Internationalisation of Small and Medium-Sized Enterprises of the Agroindustry Sector in Ecuador

By

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Abstract

The objective of this study is to analyse Ecuadorian small and medium-sized enterprises (SMEs) in international markets. Four set of research questions were formulated to structure the exploration:

- What kind of pathways do Ecuadorian SMEs take in the internationalization process?
- How do Ecuadorian SMEs recognize opportunities for internationalization?
- What is the competitive advantage and capabilities of Ecuadorian SMEs to succeed in the international market in the manufacturing industry?
- How do Ecuadorian SMEs manage national and international networking?

In order to answer these questions a multiple case study of four companies from the agroindustry sector of Ecuador was used. Data was collected through semi-structured interviews with the person with the deepest knowledge of the internationalisation process of the firms. In most of the cases, the founder or the international sales manager was interviewed. The research questions were answered and reflected on the managerial decisions and firms' performance.

The findings demonstrate that there is a common behaviour in order to internationalise a small and medium-sized enterprise. In terms of the pathways, two of the firms (B and D) were catalogued as born global because they internationalise few years after its foundation. Then, one firm (A) behaved as a born again global due to a change of ownership prior internationalisation. Lastly, the least international firm (C) has followed a traditional international pathway. All firms recognize commercial opportunities through international trade fairs. Two of the firms (A and B) travel many times per year in order to look for more business partners and to maintain current clients. Meanwhile, the other firms are less proactive to search for opportunities.

The competitive advantage for the firms varied, with one factor in common, all of them had a unique product. Then, the most international firms complemented this factor with high standards via international certifications and high tech machinery. Ecuadorian firms do not internationalise through networking. The two firms with more international clients were part of several international networks. However, none of them have taken advantage of them to find new business partners abroad such as clients, distributors, agents. All the firms were associated to two national networks that support exports and investment.
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1. Introduction

1.1. Purpose of the Study

The aim of this study is to explain how small- and medium-sized enterprises (SMEs) in Ecuador have been tapping commercial opportunities in the international market. SMEs account for the majority of businesses and employ the majority of worldwide population. Firms in the manufacturing industry are characterized by a medium to high level of value added in their production, which is their main source of competitiveness. The study will identify the key features in these successful firms within the context of the globalized economy. Emerging markets such as China will be used as a benchmark to analyse the development of the internationalization path and opportunity recognition of these types of firms in Ecuador. Scholars such as Oviatt and McDougall (1994), Knight (2000), Johanson and Vahlne (1977, 2009) and Kontinen and Ojala (2011, 2012) have been analysing these phenomena from different perspectives. Indeed, the international new venture framework, the opportunity recognition theory and the network theory of internationalization explain the current state of the rapid internationalization in SMEs.

1.1. Research Questions

Few studies have addressed the internationalization process under the context of developing and emerging nations, especially those from Latin America and Asia. In the Ecuadorian case in particular, there are no previous studies related to SMEs' internationalization. This research will try to fill that gap by answering the following questions:

I. What kind of pathways do Ecuadorian SMEs take in the internationalization process?

II. How do Ecuadorian SMEs recognize opportunities for internationalization?

III. What is the competitive advantage and capabilities of Ecuadorian SMEs to succeed in the international market in the manufacturing industry?

IV. How do Ecuadorian SMEs manage national and international networking?
1.2. **Significance of the Study**

This study will explore all the current exporting behaviour of firms. This event is very significant because through a multiple case study is possible to assess and analyse firms’ practices. Then, it is feasible to contrast them with the best cases from developed and emerging countries. After the assessment, it will be possible to draw implications and make recommendations for the private and public sectors. Moreover, this study will be useful to test the appropriateness of the theories in a new context. The economic development of Ecuador needs to be supported by the private sector to reach sustainable growth through welfare and employment. Ecuador is a relatively small market and it will become a more open economy in the next few years. Many international competitors will arrive in the country. Therefore, it is critical for companies to start looking for foreign markets to remain competitive without just relying on domestic sales. The development of SMEs is critical for the economy to increase competitiveness levels through innovation and to bridge the SMEs’ productivity gap with large and international firms.

