South Africa under the second half of the nineteen hundreds. Blacks, coloured and asians were suppressed and discriminated against.

BEE - Black Economic Empowerment. A political policy with the aim to help earlier disadvantage groups in the society.

DTI – Department of Trade and Industry. One of South Africa’s political institutions.

SMME - Small, Micro and Medium sized enterprises. Firms with less than 199 employees.

Psychic distance - The result of both cultural and business differences between two countries.

Previously disadvantage groups - Population in South Africa, black and colored, that was suppressed by the white population during apartheid.
Acknowledgements

We would like to thank all the people around us that helped with this study directly and indirectly. All the people in South Africa that we have met during our study have given us understanding of South Africa in general and the BEE policy in particular. We would additionally like to thank SIDA for the possibility to travel to the country and gain first-hand experience of the subjects discussed in this thesis. Without the funds provided by the MFS scholarship this thesis would never have been possible.

We would further like to thank the business owners that took the time to have an interview with us. Without their participation, this thesis would not have been possible to accomplish. Moreover, without their generosity and honesty about their opinions and experiences, this study would have been without substance.

- Eva Shaw owner of Advance International Business Development
- Rechina Droganis owner of Africology
- Grant Viljoen owner of Finishing Touches
- Malcolm Green owner of La Ric Mal
- Fulu Mphuthi owner of a Petroleum company
- Ian McQueen owner of Silverlab

We would like to thank Alyce Frisk at the South African Embassy in Stockholm who were of great help to get us in touch with the companies. We would also like to thank Lars Hedstöm for the advices and help in South Africa.

Last but certainly not least we would like to give special thanks to our supervisor Richard Owusu and our examiner Clarinda Rodriguez for all the extensive work and the effort they put in, to make this thesis great. We are very thankful for all your comments and support.

Kalmar, Sweden 24th of May 2017

__________________________  _______________________
Angelica Ring                  Ida Ederlöv
# Contents

1 Introduction ................................................................. 1  
1.1 Background .................................................................... 1  
1.2 Problem discussion ...................................................... 3  
  1.2.1 Research gap .......................................................... 5  
1.3 Research question .......................................................... 5  
1.4 Purpose ........................................................................ 5  
1.5 Delimitations .................................................................. 5  
1.6 Minor Field Studies ....................................................... 6  
1.7 Outline .......................................................................... 6  

2 Literature review ................................................................. 7  
2.1 Internationalization .......................................................... 7  
2.2 Internationalization Theories ............................................. 8  
  2.2.1 The Uppsala Model .................................................... 8  
  2.2.2 Born Global ............................................................. 8  
  2.2.3 The Network Approach ............................................. 9  
  2.2.4 International Entrepreneurship ................................... 10  
2.3 South Africa .................................................................... 11  
  2.3.1 Growth and Internationalization of Emerging markets .... 11  
  2.3.2 Internationalization of South Africa ............................ 13  
  2.3.3 SMMEs in South Africa ............................................ 13  
  2.3.4 Business environment in South Africa ....................... 15  
  2.3.5 Policies and Institutions of South Africa ..................... 16  
  2.3.6 The South African BEE policy ................................... 17  
2.4 The Conceptual framework ............................................... 20  

3 Methodology ..................................................................... 21  
3.1 Research Approach ....................................................... 21  
3.2 Research Method ............................................................ 23  
3.3 Research Design ............................................................. 24  
3.4 Data collection ............................................................... 25  
3.5 Quality of research ......................................................... 25  
3.6 Operationalisation .......................................................... 27  
3.7 Ethical considerations ..................................................... 28  

4 Empirical findings ............................................................... 30  
4.1 The companies ............................................................... 30  
  4.1.1 Advance International Business Development .............. 30  
  4.1.2 Africology ............................................................... 30  
  4.1.3 Finishing Touches .................................................... 30  
  4.1.4 La Ric Mal .............................................................. 31  
  4.1.5 Mphuthi ................................................................. 31  
  4.1.6 Silverlab ................................................................. 31
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2 Internationalization</td>
<td>31</td>
</tr>
<tr>
<td>4.2.1 The result of internationalization and future plans</td>
<td>34</td>
</tr>
<tr>
<td>4.3 Black Economic Empowerment, BEE</td>
<td>35</td>
</tr>
<tr>
<td>4.4 BEEs influence on internationalization</td>
<td>38</td>
</tr>
<tr>
<td>5 Analysis</td>
<td>40</td>
</tr>
<tr>
<td>5.1 Internationalization models</td>
<td>40</td>
</tr>
<tr>
<td>5.1.1 The Uppsala Model</td>
<td>40</td>
</tr>
<tr>
<td>5.1.2 The Network Approach</td>
<td>40</td>
</tr>
<tr>
<td>5.1.3 Born Global</td>
<td>41</td>
</tr>
<tr>
<td>5.1.4 International Entrepreneurship</td>
<td>41</td>
</tr>
<tr>
<td>5.2 Internationalization</td>
<td>42</td>
</tr>
<tr>
<td>5.3 South Africa</td>
<td>42</td>
</tr>
<tr>
<td>5.3.1 Growth and Internationalization of Emerging markets</td>
<td>42</td>
</tr>
<tr>
<td>5.4 BEE</td>
<td>44</td>
</tr>
<tr>
<td>6 Conclusion</td>
<td>46</td>
</tr>
<tr>
<td>6.1 Answering the research questions</td>
<td>46</td>
</tr>
<tr>
<td>6.2 Theoretical Implications</td>
<td>47</td>
</tr>
<tr>
<td>6.3 Practical Implications</td>
<td>48</td>
</tr>
<tr>
<td>6.4 Limitations</td>
<td>48</td>
</tr>
<tr>
<td>6.5 Recommendations for further research</td>
<td>49</td>
</tr>
<tr>
<td>7. References appendix</td>
<td>I</td>
</tr>
<tr>
<td>7.1 Articles</td>
<td>I</td>
</tr>
<tr>
<td>7.2 Books</td>
<td>VI</td>
</tr>
<tr>
<td>7.3 Online Sources</td>
<td>VI</td>
</tr>
<tr>
<td>7.4 Museum</td>
<td>VII</td>
</tr>
<tr>
<td>Appendix A</td>
<td>VIII</td>
</tr>
<tr>
<td>Appendix B</td>
<td>X</td>
</tr>
</tbody>
</table>
1 Introduction

In this chapter the basis for the thesis will be represented through a background, a problem discussion and finally the research gap. Further, the research question is highlighted followed by the purpose and delimitations of the thesis.

1.1 Background

South Africa is a multi-cultural country with 11 official languages including English, Isizulu and Afrikaans (Gov.za, 2017). It is a large country that has three capitals; Pretoria is the administrative capital, Cape Town is the legislative capital and Bloemfontein is the judicial capital (Gov.za, 2017). The population of South Africa has increased radically since the beginning of 1960s, from 17 million people to 55 million people in 2015 (Data.worldbank.org, 2017). At the same time, the country’s GDP have had a slow growth from the 1960s but during 2002 to 2011 the GDP was flourishing (Data.worldbank.org, 2017). Unfortunately, after the year of 2011, the GDP growth in South Africa dropped and has still not today recovered and in 2016 the GDP growth of South Africa was at the low number 0.4% (Data.worldbank.org, 2017). On the other hand, future forecast is showing that the country's GDP will increase within the next year's (Data.worldbank.org, 2017).

The economy of South Africa has been shaped due to its history and that is why they still today faces high unemployment, poor living conditions and deprivation (Rotich, Ilieva, Walunywa, 2015). According to Karlsson (2016), during the nation's history South Africa has faced different trials like colonization (from both the British and the Dutch East India Company), slavery and several wars due to the settlers and other Africans. Additionally, and possibly most significant is the stifling segregation due to apartheid which stills scars the country (Karlsson, 2016). The black part of the South African population, which is the majority, was denied basic human right during this period (Karlsson, 2016). Furthermore, they were refused the right to vote, live where they wanted and love who they wanted (Karlsson, 2016). At the same time, the press was also heavily controlled (Brand South Africa, 2017). Publications that criticized the apartheid rule was banned and journalists using their media to protest the government were often harassed or even assassinated (Brand South Africa, 2017). Inequality between the racial groups in South Africa was caused by land ownership being a privilege of the white, apartheid's labour structure and forced urbanization to townships (Rotich et al., 2015).

Apartheid ended with the constitution of 1996 and different racial groups had their fundamental rights recognized (Rotich et al., 2015). During apartheid, many countries formed trade sanction against South Africa, which stifled the nation's development. However, these sanctions were abolished after the regime's fall (Calof, Jonathan L, Viviers, Wilma, 1995). At the same time; cultural, economic, social and political levels are frequently being renegotiated since the difficulties with class still exists (Rotich et al., 2015). Furthermore, it is no surprise that the
country is going through social reformation from the institutionalization of apartheid (Rotich et al, 2015). However, with all this baggage, South Africa is now a flourishing and developing country, which has risen above its peers (Duncan, 2017). Due to its multifaceted history, the country has many different ethnicities, not just black and white, but also, called coloured (Karlsson, 2016). This group is called coloured both by themselves and other groups in society (Karlsson, 2016).

Researching the internationalization process of South African companies is of great relevance because it is an important player in Africa (Dunn and Nilan, 2007). According to Dunn and Nilan (2007) the nation understands its critical role to play. Nevertheless, South Africa is certainly not a country without problems (Dunn and Nilan, 2007). However, it is still more developed and has a better position than most other sub-Saharan African countries (Dunn and Nilan, 2007).

Already in 1995 researchers found importance in internationalization of companies from South Africa when they suggested that firms should increase their export (Calof, Jonathan L, Viviers, Wilma, 1995). During the same time, the country had high inflation and the unemployment rates was estimated between 30-60 percent (Calof et al., 1995). The country relied on firms to have successful exports and to make this happen it was important to limit the barriers to internationalization (Calof et al., 1995). Additionally, with the dismantling of sanctions, markets had open to South Africa, especially by other countries on the continent that now were willing to trade with South Africa after the apartheid's fall (Calof et al., 1995). Since some of the inhabitants of the country had European roots, large cultural distance occurred between them and the rest of Africa (Calof et al., 1995). This could prevent South African firms to entering other African market but for South Africa’s black population psycho-culturally were closer to Africa than to Europe, therefore increasing trade were possible (Calof et al., 1995).

According to Dunn and Nilan (2007) the process of internationalization has become a trendy subject in a post-apartheid South Africa. This process has an important role in the region's future development (Dunn and Nilan, 2007). Further they want the decision-makers to stop viewing internationalization as something intangible and concentrate on the financial benefits it can have long term (Dunn and Nilan, 2007). The importance of internationalization for South Africa is further emphasized by Edwards (2003). Since the election in 1994 of a democratic government, South Africa has had an increased integration in the international economy and the GDP growth in the nation has speeded up (Edwards, 2003). This is showing the benefits of internationalization but also the complexity of the concept since this growth was much lower level than expected (Edwards, 2003). Edwards (2003) also states, that simultaneously there has been a decline in employment, especially of unskilled labour.

Denton and Vloeberghs (2003) state that there are not only changes in the political, social and the economic environment but also in the new power structures. The
political climate in the mid-nineties in the nation was quite unique (Worldbank.org, 2017). South Africa went from absolute segregation between whites and blacks to the election of the African National Congress (ANC) to power, headed by a black man: Nelson Mandela (Karlsson, 2016). According to the Worldbank.org (2017) was this peaceful political transition most extraordinary. However, The Johannesburg Museum of Apartheid (2017) shows that it may not have been an official war, but there was plenty of violence for this to happen. Despite the symbol of unity, the ANC use to be, taking the powers after apartheid, they now have lost parts of that power in the election 2016 (Worldbank.org, 2017). Since it is a nation with undergoing transformation with unemployment, politics and land struggle the might be called the “new” South Africa as it is a changing rainbow nation (Rotich et al., 2015).

Black Economic Empowerment (BEE) is a policy instituted by the democratic regime lead by the political party ANC (Tangri and Southall, 2008). The ambition of the policy is to economically boost previously disadvantage groups in the South African society, which occurred during the apartheid area (Wolmarans and Sartorius, 2011). According to Southall (2007) the BEE policy is a highly debated and controversial subject. Some researchers like Kleynhans and Kruger (2014) and Wolmarans and Sartorius (2011) think it has been successful for the society and profitable for companies. However, others have a different view of the consequences of the policy (Tangri and Southall, 2007, Tangri and Southall, 2008). Tangri and Southall (2008) believes BEE have only benefited a very small part of the population and Southall (2007) state the policy might be harmful for the South African economy.

1.2 Problem discussion

Internationalization is important for emerging markets (Wood, Khavul, Perez-Nordtvedt, Prakhya, Dabrowski, Zheng, 2011). Furthermore, Lu and Beamish (2001) found in their study that there is a clear connection between performance and internationalization, however these kinds of ventures can reach a point where further internationalization may bring too high costs to justify the benefits. Wood et al., (2011) agree and state that when companies from emerging markets internationalize in early stage, it is then less likely that they get stuck in a negative debt.

Ever since the apartheid regime's fall in South Africa, internationalization as a subject have grown of importance (Dunn and Nilan, 2007). A previous study conducted by Calof and Viviers (1995) show that companies in South Africa who are exporting must increase their activity and companies that are not internationalized need to start export as well. This is important for South Africa's future development (Calof and Viviers 1995). Another important aspect for South Africa’s growth is the sector of small and medium sized enterprises (Roy, Sekhar and Vyas, 2016). Roy et al., (2016) discovered that these companies often
internationalize their operations and therefore are an important component to pay attention to when investigating the nation's future growth opportunities, proving that SMEs are a relevant topic to research for studies regarding South Africa's development.

Karlsson (2016) is one of many that have studied South Africa's history and he found in his study that due to the nations multifaceted history, South Africa has required many layers to its culture and like few other countries is it a combination of cultures. The country has been heavily affected by past social and economic phenomena (Karlsson, 2016). Additionally, Rotich et al., (2015) state that South Africa is a nation experiencing transformation in the social formations and that old truths are constantly being challenged by new ideas. Old social, cultural and political assumptions are being renegotiated (Rotich et al., 2015). Furthermore, Rotich et al., (2015) argue that a future after apartheid might be a new story of a culturally, socially, economically and politically transforming nation. According to Fey’s et al., (2016) study they have found that emerging markets are more and more becoming successful competitors on the global arena. Since emerging markets are of importance for the world economy, studies in this area are a relevant and current subject, especially in South Africa since it is one of the biggest economies in Africa (Worldbank.org, 2017).

According to several studies, South Africa is a nation with undergoing change since the apartheid regime fell in 1994 (Rotich et al., 2015, Heleba and Kamga, 2012, Vloeberghs, 2003, Fig, 2005). However, in Visagie’s (1999) study they found that the cultural elements in a company are changing due to affirmative action implications. Furthermore, to balance the country affirmative action was implemented which included the BEE policy (Boshoff, 2012). This policy is one of the distinct factors separating South Africa's business environment from others (Kleynhans and Kruger, 2014). Moreover, Kleynhans and Kruger (2014) discovered that the policy made businesses in the country face unique situations. However, the BEE policy can also be a unique opportunity to right the wrongs of the past (Kleynhans and Kruger, 2014). After 1994 and the fall of the apartheid, the new democratic government had the aim to accomplish several important goals, one of them was to restore equality in labor and ownership through the BEE policy (Tangri and Southall, 2008). However, the BEE is a relatively new phenomenon since it was implemented after the apartheid regime's fall in 1994 (Tangri and Southall, 2008). There is a knowledge gap about the impact of this phenomenon, since the BEE policy has not existed for such a long time. Furthermore, Tangri and Southall’s (2008) study show that despite this policy primarily aiming to rectify human right violations, it also has real life economic consequences. These consequences are today predominantly symbolized by redistribution of assets (Tangri and Southall, 2008). One of the goals of this research is to fill the knowledge gap about the consequences of the BEE policy.
Southall (2007) state that the BEE policy is a controversial subject. According to Kleynhans and Kruger’s (2014) study, black business owners complain that the process of redistribution is too slow. On the other hand, according to Tangri and Southall’s (2008) results black business leaders have expressed the critique that the mere existence of the policy can potentially harm the economic growth of the country. Therefore, it is important to research the actual consequences of the BEE policy and in particular the internationalization of South African SMMEs.

1.2.1 Research gap
There has been extensive research on the concept of internationalization and how this is conducted when going out from emerging markets. In some few instances research on internationalization have focused on South Africa. However, there are only few articles investigating internationalization of South African SMMEs. Additionally, none of the articles we found adds the angle of the impact of the BEE policy in South African SMME’s internationalization process. Today, BEE is an important factor in the South African business environment. Since BEE has a major role in the South African society, it affects South African companies in general. However, if it has an influence on SMMEs and their internationalization process is unknown. Therefore, this research has the intent to fill this research gap.

1.3 Research question
Based on the identified knowledge gap the research question for this study is stated below.

How does the BEE policy influence South African SMMEs when they internationalize their operations?

1.4 Purpose
The purpose of this research is to get a deeper understanding of the impact the BEE policy has when South African SMMEs internationalize their operations. The research intention is to investigate if the BEE policy helps or hinders the internationalization process of South African companies. This is of importance since internationalization of emerging markets is crucial for their development and South Africa fits into this category. Therefore, the impact of the BEE policy on internationalization is not just an issue concerning individual companies but the nation as a whole. The results of this thesis will contribute to theory and management knowledge.

1.5 Delimitations
To delimit the research, the choice has been made to only investigate internationalization of South African SMMEs. Due to geographical restrictions; this study focuses on companies in the Johannesburg and Cape Town area. Furthermore, this research only focus on the BEE policy in South Africa and how
this impacts the outgoing internationalization process. To simplify the investigation, the focus will be on the BEE policy from an economic standpoint. Democratic or human rights implications of the policy will not be taken into consideration, since this is not a part of our subject.

1.6 Minor Field Studies
This study was made possible due to scholarships from Minor Field Studies, provided by the Swedish help organization SIDA. Furthermore, the conditions for this funding were that the study includes the development context as a dominant part of the thesis. Therefore, without not being able to be in South Africa, this study would not have been possible.

1.7 Outline

- **Chapter 1: Introduction**
  - The base for the thesis is laid out in the introduction chapter. The background puts the study in its context and the problem discussion emphasizes why this subject is of importance and finally the research question will be presented. The answer of the research questions is the red thread that binds the entire thesis together and is the aim of every following chapter.

- **Chapter 2: Literature review**
  - The literature review presents the concepts that are relevant for answering the research question and obtain understanding for the subject. This chapter has a funnel structure for clarity.

- **Chapter 3: Methodology**
  - In the methodology chapter the choice of method for the investigation is presented. Additionally, why the choices are suitable for this research is explained.

- **Chapter 4: Empirical Findings**
  - The empirical findings are a review of the data collected, the structure follows the relevant concepts of the theory chapter. The reason for this is making the connection between the empirical findings and the theoretical notions clear.

- **Chapter 5: Analysis**
  - The analysis further explains the above-mentioned connection and discusses the similarities and abnormalities between the primary and secondary data.

- **Chapter 6: Conclusion**
  - The conclusion chapter summarizes and emphasizes the result of the study. Previous chapters lead up to these final statements of what has been found and what recommendations that can be made from this. This chapter aims to fill the identified research gap.
2 Literature review

This chapter contains the theories and concepts relevant for this study. The concepts highlight and create understanding of the subjects of the thesis. Furthermore, the theories have been used as a base for the research and when formulating the interview question. Additionally, the contents of this chapter will be used as a foundation for the analysis and the answer to the research question. At the end of this chapter the conceptual framework shows the connection between the concepts and explains how they are linked together.

2.1 Internationalization

Internationalization is establishment in different ways that occurs outside of the national boarders (Johanson and Vahlne 1990). Furthermore, according to Schoorman (2000, p.5) internationalization is defined as: “an outgoing, counter-hegemonic educational process that occurs in an international context of knowledge and practice where societies are viewed as subsystems of a larger inclusive world.”

Several government and business professionals have over the years encourage companies, both old and new ones, to go abroad with their businesses since it would generate more profitability (McDougall and Oviatt, 1996). However, when international entrepreneurs go abroad it is common that they do not have a specific goal and therefore the internationalization process is unplanned (Kalinic, Sarasvathy and Forza, 2014). Furthermore, international business owners do not expect the highest amount of returns but rather tend to make decisions that are grounded in affordable loss principle (Kalinic et al., 2014). Moreover, according to McDougall and Oviatt (1996), for a domestic company to be successful when taking their business abroad they tend to make changes in the entire venture’s strategy because it is not enough to merely expand the development in the strategies and procedures.

According to McDougall and Oviatt (1996) there is no direct connection between return on investment and internationalization when firms go international early after they are founded (McDougall and Oviatt, 1996). Even though, they make good market shares in the following years in the international market, they might have been equally successful in the domestic market (McDougall and Oviatt, 1996). However, McDougall and Oviatt (1996) found that firms which increased their internationalization within two years had a good connection between venture performance and strategic change. Furthermore, in firms where they did not develop their internationalization process, this positive connection did not appear (McDougall and Oviatt, 1996). This conclude that being an international firm will not change the economic profitability by only taking the business abroad in the initial face without any dedication to the internationalization (McDougall and Oviatt, 1996). It is instead more likely that internationalization should be implanted in the whole organizational strategy to increase the profit, but internationalization by itself do not have that impact (McDougall and Oviatt, 1996).
2.2 Internationalization Theories

2.2.1 The Uppsala Model

Johanson and Vahlne (1977) state that the Uppsala Model describes the pattern and the pace of internationalization of firms going abroad. The model consists of three findings about the firm’s behaviour when internationalizing: that they establish at home first, then the firm take incremental steps when going abroad geographically and psychically, and finally the firm slowly take part in increasingly risky entry modes (Johanson and Wiedersheim-Paul, 1975). All of this is explained by the assumed fact that increased involvement and knowledge decrease the obstacles of internationalization (Johanson and Vahlne, 1977). Furthermore, firms tend to go abroad to countries that have both low geographic and psychic distance to decrease uncertainty (Johanson and Wiedersheim-Paul, 1975). This occurs since the firms have relatively big amount of knowledge about the business practices and behaviour of these markets (Johanson and Wiedersheim-Paul, 1975).

The internationalization process model is a model for decreasing the risks in the internationalization of the firm (Johanson and Vahlne, 2006). The model states that the firm in the beginning often choose an entry mode with lower risk for example by selling through independent representatives and then work its way up to more risky entry modes with less flexibility and this resulting in a stepwise addition of operations (Johanson and Wiedersheim-Paul, 1975). Johanson and Vahlne (1977) agrees with this but states that the selling through representative could occur via an agent. This behaviour is explained by the assumed fact that the more you decide to invest the more you learn and the obstacle of lack of knowledge decreases (Johanson and Wiedersheim-Paul, 1975). Johanson and Vahlne (1977) emphasize that the information and familiarity required can be obtained by the firm mainly by taking part in operations abroad.

It is important to note that The Uppsala Internationalization Process Model is not a new study and since it was introduced in the 1970s many changes have occurred in the business practices and there has also been theoretical progress (Johanson and Vahlne, 2009). Today, building strong network and relationships are important in the business environment (Johanson and Vahlne, 2009). When it comes to the relationships in networks, outsidership occurs and uncertainty is the main factor, not the psychic distance (Johanson and Vahlne, 2009).

2.2.2 Born Global

If firms will follow traditional stage models like The Uppsala model or Born Global approach depends on their previous capabilities and motivations but also what strategies they have used (Chetty and Campbell-Hunt, 2004). Moreover, even though the Born Global approach has been studied since the beginning of 1990s, the definition of the concept still differs (Gabrielsson, Kirpalani, Dimitratos, Solberg and Zucchella, 2008). This is the case since the literature have been based
on different settings and countries (Gabrielsson et al., 2008). In the Born Global approach companies are seeking opportunities outside the national border from the very beginning or at an early stage (Madsen and Servais, 1997). Furthermore, this is contrary to more traditional models of internationalization (Madsen and Servais, 1997).

One popular interpretation of Born Global, emphasized by American researchers, is that the company would export at least 25% of their total sales within 3 years after the company was founded (Gabrielsson et al., 2008). Nevertheless, Gabrielsson et al. (2008) state that this definition is missing some important aspects. They believe that these numbers can vary depending on the potential in the domestic market (Gabrielsson et al., 2008). Because of this, Gabrielsson et al. (2008) state that the central factors instead are how the person behind the business from the beginning has a global vision. Furthermore, according to Gabrielsson et al. (2008) the additional factors that have an input on Born Global companies are; organizational learning, innovation, finance, networks, product strategies, operation and market strategies. On the other hand, Chetty and Campbell-Hunt (2004) conclude that the Born Global approach could be implemented by companies which started their internationalization in a traditional way by going to nearby markets. Thereafter, by using an innovative product, they can continue to internationalize fast to several markets to take advantage of the potential of the product (Chetty and Campbell-Hunt, 2004). To summarize, Chetty and Campbell-Hunt (2004) emphasizes that companies can start following one theoretical approach and then switch to another one.

2.2.3 The Network Approach

The Network Approach examines the network dimensions of a firm’s internationalization process (Hadley and Wilson, 2003). It draws parallels between the internationalization of the firm and the internationalization of the network (Hadley and Wilson, 2003). Freeman, Hutchings and Chetty (2012) emphasize the importance and the great use new companies can have of networks when internationalizing. Additionally, the disadvantage of lack of knowledge which plays an incremental role in the Uppsala Model, can be lessened by focusing on contacts and the business network (Freeman, Hutchings and Chetty, 2012). Especially Born Globals have a huge need for this Network Approach and to seek out foreign contacts to utilize their international experience and superior knowledge about international markets (Freeman, Hutchings and Chetty, 2012). Torstensen and Jonvik (2014) agrees with this sentiment and further emphasize the importance for nascent entrepreneurs to have a Network Approach to catch up with more experienced entrepreneurs. These new entrepreneurs need to heavily relay on contacts in their network, which have more expertise and knowledge for the expansion to foreign markets (Torstensen and Jonvik, 2014). This mentorship, made possible by the business network, gives the venture credibility when going abroad (Torstensen and Jonvik, 2014). Their study even shows that there is a direct correlation between how developed a nascent entrepreneur network is and the
successfulness of the internationalization (Torstensen and Jonvik, 2014). This indicates that a well worked network is vital for an inexperienced entrepreneur (Torstensen and Jonvik, 2014).

Furthermore, Chetty and Blankenburg Holm (2000) state that a network can give a small or medium sized company several benefits. Having a network can help a company learn from others experiences and gain knowledge but also to get access to lucrative opportunities (Chetty and Blankenburg Holm, 2000). Hadley and Wilson (2003) agrees that knowledge is a very important asset that impacts the successfulness of an international venture. They emphasize the importance of foreign institutional knowledge and that this is obtained through interaction with other companies (Hadley and Wilson, 2003). Additionally, smaller companies can benefit greatly from shared resources with other and larger companies instead of investing alone and baring all the risk of large investments (Chetty and Blankenburg Holm, 2000).

2.2.4 International Entrepreneurship

International new ventures are firms that from the very beginning are going international (Oviatt and McDougall, 1994). It is a combining concept of entrepreneurship, international business and strategic management (Oviatt and McDougall, 1994). Furthermore, Oviatt and McDougall (1994) explain international new ventures by four fundamental aspects: internationalization of some transactions, alternative governance structures, foreign location advantage and unique resources. These fundamental aspects are important identifications for new ventures. Furthermore Mainela, Puhakka and Servais (2013) emphasize that International New Ventures is the older version on International Entrepreneurship and that this new modern concept is of broader variety. Furthermore, Oviatt and McDougall (2005) agree and state that an interest in new ventures will open the eyes to International Entrepreneurship. International Entrepreneurship is a concept linking entrepreneurship and international business (Allen, 2016). An entrepreneur is self-control and driven by innovation and has the intention to help the firm or organization to grow by creating value (Allen, 2016). Furthermore, International Entrepreneurs are committed to force the businesses overseas (Allen, 2016). Moreover, according to Oviatt and McDougall (2005), entrepreneurship is divided into two parts (measure): the first one opportunities and the second one the person who have the will to take advantage of the (to gain benefits of them). They further emphasize that the definition of International Entrepreneurship is “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt and McDougall, 2005). They additionally add that opportunities are the main key for International Entrepreneurs (Oviatt and McDougall, 2005).
2.3 South Africa

2.3.1 Growth and Internationalization of Emerging markets

According to Van Loggerenberg (2012) South Africa is the nation with the most developed economy in sub-Saharan Africa. However, several researchers still identify South Africa as an emerging market or as the closely connected concept of being a developing nation (Wang and Bilson, 2016, Van den Heever, 2012).

The growing economies of emerging markets are unstoppable (Sheth, 2011). Fey et al., (2016) and Sheth (2011) state that the emerging markets around the world are truly living up to the name and are at an accelerated rate internationalizing. These emerging countries are increasingly becoming threatening competitors in the international market (Fey et al., 2016). Countries that before were left in the dust, due to lack of experience and resources, are becoming markets to focus on and companies from these markets are now becoming active participants in the global market (Tsai and Eisingerich, 2010, Fey et al., 2016).

Dawar and Chattopadhay (2002) defined emerging economies by three main factors: low incomes, variability in customers and infrastructure and the relative cheapness of labor, which is often substituted for capital. Furthermore, the behaviours of customers in emerging markets are often formed by these three main factors. When companies from developed countries are entering emerging economies, they should be aware that these markets are different from the markets the they are used to (Dawar and Chattopadhay, 2002). Moreover, Meyer and Peng (2015) state that diversity and instability characterizes the business environment of emerging countries. Because of this, researchers have an important role to clarify business phenomena in emerging countries around the world (Meyer and Peng, 2015). Dawar and Chattopadhay (2002) further emphasizes that emerging economies should be seen as a noticeable business opportunity. By using an already working concept for emerging economies around the world companies can be focusing on building a structure of economies of scale (Dawar and Chattopadhay, 2002). For emerging economies, a specific business model should be developed since those economies are in similar situations and therefore have plenty in common (Dawar and Chattopadhay, 2002). For example, the successful South African firm Breweries gathered experts within emerging economies and therefore created great business model applicable for emerging markets (Dawar and Chattopadhay, 2002). Further, Fey, Nayak, Wu, Zhou (2016) agree and state that traditional internationalization framework cannot be used to the same extent on multinational firms coming from emerging markets. A different framework is needed for these developing markets since the traditional once were formed with western countries in mind (Tsai and Eisingerich, 2010) (Fey et al., 2016). Fey et al., (2016) claim that Emerging Multinational Companies, EMNC, use different strategies, management styles, go to different countries and use other entry modes then similar companies use when coming from the west.
Furthermore, emerging economies found it easier to find footing in countries that are in a similar situation then in the more developed ones (Fey et al., 2016). Additionally, firms from emerging market often internationalize much quicker and it has been showed that they skip some of the steps in the Uppsala model, moving from high to low commitment at a faster speed than in the more traditional Western countries (Fey et al., 2016). Fey et al. (2016) agree and adds that this often is done through acquisitions and that the incentive for this is to make up for the distance between them and more experienced international actors. Bandeira-de-Mello, Fleury, Aaveline, Gama (2016) agree that companies arriving from emerging markets often suffer from a late start compared to its competitors. The motivations to internationalize also differs (Fey et al., 2016). Instead of internationalizing to find cheaper labor or more customers, EMNCs internationalize to obtain resources that are more plentiful in developed countries like trusted and respected brands, well-developed technology or knowledge (Fey et al., 2016). This is often due to the large problem of overcoming a negative country image, where the international market associated the product from nations as lesser in quality (Fey et al., 2016). This is one of the reasons why EMNCs often choose to rather expand to other developing countries where negative country image is not an issue (Fey et al., 2016). However, this notion is challenged by Bandeira-de-Mello et al., (2016) who’s research instead shows that a certain level of ambidexterity from companies in emerging markets make this not true.

Bandeira-de-Mello et al., (2016) state for a EMNC to overcome the shortcoming of being a late starter, the solution is to concurrently work both with discovery of capacities and exploiting of the current resources. To simultaneously work with both aspects will help companies from emerging markets to catch up with companies originating in more developed countries (Bandeira-de-Mello et al., 2016). Furthermore, their research additionally shows the positive effects on EMNC to have a combination of different entry modes (Bandeira-de-Mello et al., 2016). For example, taking part in a combination of acquisition and a strategic alliance, were found to be profitable. Another aspect that proved to be a factor of growth for EMNCs were combining competition and cooperation within the internal structures of the company and creating ambidexterity (Bandeira-de-Mello et al., 2016). Additionally, Fey et al., (2016) claim that there is a lack of knowledge and experience of internationalization in the developing nations and this makes the recruitment from these firms even more crucial (Fey et al., 2016). Therefore, the staffing strategies are different from companies in more developed countries (Fey et al., 2016). However, Fey et al., (2016) declare that the emerging market cannot in all aspects be seen as a homogeneous group. The experience of internationalization differs from country to country and few sweeping declarations can be made about all of them (Fey et al., 2016). Tsai and Eisingerich (2010) agree with this and have divided the internationalization strategies of companies from emerging markets into categories showcasing the differences.
2.3.2 Internationalization of South Africa

Ibeh, Wilson and Chizema (2012) state that Africa as a region has a relatively low level of export activity compared to other developing regions. Only since the 1990s have this activity picked up and mostly in the labour-intensive sectors (Ibeh, Wilson and Chizema, 2012). Ibeh, Wilson and Chizema (2012) emphasize that there is evidence of the potential of more trade between the African countries. Though, this trade sometimes occurs outside formal systems and therefore does not become part of the statistics (Ibeh, Wilson and Chizema, 2012).

However, in South Africa's past, there were factors that kept the nation from trading with Africa and other countries (Levy, 1999). In the middle of the 1980s during the apartheid regime, there was sanctions against trade with South Africa (Levy, 1999). Several countries withdrew their FDI from the country and participated in the finance and trade sanctions to prove its disapproval of the current regime (Levy, 1999). Levy (1999) further state that this substantially hurt the South African economy and stagnated the internationalization of the country. However, in 1994 when Nelson Mandela became president, he gave credit to the sanctions as an important factor that helped overthrow the apartheid regime (Levy, 1999). Although, the authors states that there is no affirmative proof that this was the case (Levy, 1999). After the sanctions were abolished, Calof and Viviers (1995) could identified the sanctions as one of South Africa’s biggest hurdles to internationalization at that time.

Hurdles to investment into South Africa and a lack of advanced companies within the home market are hindering factors to internationalization in the country (Calof and Viviers, 1995). Additionally, Klein and Wöcke (2007) identifies BEE and the current HIV/AIDS epidemic as hindering factors for South African companies’ internationalization process. Despite this Klein and Wöcke (2007) also identify factors that helps South African companies going abroad. South Africa’s diversity has given a competitive advantage when internationalizing (Klein and Wöcke, 2007). Due to the mix of ethnic backgrounds in the country there have been a development of cross-cultural management competence in the nation, which makes the internationalization process easier (Klein and Wöcke, 2007). Additionally, South African companies have great management and organizational skills (Klein and Wöcke, 2007). According to Klein and Wöcke (2007), the South African market used to be close because of apartheid and this provided a safe environment for the companies to develop their management skills before choosing to go abroad.

2.3.3 SMMEs in South Africa

In this thesis, the choice has been made to investigate SMMEs, since this term is dominantly used in South Africa (Bureau for Economic Research, 2016). SMME stand for small, medium and micro enterprise (Visagie, 1999). SME stand for “small and medium sized enterprise” (SME Definition and Statistical Issues, 2003). There is no widely accepted common definition in ultimate numbers when it comes
to this term and what is considered an SME varies from country to country (SME Definition and Statistical Issues, 2003). The main difference between SME and SMME, is that in SMME micro enterprises are an additional concept (Visagie, 1999). In SME, the micro enterprise is not specified, since it is included in the small enterprise and the SME concept usually starts with one employee and therefor including micro enterprises without mentioning it as a separate concept (SME Definition and Statistical Issues, 2003). However, there is a lack of academic information about SMMEs and therefore the choice has been to look at academic research about SMEs as well.

SMEs are of great importance for a country's economic change and growth (Ruzzier, Hisrich and Antoncic, 2006). According to Ruzzier et al., (2006), SMEs are facing similar barriers as bigger companies when they are going abroad. Opportunities and risks that are presented worldwide cannot be avoided by SMEs, particularly not by manufacturing and technology industries (Ruzzier et al., 2006). The main reasons for SMEs to go abroad are networks and profit goals, while hindering factors are foreign competition (Korsakiene, 2015). Furthermore, having good services and products at the home market will increase the possibility to go abroad (Korsakiene, 2015). Korsakiene (2015) further emphasize that strong relationships will give benefit to SMEs when they are going abroad and that it also will help increases their success. O'Cass and Weerawardena (2009) state that SMEs with the ambition of joining the international market should innovate its operations to get advantages. They additionally conclude that the consequence of innovation-based competitive strategy often relates to international entrepreneurship (O'Cass and Weerawardena, 2009).

South African SMMEs got important considerable and support and from the government during the post-apartheid (Rogerson, 1999). However, there has been a transformation in the politics both when it comes to black owned SMMEs which in the past were disadvantage but also by other SMMEs who was previously mistreated by the government (Rogerson, 1999). Positive changes in the national economic growth and the combat against poverty have been to advantage for SMMEs together with better policies (Rogerson, 1999). At the same time, SMMEs are significant when it comes to the reduction of poverty and therefore it is important to support the SMMEs economy (Rogerson, 1999). Rogerson, (1999) further emphasizes that SMMEs programs will decrease poverty and that it can help families to improve their standard of living. Chiloane-Tsoka and Rasivhetshetshela (2014) agree and state that this sector is important for increasing employment and decreasing poverty in South Africa. However, Rogerson (2004) state that in South Africa there is lack of numbers when it comes to SMMEs and their success rate. Furthermore, Rogerson (2004) emphasize that the programs from the government aiming to help the SMMEs are deficient and that the data on well performing government SMMEs programs are not to be trusted (Rogerson, 2004). Rogerson (2004) state that most South African SMMEs do not grow and therefore those companies do not create jobs. On the other hand, Bourgouin (2002) state that
SMMEs limitation to grow in South Africa can be helped by information communications technologies (ICTs). Furthermore, Bourgouin (2002) emphasizes that stronger networking and communication are important factors for SMMEs. These factors together with policy environment and conductive regulatory are important for SMMEs to grow and develop positivity (Bourgouin, 2002). Furthermore, Yan and Zhang (2017) state that small business enterprises were one of South Africa’s greatest strengths during the 2008 economic crisis.

Rwigema and Karungu (1999) states that there is a need for SMMEs and its development in South Africa and Johannesburg. However, Rogerson (2004) and Rwigema and Karungu (1999) agree that there is a lack of government support with the aim to help SMMEs develop and grow. The SMMEs wants to grow and develop and to do so they must gain knowledge, nevertheless to accomplish this, they must pay for their education on their own (Rwigema and Karungu, 1999).

2.3.4 Business environment in South Africa

Heleba and Kamga (2012) state that since South Africa became a democracy growth in the economy have blossomed and that the nation has developed to become a middle-income economy. Denton and Vloebershgs (2003) agree that the nation have experienced a transformation and state that South Africa has undergone irremediable changes in the political and social but also the economic environment since the fall of the apartheid regime. These changes meant increasing international competition but also new labor regulations and this shift towards globalization forces enterprises to adapt or go under (Denton and Vloebershgs, 2003). Organization and managers must deal with these changing circumstances and become more competitive to survive (Denton and Vloebershgs, 2003). Fig (2005) agree that South Africa is on the road to transformation and emphasizes the changes made with the aim to removing racial inequality cemented in the past. Similarly, changes have been made in financial support from commerce to the eradication of HIV/AIDS. Fig (2005) emphasize that these changes in the business environment have been successful. However, the development did not happen organically and the government had to form regulations and policies with economic incentives for this to happen (Fig, 2005).

The business environment in South Africa, offer major opportunities but also major challenges for managers and organizations (Denton and Vloebershgs, 2003). The fact that South Africa used to be a closed market which is now open, puts a lot of pressure of South African companies to internationalize or optimize (Denton and Vloebershgs, 2003). Furthermore, Denton and Vloebershgs (2003) state that the abilities of the people working for any organization is the company's most vital resource. However, the attitudes of those employed in South Africa has become increasingly negative which is a huge challenge that needs to be dealt with (Denton and Vloebershgs, 2003). Additionally, Yan and Zhang (2017) emphasize that in the light of all these challenges and changes, small companies play a vital role for the South African economy and business environment. Their role was especially
important during the economic crisis of 2008 (Yan and Zhang, 2017). However, the lack of monetary funds is a huge problem for this sector in South Africa (Yan and Zhang, 2017).

The South African business environment is also technologically advanced in some respects (Akande and Van Belle, 2014). For example, the financial institutions were early with the connecting to “the Cloud” which gives the sector great benefits. This process is not yet finished but still a great sign for the nation's ambitions (Akande and Van Belle, 2014). The epicentre for most of the development and the centre of the South African business environment is in Gauteng Province, which contains both Johannesburg and Pretoria (Chiloane-Tsoka and Rasivhetshele, 2014). This area contributes with 35,6% of South Africa’s total GDP (Chiloane-Tsoka and Rasivhetshele, 2014).

2.3.5 Policies and Institutions of South Africa
According to Kretzschmar (2014) poverty is one of the huge problems for South Africa and have been for decades. People from all different ethnic groups are affected but the black part of the population often suffers the most from poverty (Kretzschmar, 2014). Aliber (2003) agree that there is a disparity between the ethnic groups when it comes to wealth. Since poverty is such a pressing and widespread problem, there are several government strategies and policies to overcome this (Kretzschmar, 2014). Ever since the fall of the apartheid regime efforts have been made to decrease the poverty in the South Africa with political instruments (Kretzschmar, 2014). These policies have contained, for example land redistribution and labor law reforms (Kretzschmar, 2014).

One policy implemented in 1996 is Growth, Employment and Redistribution (GEAR) (Kretzschmar, 2014). It brings up issues like poverty, housing, the water supply, education and disparities in employment (Department of Finance, 1996). Department of Finance (1996) stated at the time it was written that one third of the potential labor force were unemployed. Furthermore, GEAR state that policies that came before this one had been successful in increasing growth, after the stagnation of development in the 1980s (Department of Finance,1996). According to Kretzschmar (2014) growth of SMEs has been a priority for South African policymakers. Furthermore, Kretzschmar (2014) emphasize that growth in the business sector especially with SMEs is important but not enough to combat poverty. There is also a need for government interventions through the appropriate institutions (Kretzschmar, 2014). According to Heleba and Kamga (2012) growth is very important for South Africa’s institutions when trying to increase the living standards of the citizens. However, is it equally important that the economic growth is simultaneously connected to human rights (Kretzschmar, 2014). One factor without the other will not be enough to develop South Africa (Kretzschmar, 2014).
Heleba and Kamga (2012) agree that human rights are a factor that cannot be neglected when discussing economic matters. Heleba and Kamga (2012) and Aliber (2003) agrees that poverty is one of South Africa’s biggest challenges for policy makers. Heleba and Kamga (2012) adds the issue of insuring that the poorer parts of the population despite their situation have access to human rights as an important matter for the institution in the county. However, this will only be possible if the democratic institution (so called Chapter 9 institutions) are truly effective in their task, that there is accountability of public servants and that the courts interpret the constitution without outside interference and corruption (Heleba and Kamga, 2012). Another important factor to keep up the credibility of South Africa’s democracy is to not employ people in vital institution with any kind of political ties (Heleba and Kamga, 2012).

Another major policy for South African institution in the latest decades is Black Economic Empowerment (BEE) which is a policy trying to rectify inequality created during apartheid (Ponte, Roberts and van Sittert, 2007). Ponte et al, (2007) state that BEE has not been successful and has created barriers to investment in to the nation. Furthermore, as before mentioned South Africa is undergoing changes and this is also the case for the business legislation in the country. According to Chiloane-Tsoka and Rasivhetsele (2014) the regulatory institutions are trying to make the laws more modern and suitable for international activity with including small business into the system. However, according to Chiloane-Tsoka and Rasivhetsele (2014) these new rules has made it harder for small companies to comply with the new regulations and therefore made it harder to run a company of this size. One example of regulations, that now to a further extent includes smaller companies, is the BEE regulations (Steyn, 2015).

2.3.6 The South African BEE policy

There have been many changes in the “New South Africa” since African National Congress (ANC) with a black majority, came to power in 1994 (Tangri and Southall, 2008). The main change has been the introduction of Black Economic Empowerment, BEE (Tangri and Southall, 2008). BEE is by Kleynhans and Kruger (2014) explained as a labor legislation instrument. South Africa has with this policy taken a step in another direction than many other governments world-wide due to the country's complex and colourful history (Kleynhans and Kruger, 2014). Southall (2007) states that the creators of BEE, the ANC, are the political party currently holding the power in South Africa as of the year 2017. Furthermore, BEE is the most significant but also most controversial political move of the ANC (Southall, 2007). The creators of the instrument are hoping to achieve, not only economic growth, but also transforming the economy through utilizing the hole workforce (Kleynhans and Kruger, 2014). Additionally, Tangri and Southall (2008) emphasizes that the main purpose with BEE was to lessen the amount of white owned companies that ruled the economy and let black own companies to have a part of the economy (Tangri and Southall, 2008). Furthermore, BEE has a well-defined socio-economic motivation (Kleynhans and Kruger, 2014). Wolmarans and
Sartorius (2011) on their part describe BEE as a part of South Africa's Corporate Social Responsibility, CSR, and agree that BEE wants to help groups in the South African society that have been historically disadvantaged (Wolmarans and Sartorius, 2011). Furthermore, the BEE aim to help these groups get a larger share of ownership in enterprises in the nation (Wolmarans and Sartorius, 2011). Southall (2007) agrees with this and emphasizes that the aim of the BEE policy is to encourage the labor market and ownership to be more demographically representative and to correct racial imbalances.

The BEE has been a rollercoaster since it was introduced (Tangri and Southall, 2008). When the BEE policies were established, they were accepted by foreign companies and SMEs, mainly because they were excluded from BEE ownership requirements (Tangri and Southall, 2008). Furthermore, the benefits for small firms, which have less than five million rand, are that they need to a lesser extent comply with the BEE policy (Tangri and Southall, 2008). Being a bigger company that is medium sized and has over five million rand in turnover then the policies are highly recommended to comply within the company (Tangri and Southall, 2008). Additionally, multinational firms entering South Africa have been excused to not comply with the policies (Tangri and Southall, 2008). On the other hand, they must comply with the policies in other ways (Tangri and Southall, 2008).

According to Kleynhans and Kruger's (2014) study, the implementation of the BEE has been profitable for companies in South Africa. They further state that the impact of the policy is positive on turnover and investment and that managers should participate in the system to facilitate higher profits (Kleynhans and Kruger, 2014). Furthermore, Kleynhans and Kruger (2014) found only diminutive evidence that the policies created challenges for companies and that the negative effect were miniscule. However, they acknowledge that the specific of the economic instrument is not perfect and amendments need to be made (Kleynhans and Kruger, 2014). Kleynhans and Kruger (2014) conclude there is a clear indicator of there being a positive link between a company’s BEE score and its profitability. Wolmarans and Sartorius (2011) agrees with this positive trend. Furthermore, they add that BEE has a good impact on the wealth creations for shareholders (Wolmarans and Sartorius, 2011). However, these results only show during the last part of time while the observed this trend indicating a development (Wolmarans and Sartorius, 2011).

According to Tangri and Southall (2008), the ANC have been able to manage different kinds of important goals, like for example reallocate wealth but also to speed up the economic growth and investments. However, these tasks have been a challenge for the government to achieve and therefore there have been fluctuation in the BEE policies (Tangri and Southall, 2008). Furthermore, there have been a dispute and the government had to be wary when implementing the policies since many companies in South Africa are owned or managed by the whites, which only represent a small part of the total population (Tangri and Southall, 2008). Another aspect that matters is that only individuals that have connections within the politics...
will be able to take advantage of this, which is only a minority party (Tangri and Southall, 2008). Southall (2007) agrees with this sentiment and states that the policy only encourages growth for a small an already wealthy part of the non-white populations instead of promoting widespread growth for all the previously disadvantaged citizens. Moreover, this policy again makes race a factor on a political level (Southall, 2007). However (Southall, 2007) also acknowledges that this is an understandable move due to the nation's history. Furthermore, if white businesses need to leave their positions for black investors some problems might appear which could harm economic growth and investments in the country (Tangri and Southall, 2008). The BEE have been criticized from the labor point of view since it only has favoured a lessen part of ANC individuals and black business owners have criticized that it takes too long time to implement the policies (Tangri and Southall, 2008). Still, to pull together the goals with BEE and economic growth and investments will continue to be a challenge for the government in South Africa (Tangri and Southall, 2008). Southall (2007) argues that the policies can be a hindering factor to international investment into South Africa. Southall (2007) concludes that BEE is a necessary but possibly not the ideal version as it presents right now. Furthermore, the policy makers need to work harder for larger groups of previously disadvantaged people to reap the rewards of the BEE, not just the part of the population connected to the ANC party (Southall, 2007).

There have been some downs in the BEE decisions, which the leaders of the country have taken into consideration (Tangri and Southall, 2008). For example, black company owners have brought up the risk that the development of the business landscape could be impeded by the BEE policy (Tangri and Southall, 2008). As mentioned earlier, the BEE policy will likely only benefit the black individuals that have connections within the politics (Tangri and Southall, 2008). Furthermore, black people believe that the policy is implanted too slowly and that the white people will remain their dominant economic positions (Tangri and Southall, 2008). Moreover, the leaders of the country have the important task to keep updating the BEE policy so it will favour the blacks, to keep their support (Tangri and Southall, 2008). This means that they must keep force firms to comply with the policies (Tangri and Southall, 2008). In the meantime, the leaders also have the need to ensure important business owners that these policies will not harm South Africa’s economic growth (Tangri and Southall, 2008). The government in the country has an important but complex mission to keep the majority population pleased through making balance in the politics but also in the economy (Tangri and Southall, 2008).
2.4 The Conceptual framework

In the figure 2.1 the conceptual framework is presented. It illustrates the connection between theories and concepts reviewed earlier in this chapter. The aim with the conceptual framework is to present the links to the political environment in South Africa and the impact it has on SMMEs and their internationalization. Due to the nation's complicated history a specific business environment has developed in South Africa, where institutions use policies to rectify past human rights abuses based on ethnicity. This is illustrated in the first box, the second box represent one of the consequential policies, which is the BEE. Finally, this study aim to evaluate the influence BEE has on the internationalization process of South African SMMEs.
3 Methodology

The following chapter explains the method used for collection and processing of data. The aim of this chapter is to review the choices made on the road to answering the research question. Furthermore, the reasons for why the chosen research methods are suitable for this study is presented. Finally, this chapter reviews the reasoning behind the interview questions by providing the reader an operationalization.

3.1 Research Approach

According to Miles and Huberman (1994) and Jacobsen (2002) there are two kinds of approaches when conducting research which is: inductive and deductive. However according to Patel and Davidson (2011) and Alvesson and Sköldberg (2009) does a third method exist called “abductive” Furthermore, Miles and Huberman (1994) claim that the main reason researchers conduct studies in the field is to define and examine patterns of relationships. Even if all researchers have this motivation, it is possible to start at two different starting points, either with getting to the patterns progressively using a so called inductive approach or having them from the beginning and instead using a deductive approach (Miles and Huberman, 1994). Both approaches lead the researcher to the same product but they take different routes when getting there (Miles and Huberman, 1994).

The deductive approach draws from an overall rule and declares that this rule explains a single case (Alvesson and Sköldberg, 2009). The inductive approach, on the other hand, focuses on several single cases and that these cases has been detected to be linked to each other, which are generally valid (Alvesson and Sköldberg, 2009). Moreover, the inductive approach is riskier than the deductive approach because with the deductive approach it is easier to presume when the result is apparent to what is to be explained (Alvesson and Sköldberg, 2009). However, the deductive approach keeps away from explanations by strict statements, which makes the model limited and flat because there is no tendencies or underlying patterns (Alvesson and Sköldberg, 2009). The abductive approach assume from a single case which is construe from a hypothetic overarching pattern (Alvesson and Sköldberg, 2009). This approach is mostly used in case studies that are based in research processes (Alvesson and Sköldberg, 2009).

The deductive approach starts with orienting constructs investigated in the field, this information is then operationalized and matched with earlier researchers work (Miles and Huberman, 1994). Furthermore, the deductive approach is characterized by drawing conclusions on individual phenomena based on general principles and existing theories (Patel and Davidson, 2011). When using the inductive approach on the other hand the researcher study the research object without on beforehand having anchored the study to a previously accepted theory (Patel and Davidson,
2011). The researcher instead formulates a theory based on the empirical findings (Patel and Davidson, 2011). There are arguments both for and against both methods. One of the arguments against the deductive approach, is that the realization that the concepts are wrong will only appear during the working process (Miles and Huberman, 1994). Additionally, an argument against the inductive approach is that the researcher does not know the scope or the generality of the theory created (Patel and Davidson, 2011).

According to Mirza et al., (2014) is the third method, abduction, a relatively new approach. Abduction contains both aspect from induction and deduction (Alvesson and Sköldberg, 2009, Patel and Davidson, 2011). There are some similarities between induction and abduction, namely that they both use empirical information as a base, however, induction additionally rejects the existing theoretical notions and abduction does not (Alvesson and Sköldberg, 2009). Therefore, it can be argued that the abductive method has more in common with deduction (Alvesson and Sköldberg, 2009). However, this description alone is not enough to communicate the complexity of the abductive approach (Alvesson and Sköldberg, 2009). The approach is not based on preconceived theoretical notions but uses the existing theory to find the patterns that will be investigated (Alvesson and Sköldberg, 2009). Theory may inspire and create curiosity but the study uses empirical notions as a base for the project (Alvesson and Sköldberg, 2009). This combination of practices gives the researcher the ability to reinterpret previous notions in the light of new notions (Alvesson and Sköldberg, 2009). An opportunity lost with induction and deduction, which only looks as one of the two (Alvesson and Sköldberg, 2009). Mirza et al. (2014) agrees with this and adds that the abductive method makes a holistic approach to research possible.

Alvesson and Sköldberg (2009) emphasizes that the approach starts with the observation of a single case and then develops a hypothetic overarching pattern. The truth of the pattern is then investigated (Alvesson and Sköldberg, 2009). The aim is that his pattern will explain the single case which often is new and surprising (Alvesson and Sköldberg, 2009). Some parts of the abductive process are inductive and some are deductive but the combination creates a new third method (Patel and Davidson, 2011). Moreover, the process of this approach is defined by development both before mentioned pattern and the empirical platform. Making improvement and adjustment during the working process and being open to evolution of notions is an important part of the method of Abduction (Mirza et al., 2014). According to Alvesson and Sköldberg (2009) does abduction offer a deeper understanding of what is investigated then the previously discussed approaches induction and deduction. This is so because the abductive approach focuses on the underling patters and aims to give another layer of understanding. Furthermore, Mirza et al. (2014) emphasizes that the approach contributes to brad hypotheses and that this in turn created understanding. It is the approach most commonly applied in practice.
for example is the approach applicable for medical diagnosing but also for work under the social sciences (Alvesson and Sköldberg, 2009).

This study does neither follow the method of induction or deduction but is instead an abductive study. The inspiration for this study originated in previous work about internationalisation and BEE. However instead of using this information as the basis the choices was made to researching a subject for which there is no previous research and instead using empirical information found in the field as the base. Another important part of the abductive approach is changes which also have defined the process of this study. The pattern has changed as the empirical basis have developed.

3.2 Research Method

There are two types of research methods; qualitative research and quantitative research (Miles and Huberman, 1994). Qualitative research is based more on words than purely on numbers is in the quantitative approach (Miles and Huberman, 1994). The disparity line between quantitative and qualitative methods are not completely clear (Alvesson and Sköldberg, 2009). However, this do not stop the distinction from being useful (Alvesson and Sköldberg, 2009). The qualitative approach begins with the actions and perspective of the topic researched (Alvesson and Sköldberg, 2009). The quantitative approach, on the other hand, has its base from the researcher’s ideas, which represents the focus (Alvesson and Sköldberg, 2009).

Several researchers have stated that the choice of qualitative and quantitative methods must be connected to the research problem (Alvesson and Sköldberg, 2009). Sometimes when qualitative method is used, some certain simple quantifications can be added (Alvesson and Sköldberg, 2009). However, this is not the choice of this research since no need for it has appeared. According to Miles and Huberman (1994) qualitative research is a method appropriate for several areas including studies within the area of business, which is the field for this research. This is a method offering descriptive information useful when understanding the consequences and when a well-grounded understanding of the topic is necessary (Miles and Huberman, 1994). This is an appropriate approach when merely stating something is not enough (Miles and Huberman, 1994). When an explanation for a phenomenon is needed, the deductive method is most suitable (Miles and Huberman, 1994). Additionally, this approach has according to Miles and Huberman (1994) a quality of undeniability. The deductive method creates more convincing data and the story told has more validity than merely presenting numbers and figures (Miles and Huberman, 1994). Furthermore, the approach is more likely to convince which makes it superior, since the purpose of research is often to influence for example policymakers (Miles and Huberman, 1994). However, there are also risks with this process, for instance the risk of information overload and the bias of the researchers (Miles and Huberman, 1994). However,
there are no other methods offering the deep understanding that this research requires.

Miles and Huberman (1994) claims that the method is based on data collected through observations and interviews. However, the choice has been to only use interviews in this research. Furthermore, these method of investigation is often executed for a long time and geographically close to the subjects (Miles and Huberman, 1994). The data collected is seldom ready for analysis immediately after it being obtained but instead need processing before an analysis is possible (Miles and Huberman, 1994). One time consuming part of this is for example transcribing the interviews and another time-consuming task is typing up notes (Miles and Huberman, 1994).

3.3 Research Design

According to Patel and Davidson (2011) the distinction is made between primary and secondary data by the geographic proximity and the closeness to the information provider. Eyewitness accounts and primary reports are called primary sources from where you get primary data (Patel and Davidson, 2011). Other sources, like information from archives, are called secondary sources (Patel and Davidson, 2011). Alvesson and Sköldberg (2009) claim that data from primary sources is always of more value and more desirable than secondary data. However, the need for secondary data can sometimes be prominent. Therefore, the choice has been to use both primary and secondary data. This data has been collected face to face by interviews within the country investigated to get a well-grounded understanding of the subjects discussed. Although, this have made the quality of the primary data even more important and relevant. Therefore, the selection of the companies participating in the study have become vital. The most important factor for the companies being part of the empirical data collection of this research is that they are South African founded SMMEs with some aspect of their operations internationalized.

Below the criteria are stated:
1. South African companies → Founded and based in South Africa
2. Small, Medium or Micro sized → SMMEs
3. Some level of internationalization

With this framework, the companies were selected with the need for diversity kept in mind. Therefore, as many different companies as possible were selected. The selection was not limited to only one sectors. To get the full picture of the subject, the focus has been to interview companies in different kinds of sectors, since focusing on merely one sector could give the research a limited grasp. Furthermore, company owners of different ethnicities and genders were chosen, together with different sizes of enterprises within the concept of SMMEs.
3.4 Data collection
Miles and Huberman (1994) claims that the method is based on data collected through observations and interviews. However, the choice has been to only use interviews in this research. Furthermore, these method of investigation is often executed for a long time and geographically close to the subjects (Miles and Huberman, 1994). The data collected is seldom ready for analysis immediately after it being obtained but instead need processing before an analysis is possible (Miles and Huberman, 1994). One time consuming part of this is for example transcribing the interviews and another time-consuming task is typing up notes (Miles and Huberman, 1994).

According to Miles and Huberman (1994), the three most vital part of the qualitative research is; data reduction, data display, and conclusion drawing. Data reduction is a continues process through the project were the researcher simplifies and focuses the data collected to facilitate clarity (Miles and Huberman, 1994). Data display contains further organization of the data to foster the third stream which is conclusion drawing (Miles and Huberman, 1994). Conclusion drawing is the process of finding patterns and sort out what the collected information mean (Miles and Huberman, 1994).

3.4.1 Semi-Structured Interviews
Semi-structured interviews are often characterized by the structure of the interview questions being more relaxed (Patel and Davidson, 2011). The order of the questions can vary and the interviewee has a lot of freedom in how to answer the questions (Patel and Davidson, 2011). The most extreme version of semi-structured interviews is when the researcher only has made a framework for the topics to be discussed and no specific question prepared before the interview and lets the interview take the form of a conversation (Patel and Davidson, 2011). The researcher then lets the conversation go wherever the answers takes them (Patel and Davidson, 2011). However, the data collection for this research have been more planned and carefully prepared but with freedom to move from the intended pattern. Therefore, this research is not taking part of an extreme version of semi-structured interviews, but still, benefiting from the flexibility this method gives when collecting data. According to Alvesson and Sköldberg (2009) it is very important to reflect over what lines on conversations the researcher chooses to pursue when using this kind of interviews. When the decisions on what will be discussed and what will not be further explored are taken during the interview, the researcher need to be aware of his or her personal biases to not unfairly angle the conversation (Alvesson and Sköldberg, 2009).

3.5 Quality of research
To make a possible judgement about the quality of a scientific investigation, validity and reliability are important criteria (Bryman, Bell and Nilsson, 2005).
Researchers use these criteria with the purpose to create the aspects needed for the assessment of their research (Bryman et al., 2005).

3.5.1 Validity
According to Patel and Davidson (2011) to be able to perform qualitative research of high quality, validity is necessary. If validity is achieved or not in a quantitative study depends on the quality of the researcher's instruments and thoroughness of the measurement (Patel and Davidson, 2011). Additionally, it must be thoroughly considered if what is being measured is the correct things to look at (Patel and Davidson, 2011). Holme and Solvang (1997) agrees that this is an important part to gain validity and adds that this needs to be well connected to the research question. For the qualitative research however, validity is created from the ability to discover patterns and the quality of the interpretation on the data collected (Patel and Davidson, 2011). Therefore, the process of creating validity for qualitative research continues during the whole project (Patel and Davidson, 2011). For example, is it important for the researcher to reflect over the decisions made when transcribing of interviews conducted (Patel and Davidson, 2011). Small corrections or alterations can change the meaning or the sense of the answers and thereby decreasing the level of validity of the research (Patel and Davidson, 2011). However, to be aware of the need for validity does not end at the data collection but is important all the way through the analysis (Patel and Davidson, 2011). According to Alvesson and Sköldberg (2009) is validity of interpretations of the empirical data equally as vital. This is achieved through stressing the need on quality over quantity and by only using rigorous arguments (Alvesson and Sköldberg, 2009). Furthermore, this is achieved through showing the reader that there may be different interpretation of the information but that the chosen one is undeniably the most likely and plausible (Alvesson and Sköldberg, 2009). All the researchers claim should be motivated so the reader understand the authors line of thought (Alvesson and Sköldberg, 2009). This has continually been kept in mind though every step of this research to establish the findings credibility.

3.5.2 Reliability
Miles and Huberman (1994) emphasize the need for reliability and dependability in a study. Reliability is achieved when the study’s process shows consistency and high quality (Miles and Huberman, 1994). Additionally, according to Holme and Solvang (1997) is the level of reliability dependent on how the measurements were performed and the thoroughness when processing the information gained by the measurements.

Reliability in research using the qualitative approach should always be put into perspective to the unique situation that occur during the interview (Patel and Davidson, 2011). Due to this, instances that for quantitative research would signal low reliability does not have to mean the same for qualitative research (Patel and Davidson, 2011). Patel and Davidson (2011) further claim that the lines between the concepts of validity and reliability are very blurred for qualitative research and
validity is often of much larger consequence since comprehension is such a vital part of the approach (Patel and Davidson, 2011). According to Miles and Huberman (1994) can Reliability be achieved by having the role of the researcher, the research question, basic paradigms and analytic construct clearly defined (Miles and Huberman, 1994). The authors of this research have taken this in to careful considerations while conducting this study.

3.6 Operationalisation
How to relate the theory chapter with the empirical findings is an important topic that are discussed within the philosophy (Patel and Davidson, 2011). Thereby, Patel and Davidson (2011) argues for the need to create a link between the conceptual framework and the real world. Therefore, the aspect from the theoretical chapter have been connected to the different interview questions, which is illustrated in the figure below.

3.6.1 Conducting interviews
All the interviews have been executed face to face. This was the aim since it is better to have all the interviews conducted in the same way. Additionally, it is easier to see how they react to the questions while answering and to see the body language. To get the most accurate answers, an interview guideline was sent to the interviewed in advance. This gave the respondents time to prepare themselves before the meeting. Since some of the questions includes sensitive topics, the respondents have approved that their answers are acceptable to use in the research and that no sensitive data will be published against someone's will.

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic questions</td>
<td>1-6</td>
<td>These questions were created to get a basic understanding of the companies interviewed.</td>
</tr>
<tr>
<td>Internationalization</td>
<td>7-11</td>
<td>With these questions the intention was to investigate the internationalization process and get a deeper understanding for the journey of going abroad for the company. Additionally, to later can draw parallels between how the internationalization was done and the effect of BEE.</td>
</tr>
<tr>
<td>Political policies, BEE</td>
<td>12-17</td>
<td>These questions are focusing on the political</td>
</tr>
</tbody>
</table>
situation in South Africa and what impact it has on the SMME. The questions are broad to get to know from the interviewee point of view, which policy that affects them. Later, questions about BEE policies are asked and how the interviewee felt that the policy impacted them.

| Evaluation of internationalization | 18-21 | The intention with these questions is to evaluate the internationalization process but also to open the conversation towards the ends. This to let the interviewee speak more freely about their experiences when taking their business abroad. |

3.7 Ethical considerations

According to Miles and Huberman (1994) it is important for researcher working with the qualitative approach to not get lost in the task and to consider the ethical implications of the research being conducted. There are many relationships that needs to be evaluated from an ethical standpoint and there is a need to be aware of what effects the research will have on the lives of the participants of the study (Miles and Huberman, 1994). This have been battled within this research, with always being responsive to if there is something the interviewees do not want to be included in the study. Miles and Huberman (1994) further claim that researchers have an ethical responsibility towards the financiers of their project, which is the case for the authors of this research. International research on this scale would never have been possible without the economic and intellectual support from SIDA. However, this adds another important layer of ethical considerations and needs. The most significant aspect this brings is the need for a focus on development. This has not been a challenge, because instead it has helped us with another ethical aspect. This aspect has been brought up by Miles and Huberman (1994) and Patel and Davidson (2011), where they emphasize the need for a researcher to reflect over if the project is worthy to put resources into. The authors found that the need to keep the focus on developing countries and South Africa's emerging economy has helped give the project meaning.
Another important ethical aspect stated by Miles and Huberman (1994) and Patel and Davidson (2011) is if the participants know what they are getting into and how to handle their need for privacy. However, this is not a problem for this research due to the subject matter. The interviewees were well-educated adults who were well informed about what the purpose of the data collection. Furthermore, none of the questions were of a private nature since the focus is purely on business aspects. The information that might have some consequence were to what level the companies have complied with the BEE policies, however, this is public information.
4 Empirical findings

In this chapter, the empirical findings and the results from the interviews will be presented. The empirical findings will follow the pattern of the main subject presented in earlier chapters. For clarity and making the process of the analysis easier the empirical finding is illustrated in a table, which is attached at the end of the document.

4.1 The companies

4.1.1 Advance International Business Development
Eva Shaw, further referred to as Shaw, is the founder of the management consulting company Advance International Business Development. She is born in Sweden but has lived in South Africa since before the fall of the apartheid regime. She has experience of international trade from previous employment and has worked at several companies in South Africa. In May 2011, a company of her own was registered and Advance International Business Development have kept growing ever since. The company was founded in Johannesburg and today the company has three main employees. Since it is a marketing strategy company, the company can add more staff for a specific project if needed. Shaw state that Advance International Business Development is classified as a micro sized company.

4.1.2 Africology
Rechina Droganis, further referred to as Droganis, is the founder of the skincare company Africology. She was a healer and a life coach before she founded the company, but since she wanted the right products for her treatments she founded the company. Droganis is not part of a previously disadvantaged ethnic group. From the very beginning the products were cooked in a small kitchen in Johannesburg and over time the production for the products developed. Africology has almost 150 employees and Droganis classifies Africology as a small sized company. She further state that since the company is growing, it is almost a medium sized company.

4.1.3 Finishing Touches
Grant Viljoen, further referred to as Viljoen, funded and runs a curtain railing company together with a business partner. The company is called Finishing Touches. Neither of the owner’s was a part of the previously disadvantaged ethnic group. The company offers a wide variety of decorative curtain accessories, which are manufactured, imported and distributed by the company. The two business partners had two smaller separate but similar companies before they joined and started Finishing Touches in the beginning of the millennium. Viljoen’s company was founded and is currently run from Pretoria. However, their products are sold in around 60 different stores. According to Viljoen, Finishing Touches is one of the larger companies of this study and is a medium sized company with 190 employees. Viljoen was not able to provide a number for Finishing Touches annual turnover.
but identifies Finishing Touches as a medium sized company, which is leading in its field.

4.1.4 La Ric Mal
Malcolm Green, further referred to as Green, is the founder of the wine company La Ric Mal. Green is part of a previously disadvantaged ethnic group. The company was founded in 2007 and has today two wine brands. The farm is in the Stellenbosch area. La Ric Mal contains 12 employees and according to Green the company fit into the category of a SMME.

4.1.5 Mphuthi
Fulu Mphuthi, further referred to as Mphuthi, runs a company focusing on supply of petroleum and similar goods primarily to the marine sector and for manufacturing. However, the company has the ability and is open to supplying to all sectors within the concept of business to business selling. Mphuthi is a young woman who is part of a previously disadvantaged ethnic group. She founded the company in 2011 but they have only had the necessary licenses to operate the business for two years. Mphuthi is currently acting as manager director of the company. The company's office is located north of Johannesburg and have the ambition to open offices abroad to better facilitate international trade. According to Mphuthi the company fit into the category of an SMME and a micro sized company since they have three employees. The turnover represents a SMME since their annual turnover is around one million South African Rand.

4.1.6 Silverlab
Ian McQueen, further referred to as McQueen, founded the family run company Silverlab in 2000. From 1989, he ran another similar company, however this was under another company name. McQueen is not part of a previously disadvantaged group. The company was founded in Johannesburg and it is manufacturing health products and McQueen is both founder and owner. According to McQueen the company can be defined as a micro or small sized company with its 9 employees, including manufacturing, administrative staff and one doctor. When it concerns the turnover, Silverlab is a small sized company and the turnover has had a growth of 28% per year.

4.2 Internationalization
Advance International Business Development is a company that can be anywhere they need to be, since it is a service company that do not need to set up any product manufacturing. Shaw state that the company have been international from their very start. The company is helping their customers to enter the South African market and their very first customer was a company in Sweden. Today, they are active in many places around the world but they are mostly selling their services in Europe and South America. According to Shaw, the business has grown mostly by word-by-mouth and demand. She further emphasizes that having a network is important.
Shaw believes that South Africa must increase their export in general. However, in her company 80% of the total is exported.

Advance International Business Development's staff contains different ethnic backgrounds. However, Shaw says that the ethnic backgrounds when choosing what country to enter have no connection, except for the first project where the customer was from Sweden. Since Shaw has roots in Sweden, her ethnic background was related to this. On the other hand, no other market entries have been made from any employee’s backgrounds.

Africology manufactures all its products within South Africa but they have distributors outside of the country. However, they are planning on changing this system to instead use selling partners since they want to have more control over the company’s products. The company's internationalization process started due to demand from foreign travellers that wanted the products available at their home market. From the beginning, the company did not have any plans on going international but foreign demand changed this. According to Droganis the company has grown by word-by-mouth.

"The products… it is something that is going to have a purpose and it is going to speak to the people and then they going to feel it, they need it and want it"

Rechina Droganis

Africology started to go abroad in 2007 and their very first country outside of South Africa was England. The reason for entering England as their first market was because customers went to South Africa to buy their products. Droganis believes that the demand for the products in England is high because they do no animal testing. During their first operations abroad, the company only had half of the staff they have today and only 60% of the products. The second market Africology entered was Turkey and then France. After entering the European market, the company started to enter African countries, like Tanzania, Kenya, Nigeria etc. Today Africology is active in five foreign markets excluding the markets in other African countries. Droganis thinks that the company has a good balance of mixed people with different ethnic backgrounds. She furthers state that it has been hard to find well-educated black staff that have the right skills for the job. Droganis is very clear with that the ethnic background of the staff did not affect with county to enter when they started to internationalize and that the driver was demand of the products.

Viljoen’s main reason to take Finishing Touches abroad was to find customers and demand. According to Viljoen, the South African market did not seem to bring enough opportunities and they could identify a gap in the market abroad for their
products. Finishing Touches started the internationalization process about 18 months ago and entered Zimbabwe and Namibia. Viljoen’s company is internationalized through export and sell their products abroad. Before the internationalization process started Finishing Touches was well established in the home market. The choice of which countries to go to was based on demand and opportunity form a business perspective. The company now have activity in 4 countries; South Africa, Botswana, Namibia and Zimbabwe. However, Finishing Touches have the ambition to go into the European market and potentially the Middle Eastern market. Viljoen acknowledge that the European market will be excictingly difficult to enter since the market is oversaturated. The ambition is to enter one country hopefully through a company like for increase Ikea which will open the doors for the other European markets.

According to Viljoen is the company is only owned by white men but diversity is important. However, diversity is not more important than skill. Viljoen was clear that skin colour is not a determining factor for their company, and that both black and white can climb the corporate ladder if they show initiative. Additionally, to have a good mix of both gender is important to Viljoen. Moreover, Viljoen could not identify any correlation between the ethnic background of management and which country the company decided to enter. Those decisions were instead made on the base of demand for the products.

According to Green it is two main strategies to follow when expanding your business and none of them can work without the other one. Firstly, the company needs to be stable on the local market. Secondly, to increase the profit international operations are needed. La Ric Mal started to go abroad three years after the company was founded and Green state that the company's growth is mostly coming from export. The first international market La Ric Mal entered was Nigeria. Then they furthered their internationalization process to other African countries, like Ghana, Angola and Zambia etc. The first country La Ric Mal entered outside Africa was China. Today, their products are sold in 12 countries around the world, including Chicago in the US. La Ric Mal is a member of an organisation consisting of owners of small wine farms. The members of the organization work together, despite being rivals, to be able to establish themselves in the South African Market.

Mphuthi explained that her main reason to go international was to be able to seize opportunities that came with companies from other countries taking their business to South Africa. Another reason to go international was to grow the South African economy. The company conduct their international business through sales and collaborations with other companies. Mphuthi’s company is now in the process of internationalization and has chosen Sweden and Norway as the first nations to enter. When choosing what countries to conduct business with, the fact that the Scandinavian countries are well developed was an important factor. This was a significant factor since Mphuthi hoped that her company will learn from interacting with more developed companies. Another important determinant for the choice of
country was that these nations often are very open to trade with developing countries and in the past, the Scandinavian countries has contributed to south Africa’s development.

All the three employees of the company are black South Africans. However, Mphuthi states that this have no impact on where the companies decided to go when internationalizing. The internationalization process was instead effected by the external factors previously mentioned. Mphuthi sees great benefits with having different cultures and diversity in the company's’ future but this is regarding different cultures and the colour of someone’s skin is irrelevant.

Silverlab founded the decision to go outside Africa on the fact that they got the request from a contact in McQueen’s network. An external actor wanted to take the Silverlab products to Denmark in 2016. McQueen deemed that Silverlab was well established in the home market before they went international. The internationalization process started in 2011 with going to other African countries like Zimbabwe, Botswana and Namibia. The decision to start going abroad was only based on demand. Furthermore, Silverlab has the ambition to further the expansion to the Scandinavian countries.

According to McQueen, diversity is not an important component when hiring. All his employees were instead chosen from their skills and discovered through McQueen's network. In production, the staff is dominantly black and the administrative personnel and the doctor are white South Africans. However, McQueen was very clear that the ethnic background in the company did not matter when decision about where to go when going abroad.

4.2.1 The result of internationalization and future plans
Shaw believes that is was a good decision to take her business abroad from the very beginning. The company’s expansion plans are to find new customers through other channels and potential future markets might be England and Spain.

For Africology, the best thing with going international is that volume of production has increased, which makes the cost decrease. Furthermore, Droganis thinks that acting only on the domestic market is not enough since the South African population is limited. The negative effects of going international for Africology is that there are different regulations in every country. Tests and registrations cost money and many governments require that. Overall Droganis think it was a good decision to take the business abroad since increasing volume and expanding the brand. In the future, Africology want to set up ore retails stores worldwide and expand even more at the markets they are already active in.

The greatest benefits Finishing Touches experienced with going abroad was finding new markets for their products and get the opportunity to sell more. The company have not experienced any negative effects of going abroad so far. According to
Viljoen it was a good decision to go abroad and their future expansion plans are to extend their international operations to more new markets.

“What we want to do is sell products and I think that there is more opportunity for that offshore then there is in South Africa”

Grant Viljoen

According to Green the greatest benefit of going abroad is that there are less taxes on their international trade and that they can produce bigger volumes. Another great impact of doing business abroad is that payment terms are better, they get paid faster and the brand name is growing. However, Green further state that the internationalization of the company would not have been possible if the BEE policy did not exist because then the company would never have been founded. The government encouraging South African companies to internationalize have also been a main factor for La Ric Mal to go abroad. Green believes that South Africa must export more to grown and therefore he believes that his export will contribute to the growth of his nation. Today, Green does not regret that he took the company on the international market since it has only been in favourable for La Ric Mal. Their plans are to expand the export to the countries they already have entered to build their brand stronger.

The largest benefits of internationalization according to Mphuthi was gaining access to partnerships with more experience from trading abroad. An additional benefit was more clients and she cannot identify any negative effects of going abroad. The company has future expansion plans to develop their activity in Sweden and Norway. Mphuthi is also interested in expansion to Namibia and Singapore.

The largest perks of internationalization according to McQueen was the increased sales that a bigger market could facilitate. They have not yet identified any negative consequences of going abroad. McQueen cannot yet with certainty say if internationalization was a good decision or not however they have future expansion plans.

4.3 Black Economic Empowerment, BEE

Shaw states that when hiring new staff the employee’s ethnic background have had no impact. Skills are the important factor when hiring new staff for Advance International Business Development. According to Shaw, there are limited resources concerning the financial part for a small company. She mentioned that when you are a company that are founded by the earlier disadvantaged groups in South Africa, there are the possibility of support from the government. For instance, travel subsidies are offered to these business owners to be able to develop their company. However, Shaw as a white business owner will not get this kind of
help. Except for this, the BEE policy has not affected Shaw’s company to any noticeable extent. Instead have the company gained customers that need help with the tricky business environment in South Africa due to the BEE.

“The BEE have not had any affect on my company when hiring new staff”

Eva Shaw

Droganis thinks that no government policies have helped or hindered her company to grow. However, when the conversation was narrowed down to discuss the BBE policy specifically, she declared that it has affected her company. In the beginning the BEE policy affected the company negative but with time those negative effects have decreased. When employing new staff Droganis is aware of the BEE policy and she must take that in consideration. Furthermore, she said that one problem with the BEE policy was to find skilled staff that had the “right” ethnic background, which was black. Africology works with the BEE and the policy is a factor that always need to be kept in mind. However, for the company it is important to look at skills as well. According to Droganis the best way to get good black staff in higher positions is to teach them from the bottom and then give them better positions when they show that they are skilled enough for the position. Droganis says that for this concept works great for Africology and that they have amazing black managers in the company now. Droganis believe that it is important to work with the BEE policy in a right way. From the beginning when implementing the policy, it damaged the company a lot and they had to through away things. Eventually they learned how to work with it and it got better. Today the BEE policy has less negative effect on the company.

Viljoen could not identify any specific political policies that helped the company internationalize but he pressed how easy it is to start a company in South Africa. It was a similar situation when discussing political policies that hindered the company. However, one political factor that hindered Finishing Touches internationalization was the affect political decisions have on the South African currency. According to Viljoen have recent action from ruling politicians in South Africa made the national currency week, making it harder to import materials. When the conversation was narrowed down to more specifically discuss the policy of BEE did Viljoen claim that the effect on the company was very limited or non-existent. Since the company does not deal with companies tied to the government. Viljoen claims that if the company for example would compete for contracts form the government the BEE would have been consequential. However, Finishing Touches acts in a part of the market were BEE has very little effect. The company does comply with the codes, however, this is not easy since the rules have recently changed and it has become harder as a larger company to comply with this.
The BEE policy has been favourable for the company La Ric Mal. Green states that without the policy his company would not exist today. La Ric Mal is a family company and because of that the employees mostly have the same ethnic background, because they are all part of the previously disadvantaged group. Nevertheless, Green says that when employing new staff, the BEE policy is not into consideration because skills are the most important factor. However, the company is always keeping the BEE policy in mind and they are on the highest level on the BEE scale.

“*You have to give all the people in South Africa an opportunity*”

Malcolm Green

Mphuthi could easily identify helping political policies and institutions. The Department of Trade and Industry (DTI) system to support SMMEs owned by previously disadvantaged groups to travel and internationalize has assisted the company when going abroad. The DTI helped with international relations and exposure abroad. The department offers incentives, sponsorship and they offer special support for female owners. There are no political policies that Mphuthi could identify as hindering for her company. However, in general are the regulations within their sector very difficult to navigate.

When the subject of affirmative action was discussed, Mphuthi could not identify any mentionable effect on the company. However, when the subject of affirmative action is narrowed down and the BEE policy was discussed Mphuthi clearly stated that this have been of great benefit for the company. The company is small and owned by a black female, this grants the company the best BEE level. This gives the company preferential treatment. According to Mphuthi would the company look very different if the BEE would not exist. Additionally, the BEE opened the door for people like her to own companies. She even goes so far to say she might not have started her company without the BEE helping her get past all the red tape. She concluded that without the BEE it would have been very difficult for her to start a company. Furthermore, she cannot see any negative aspects with BEE except if the codes are not followed properly.

Mphuthi can identify the need to collaborate with white owned companies since they often have needed expertise that cannot be found otherwise. These companies also want to collaborate with Mphuthi’s company since they then get a higher BEE status. However, the BEE status will never be higher valued than skill and being able to perform according to Mphuthi. This is the same priorities Mphuthi uses when it comes to future hiring. Her aim is that in the future her company will be
diverse. The BEE level is not more important that the future employees having the skilled necessary.

McQueen could not identify any political policies that hindered or helped him. Neither did he think that affirmative action had affected the company in any way. However, he still thinks that the BEE policy effected all of society and that the policy has a negative effect on the country, fail to empower anyone and does not reach the right people. However, the BEE had not influenced his company directly. They do comply with the codes in the company but he thinks that the largest effect on his company is that it is time assuming and that it is wasted doing the paperwork about it. Ian also shared information about his brother’s company which is a bigger one and that the BEE had a much more damaging effect on that larger companies.

4.4 BEEs influence on internationalization

The BEE policy has not affected Advance International Business Development in a negative way but rather the other way around. According to Shaw it has been a business opportunity for them since customers abroad have hired them to get advice about the policy when they are entering the South African market.

Droganis thinks that South Africa has a problem when going international and that is that the population of the country does not completely understand the importance of having a product of good quality. She emphasizes that this is important to compete on the international market. Droganis believes that this is linked to the lack of skilled labour within South Africa. She further state that the BEE policy has slowed down the internationalization process since the policy take time and effort to implement. The focus they could have put on the internationalization process have instead been spent on implementing the policy and further educated the staff in the company. Africology’s internationalization process has therefore been impacted by the BEE policy.
Viljoen did not think that the existents of the BEE affected Finishing Touches. He was very adamant that he believed this was due to that they did not have any business dealing with the government. Therefore, could he neither see any impact on Finishing Touches internationalization process since it did not affect the company. Additionally, if the policy never had been instated then the company's international operations abroad would probably look the same. However, when the topic was discussed further, it became apparent that Viljoen had not considered what help his company probably could get and what help his competitors potentially already was getting for institutions like the DTI (Department of Trade and Industry).

“I don’t think the rest of the worlds gives a continental about the racial makeup of your business. They just want to make business if you have got the right product”

Grant Viljoen

La Ric Mal started to export their products because the government recommend and helped them to do so. According to Green, the company would not exist if the BEE policy were not implemented. However, if the government would not have encouraged La Ric Mal to internationalize, they would probably only still be in the domestic market.

According to Mphuthi the BEE and other governmental help from the DTI has substantially help them going abroad. Manphiti describes the BEE and the institution DTI as vital to the very existence of her company. Since it is a Born Global company, the SMME and going international have always been connected. The ambition of starting a company was always linked to going abroad due to the business idea. Therefore, making the company possible also make the internationalization possible. Without the BEE, there would be no company according to Mphuthi and the ambition of the company and the internationalization would have looked substantially different without policy namely it would not be at all. However, she also mentioned that there is specific help for going abroad for company like hers. Support from the DTI for company to travel to be able to establish trade in other counties.

On the contrary, McQueen could not identify that BEE had any impact on his company or on its internationalization process. He is adamant about the negative effect BEE has on the society and South Africa. However, McQueen can see no specific influence on his specific company.
5 Analysis

This chapter presents a detailed discussion of the empirical data and how it is related to the literature review. The analysis will follow the same pattern as in the literature review to illustrate the connections. The most vital concepts are thoroughly discussed to develop the answer to the research question.

5.1 Internationalization models

This research finds that most companies are not just following one internationalization model when going abroad. Firms tend to use a combination of models depending on when, how and where they internationalize.

5.1.1 The Uppsala Model

The Uppsala Model describes that the company are taking three steps when going abroad; first establish at home, secondly the firm takes incremental steps when going abroad geographically and psychically, and third the company slowly take part in increasingly risky entry models (Johanson and Wiedersheim-Paul, 1975). According to the empirical findings is it clear that the Uppsala Model still is relevant for the subject of internationalization even though the model is the oldest in this study. Big parts of the theory it true for a big part of the companies that took part in this study. However, it is no longer applicable for all companies. Four of six of the investigated companies was well developed in the home market before going abroad and about half of them choose to first enter countries with low Psychic and geographical distance and then take incremental step to market further away. However, the Uppsala Model can no longer be a universal truth for all companies but only very few companies do not fit into the Uppsala Model at all. These are innovative firms that does not do manufacturing, like Mphuti’s petroleum company and Advance International Business Development. These are small but ambitions companies choosing to internationalize in a non-traditional way due to the structure of their business.

According to Johanson and Vahlne (2006) companies tend to use an entry mode with lower risk, for example by selling through independent representative in the beginning and then more towards more risky entry modes stepwise. This is also true for a large part of the companies interviewed. None of them started with a very risky entry modes. Most of the companies started with export and some of them like Africology work their way up to the ambition of more risky entry modes. At the start of the internationalization process Africology used distributors to sell their products but now they want to sell through partnership instead, where they are more involved.

5.1.2 The Network Approach

The Network Approach finds connections between the internationalization of the firm and the internationalization of the network (Hadley and Wilson, 2003). This is
of great importance to many of the company interviewed even if they also fit into other models as well, like for example Silver lab that follow the pattern of the Uppsala Model but found all the employees thought the owner McQueen’s business network. Furthermore, La Ric Mal emphasized the importance of relationships and building a business network.

According to Freeman, Hutchings and Chetty (2012) is it extra essential for Born Global’s to have a Network Approach and to utilize their international experience of the other parties of their international network. This is a fact according to the empirical findings. For example, Mphuthi’s company, a Born Global company, choose what country to enter on the basis on what the company could learn from the collaborating partners in that market, implying that the Network Approach is so important that is influences huge decision of the internationalization process. Advance International Business Development another Born Global companies also emphasized the importance of the network and the consequences this have on the decision of the company. Due to the owner of the company had a well-developed business network in Sweden was this the first country the company chose to enter.

5.1.3 Born Global
According to Madsen and Servais (1997) are companies seeking opportunities outside the national border from the very beginning or at an early stage. In this research, two of the companies fit into this model, Advance International Business Development and Mphuthi. They started to internationalize from the very beginning before they were established at their domestic market. Furthermore, according to Gabrilsson et al., (2008) should a company export at least 25% of their total sales within 3 years after the company was founded. Advance International Business Development and Mphuthi still fits into the Born Global model according to this definition. However, none of the other companies had internationalize 25% of their operations within the company's first 3 years.

5.1.4 International Entrepreneurship
Allen (2016) emphasize that an entrepreneur is self-control and driven by innovation and has the intention to help the firm to grow by creating value. He further state, that International Entrepreneurship is a concept that are linking entrepreneurship and international business (Allen, 2016). All the interviewed companies in this study are fitting into this category. They all have innovative products and a will to create value for the company. La Ric Mal find the best thing with going international is that they can make bigger volumes and the company get more profit. Africology emphasize that by going abroad, they can find more customers since the domestic market are not big enough. Finishing Touches also think that going international is important since they could find additional opportunities outside the national borders.
5.2 Internationalization

According to Schoorman (2000) internationalization can be defined as an outbound educational process that takes place in an international setting. Several of our interviewees mentioned that the process of going abroad was full of learning. Only one of them, namely Shaw were fully equipped with international trade experience from a previous employment. One participant Mphuthi even put so much importance on internationalization being a process of learning, the company choose what countries to enter on the basis on what they can learn from the companies within these markets. Schoorman (2000) continues that the process of internationalisation is a process where “where societies are viewed as subsystems of a larger inclusive world” (Schoorman, 2000, p.5). The empirical findings also showed signs of this. For instance, Mphuthi sometimes mentioned nations but more often spoke of categories of countries like the Scandinavians attitude to trading with developing countries. Viljoen also spoke of the difficulty of entering the European market and how oversaturated this market is. Additionally, Viljoen mentioned what possibilities it could bring to reach one of the European market because then you could probably reach also the other countries within this market. He did not think of them as individual markets but an interconnected system.

Klein and Wöcke (2007) state that BEE can be a hindering factor for South African companies when they internationalize. Half of the interviewees; Droganis, McQueen and Viljoen state that the BEE policy has slowed down their internationalization process and that their SMMEs would have internationalize faster if they did not have to implement the BEE policy. However, Klein and Wöcke (2007) also state that South Africa's diversity are positive when internationalizing. The other half of the interviewed SMMEs; Green, Shaw and Mphuthi state that their internationalization process has had a positive outcome from the policy. For those three SMMEs the policy has increased their internationalization and therefore increase the profit for the company. To conclude, in this study, the BEE policy has had both a positive and a negative outcome when South African SMMEs internationalize.

5.3 South Africa

5.3.1 Growth and Internationalization of Emerging markets

Both Wang and Bilson (2016) and Van den Heever (2012) states that South Africa is a developing or emerging market. This is further supported by Dawar and Chattopadhay (2002) defined emerging economies by three main factors: low incomes, variability in customers and infrastructure and the relative cheapness of labor, which is often substituted for capital. This was also observed by the authors while living in the country. Additionally, Fey et al., (2016) and Sheth (2011) emphasizes that emerging markets offer increasing competition in the global arena. Due to the size of our study can no sweeping declaration can be made about the growth of the country. However, from what the authors have seen from the limited result of the study can internationalization be a viable way forward for South
Africa. All the companies that were far along enough to make statements about the results of the internationalization, were very positive. Most of them had been able to develop thanks to the internationalization, indicating that going abroad is a possibility for companies in South Africa but also an opportunity for the nation. According to Levy (1999). Have South Africa had a dark past and the nation’s history have slowed down the internationalization process with boycotts from other countries wanting to show their discontent with the apartheid regime. One way South Africa could possible bounce back from this is internationalization.

Furthermore, Dawar and Chattopadhay (2002) states that emerging markets should be viewed as a business opportunity. That these South African SMMEs are growing and internationalizing combined with the statement from Viljoen that the South African currency is week could make these companies a very lucrative business opportunity for the rest of the world. Again, there is a need to mention the limits of this study and that it only includes a very small part of the SMMEs in South Africa. However, what was observed indicates a positive trend.

Moreover, Fey et al., (2016) state that companies from emerging countries deem it simpler to conduct business in countries that are in a similar situation, for instance being equally undeveloped (Fey et al., 2016). However, this study only showed very limited proof of this in the empirical findings. It is true that a substantial part of the participants chose to go to other African nations. However, a substantial part also chose very developed markets like Mphuthi choosing the Scandinavian countries for the sole purpose of these countries being more developed. Furthermore, both Africology and Advanced International Business Development chose to go to the European market, which is a market in a very different situation then the South African market.

Fey et al., (2016) additionally emphasizes that the motivations to internationalize also differs between companies coming from less or more developed economies. Companies originating in more developed nations often seek cheaper labor or more customers. However according to Fey et al., (2016) do companies coming from less developed companies instead go abroad to get access to things like: trusted and respected brands, well-developed technology or knowledge. However according to the result from this study it is not entirely true. Most of the companies presented their main reason for internationalizing as profit driven motives like going where the demand is and finding more customers. Which more match the reasons for companies coming from a developed nation according to Fey et al., (2016).

Only the owners from the previously disadvantaged groups mentioned motives that would probably not come from business owner in a developed nation. Green and Mphuthi mention finding possibilities in new markets but also mentioned the development of the South African economy being an important motivator for internationalization. However, Mphuthi did also mentioned the possibility to learn from more developed companies in more developed nations which partly is
consistent with Fey et al. (2016) statement. Showing that it might not be true for some companies but the most basic reason to go abroad is still finding more customers or following demand.

It might be a good idea to create a separate business theories for the emerging economies as researchers like Dawar and Chattopadhay (2002) has claimed. The empirical findings of this study identified motivations for going abroad that is not commonly discussed in more developed countries. Two of the participants stated their motivation for going abroad is to help the development of the South African economy. This is a statement that the authors believe would not be made in a developed nation. Furthermore, this is a driver as far as the authors have not found part of classical internationalization theory. It promotes the idea of a separate model needed. However most of the basic indicators were the same in South Africa as could be expected in the west. Selling abroad is dominantly driven by finding or chasing demand and customers in other markets. The researchers found from this study that a specific internationalisation theory is needed for emerging markets. However, the basic components would dominantly be the same as in the classical models.

Additionally, Fey et al., (2016) mentioned that companies coming from emerging markets choices often are ruled by a negative country image. The authors put no specific emphasizes on this phenomena in the interviews and no participant brought this up on their own. This made the authors assume that this is not a substantial problem or it would have been mentioned.

Calof et al., (1995) state that inhabitants that had European roots had large cultural distance between them and the rest of Africa. However, the empirical findings showed that this is not applicable any more. None of the interviewees had a connection to this. What market they choose to internationalize to where not connected to their ethnical background. Demand was the driving factor for this.

5.4 BEE
Since 1994, when the ANC came to power, many changes have occurred in the “New South Africa” (Tangri and Southall, 2008). Shaw agree with this and state that the country is not the same today as it once was. The BEE policy has though not had any major impact on the Advance International Business Development. The main difference is that they have more international customers that want to have advice of the BEE policy. In this way, the policy has had a positive effect on the company. However, Silverlab found that it has some negative aspects since it takes time to implement the policy in the company. Without the policy, the company’s development would have been more in focus since the BEE policy consume meaningful time according to McQueen.

The aim of founding BEE was not only to help the economic growth of South Africa, but also to change their whole economy by using the whole workforce
(Kleynhans and Kruger, 2014). Tagri and Southall (2008) further state that the main purpose with the BEE policy was to help black people to be a part of the economy by being self-employed. This research shows that the BEE policy has help earlier disadvantage groups to be able to be a business owner. For example, La Ric Mal and Mphuthi’s companies would not exist today if it was not for the BEE policy. Southall (2007) emphasize that the BEE policy has helped correct racial imbalances and that it still will do so. For the company La Ric Mal this is true since the owner of the company claims that his company would not exist if the BEE policy never was introduced. This also goes in line with Kleyhans and Kruger’s (2014) study where they state that the policy has been profitable for companies in South Africa. They further state that is it a positive link between a company's BEE score and its profitability (Kleynhans and Kruger, 2014).

Tangri and Southall (2008) state that the leaders of South Africa have an important role to ensure business owners that the BEE policy will not harm the country's economic growth. Africology state that the BEE policy has slowed down their internationalization process since they had to put more focus on the BEE policy than to internationalize their operations. However, the owner of Africology has further emphasized that the BEE policy has not harm her company. The owner of La Ric Mal state the opposite. Without the BEE policy, his company would not be international today because his company would not exist without the policy. On the other hand, the white owned firms Finishing Touches and Silverlab emphasises that the BEE policy had no influence on their internationalisation process. They believe that if the BEE policy never was introduced, their companies would have looked the same as they do today.

To summarize the black owned companies only found positive attributes of the BEE. Both of them stated that without the BEE their companies and the internationalization would look substantially different, possibly not exist at all. None of the white owners expressed this. Instead all of them ether identified a negative effect or that the BEE had no influence on their company at all.
6 Conclusion

The following and final chapter will present the answers to the research question this thesis is based on. The answer is the accumulation of all previous chapters and the direct result of the analysis chapter. Within this chapter following the answer to the research question the reader will find theoretical implications, practical implications, limitations and recommendations for further research.

6.1 Answering the research questions

The aim with this thesis is to investigate the relationships between the BEE policy and internationalization of South African SMMEs. Furthermore, internationalization have an important role in the developing South Africa. The government have the ambition to rectify historical injustices in the country and at the same time encourage companies to search for opportunities abroad. One conclusion that with certainty can be drawn from this study is that the BEE policy influence South African SMMEs in different ways. Just like the apartheid rule of the past which the BEE wants to rectify, the policy itself influence businesses in the nation differently according to the ethnicity of the owner.

The empirical findings of this limited research show a clear pattern that black owners SMMEs are very positively influenced by the BEE policy. This occurred to such an extent that the SMMEs would not exist at all if the policy were not implemented and thereby not the internationalization of the company either. However, the impact on white own companies seems to be a bit more complex since they do not experience the same positive effect as the black owned SMMEs does and at the same time the answers was not unanimous. All the owners from previously disadvantaged groups presented an entirely positive influence of the BEE and the others had different experiences of the policy's effects. However, this might have been impacted by the fact that there were more white interview subjects than blacks. Furthermore, the extent of implemented the BEE policy varied from company to company.

As far as this study showed, the influence the BEE policy had on the internationalization process merely was an extension of the effect on the SMME. This occurred since the companies that had positive effect from BEE had help when going abroad as well, comparing to the companies that had non-or negative effect on BEE did not see any difference. However, some companies experienced that their internationalization process happens slower because they had to implement the BEE policy in the company, which is a time-consuming process. This makes the effects of the BEE policy on internationalisation only a consequence of the effect it has the company.

All the subjects participating in this study were clear that there is no connection between their ethnic background and the choice of market when they decided to internationalize their operations. Instead the driving factors for internationalization
are demand and opportunities. Additionally, a major part of the participants emphasized the importance of contacts when internationalizing and that these have a substantial impact on the company's decision making when choosing what market to enter. This shows that the companies implement the Network Model Approach to a certain extent since contacts and relationships are an important component of this model.

Some of the white owned SMMEs implied that if they become a larger company, the effects of the BEE might be more severe. Further, they seemed to worry about the future effect of the policy but few of them seemed to be able to identify how they are currently negatively influenced by the BEE policy. Additionally, a part of the white owned SMMEs had very limited knowledge of what the consequences of the policy was and further how it might help or disadvantage them, because this is not a topic they thought concerned them. However, the owners that were part of previously disadvantaged groups seemed to be very well informed about this topic. What the empirical findings showed is that the black owned companies get more help from the BEE policy. However, spreading information about the policy might be an important future step for the South African government and lessening the need for speculation to make all company owners aware of what help that is available and the animosity between the groups might be diminished. Additionally, it is important to communicate that the aim with the BEE policy is to help earlier disadvantage groups and today the white population in South Africa remains the biggest part of the economy even though they only are a minority of the population.

6.2 Theoretical Implications
A conclusion from the analysis is that most companies use a combination of the different models. The Uppsala Model is applicable to most of them, however, so are the Network approach and the International Entrepreneurship as well. All the models are relevant but none of them alone covers all the issues that needs to be discussed. Furthermore, two of the SMMEs fits into the Born Global concept, which gives the research an additional perspective. When SMMEs internationalize their operations, the study shows that demand is the key factor. It seems like all the interviewed SMMEs followed the demand and were not planning on internationalize from the very beginning.

However, this study shows that the Uppsala Model is still relevant because half of the interviewee due to higher extent follow this pattern. Despite that this theory were written decades ago is it still of relevance in modern research. No longer can the model be assumed to be applicable in a more and more globalized world but the model is still an important component for research of internationalization. The Uppsala Model is a good base for internationalization but it might not be enough to describe the whole internationalization process.
The authors can conclude based on the empirical findings that there is a need for a separate theory concerning the internationalization process of companies coming from emerging markets. There are signs that there are differences in motivation from a developing economy and more developed nations. However, the empirical findings additionally show that most of the components of internationalization found in this study is similar to classical internationalization theories. This concludes that a new theory specifically made for emerging markets is needed but the differences in the model would not be fundamental. The fundamental components would still be the same when internationalizing. Companies that are from emerging markets have the same basic motives to export as companies that originate in developed nations. Therefore, only small modifications need to be done to the classical models.

6.3 Practical Implications
The research found that for some white owned SMMEs the policy had a negative influence in the beginning but after following the policy it was not inconvenience anymore. This occurred since there is a lack of black skilled labour. However, it was shown that after developing the skills of the black employees in the company, this negative effect did not occur anymore. This showing that by working with the BEE policy the negative aspect can be diminished. Therefore, a recommendation to managers and business owners that are negatively influenced by the BEE policy, is to develop the competence of the workforce in the enterprise. By doing so, the negative effect can be decreased.

The empirical findings showed that the owners not part of previously disadvantaged groups had a lack of information about the policy. Therefore, it is important for the South African government to a higher extent to communicate about the BEE policy but it is also important for manager and owners to make sure they are well informed about this topic. The empirical findings emphasize that certain groups can be helped by the policy. However, the effects on white owned SMMEs is less conclusive to a large extent because they did not have the information about what help they could possibly get from the BEE policy.

6.4 Limitations
The authors have had the great advantage of being able to conduct a field study in the investigated country, however, this study still has been limited in several ways. To be able to give the full picture of the influence of BEE on the SMMEs of South Africa would additional quantitative research be required. Due to the academic level of this research collecting more data and information was not possible. Additionally, more time and resources would be needed.

An additional aspect that could have granted the study deeper understanding would have been information from authorities and more related statistics. This was not possible due to the time constraints of the project. A larger selection of companies could also have given more thorough data. Furthermore, the number of participants
and the diversity between the companies are according to the authors satisfactory. However, it would have been ideal if other ethnicities like Asian and coloured also would have been represented among the participants.

6.5 Recommendations for further research

The influence of the BEE policy on SMMEs when they internationalize their operations is an important and interesting subject that need more investigation. A recommendation from the authors is to conduct an additional study of the subject with quantitative research that will complement this study. Furthermore, it is of importance to visit the country when conducting research about such unique and complex phenomena as the BEE policy. A deeper understanding is needed to investigate this subject which is hard to obtain without direct contact with the people that are affected by the policy. This phenomenon also has very strong ties to the nation's history, which means that this needs to be a vital part of any future study on this subject.

A recommendation for further research would be to find an internationalization theory which concerns affirmative actions policies. This would be optimum for South African companies since the BEE policy take a great part in their business environment. The current models do not include political policies like BEE in their concepts today. Furthermore, this new suggested internationalization model might be applicable for other nations which also have implemented affirmative actions as a part of their business environment.

Since South Africa is a country undergoing change, this research might have a different outcome in arising years. The BEE policy will probably keep evolving with the aim to keep helping disadvantaged groups in the society. Furthermore, white own firms might not have the as much economic power as they do now in the future. Because of this, future studies on this subject are necessary.

An interesting subject to follow up this research would be how multinational enterprises are influenced by the BEE policy when they internationalise. A research of this kind would be interesting to follow since subjects in this study claims that SMMEs are not as much affected by the BEE policy as bigger firms.
7. References appendix
7.1 Articles


7.2 Books


7.3 Online Sources


**7.4 Museum**

Apartheid museum, Johannesburg 2017
Appendix A

Interview questions

Basic questions

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>What kind of business does your company conduct?</td>
</tr>
<tr>
<td>What is your position and for how long have you worked at this company?</td>
</tr>
<tr>
<td>When was the company founded and where?</td>
</tr>
<tr>
<td>In what places is the company located in South Africa?</td>
</tr>
<tr>
<td>How many employees does the company have?</td>
</tr>
<tr>
<td>What was your company's annual turnover last year?</td>
</tr>
</tbody>
</table>

The main questions

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why did your company decide to take the business abroad?</td>
</tr>
<tr>
<td>What part of the operations did the company take abroad?</td>
</tr>
<tr>
<td>Ex) sales, manufacturing, personnel etc.</td>
</tr>
<tr>
<td>When did you start to go abroad?</td>
</tr>
<tr>
<td>How far developed was the company at that point?</td>
</tr>
<tr>
<td>Ex) How many sales offices, employees, products etc.</td>
</tr>
<tr>
<td>Which countries did you enter first?</td>
</tr>
<tr>
<td>Why those countries?</td>
</tr>
<tr>
<td>Which countries did you enter when you furthered your expansion?</td>
</tr>
<tr>
<td>How many countries is your business active in now?</td>
</tr>
<tr>
<td>How is the three dominant ethnic backgrounds represented in your company?</td>
</tr>
<tr>
<td>How are those groups represented in management in your company?</td>
</tr>
<tr>
<td>Was the choice of market, when going abroad, impacted by the dominant</td>
</tr>
<tr>
<td>ethnic group in your company?</td>
</tr>
<tr>
<td>Have there been any political policies helping your business when going</td>
</tr>
<tr>
<td>abroad? In what way did it help you?</td>
</tr>
<tr>
<td>Have there been any political policies hindering your business when going</td>
</tr>
<tr>
<td>abroad? In what way did it hinder you?</td>
</tr>
<tr>
<td>Question</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Have affirmative action affected your company?</td>
</tr>
<tr>
<td>In what way have affirmative action affected your business?</td>
</tr>
<tr>
<td>Does it affect you when employing new staff?</td>
</tr>
<tr>
<td>Did it affect the internationalization process when you went abroad?</td>
</tr>
<tr>
<td>Has your company complied with the black economic empowerment (BEE) policies?</td>
</tr>
<tr>
<td>How did you comply with them?</td>
</tr>
<tr>
<td>If the black economic empowerment did not exist, would your operations abroad look different?</td>
</tr>
<tr>
<td>What were the benefits of going abroad for your business?</td>
</tr>
<tr>
<td>What were the cons of going abroad for your business?</td>
</tr>
<tr>
<td>After all, was it a good decision to take your business abroad?</td>
</tr>
<tr>
<td>What is your future expansion plans? Are you going to enter more new markets?</td>
</tr>
</tbody>
</table>
Appendix B

A table of empirical findings will be attached separately since there are difficulties with adding an excel file into this document.