1.3. **Delimitations and Assumptions**

The study will be covering exports related to the food industry, which is part of the manufacturing sector that represents the minority of the current number of exports, but at the same time has the biggest potential. Therefore, the interviews, which are part of the study, will not be addressed to exporters of traditional or primary goods. Firms will be considered in terms of rapid growth based on productivity and value-added in their production. It is assumed that the firms follow all legal and ethical procedures in their activities.
1.4. Research Structure

The research is structured as follows. Chapter 1 is the introduction of the study, which was already presented. Then, Chapter 2 will cover the literature review, with an overview of the Ecuadorian economy, the role of small and medium-sized enterprises in the country and the theories of internationalization such as the internationalization new venture theory, the competitiveness and marketing strategy framework, the international opportunity recognition and the networking theory of internationalization. In Chapter 3, the methodology is explained by summarizing the method, the research questions, and how the data was collected. Chapter 4 will show the results of the investigation by explaining all the findings and relating and contrasting them with the literature review. Finally, Chapter 5 will cover the conclusions, recommendations and implications of the study for managers and policy makers.
2. Literature Review

The literature review covers the current research on the main issues related to the internationalization process of Small and Medium-Sized Enterprises (SMEs). A general overview is presented, indicating the existing theoretical background that addresses the proposed research questions. In a globalized economy context, a complete review is presented including definitions and the main contributions to the international business research. This section is divided into five parts; the first one will revise the Ecuadorian economy and the role of Small and Medium-Sized Enterprises. The second part will examine the international new ventures theory, including its main contributors and the latest trends. Then, the next part will cover in detail the state of knowledge related to competitiveness and the marketing strategy framework. The fourth part will review the main issues associated with the International Opportunity recognition scheme. Lastly, the fifth section will review the Networking Theory of Internationalization.

2.1. Ecuadorian Context

From 2000 to 2012, the Ecuadorian economy evolved positively in terms of GDP growth. This growth path depended on oil exports and therefore growth was correlated to the relative price of oil. Nevertheless, during this period of time non-oil exports represented 45% of the total exported goods. According to the Central Bank of Ecuador (2012), non-oil exports had an annual growth rate of 12.4% from 2000 to 2012, ascending from USD 2.48 billion to USD 10.11 billion during that period (see Appendixes I and III).

In relative terms of the contribution to the Ecuadorian production, total exports represented 28.00% on average, but when it came to net exports the situation turned out to be negative. Nevertheless, the share of non-oil exports from 2000 to 2012 was 13.01%, whereas the oil exports’ share was 15.18%. Additionally, 31.00% of non-oil exports were done by SMEs in 2010; meanwhile 65.00% of those exports were being made by big companies (MFATI, 2011). In fact, the number of exporter SMEs rose from 676 firms in 2004 to 1,988 in 2012, implying an average growth rate of 14.00% and 164 new SMEs per year during that period (FEDEXPOR, 2013). In 2012, SMEs amounted to 68.00% of total exporters and in relative terms, this grew from 21.70% to 25.50% of the total amount of non-oil exports from 2004 to 2012 (FEDEXPOR, 2013).

Within the SMEs’ segment, there has been an important change in the last few years. New goods are rapidly starting to replace the traditional ones (banana, shrimp, flowers, and coffee) in the exporting matrix. In 2004, non-traditional goods represented 28.3% (USD 215
millions) of total SMEs’ exports, whereas traditional ones constituted the majority (USD 549 millions). Indeed, the number of new products from 2000 to 2012 doubled, from 1,599 to 3,066 products (see Appendix IV). After 13 years, new products have gained a share in the total amount of exports. Indeed, in 2012, non-traditional products represented 50.60% of total SMEs’ exports with USD 1.31 billion; meanwhile traditional exports were 49.60% (USD 1.28 billion) (see Appendix II). According to the Central Bank of Ecuador (BCE) and the Servicio de Rentas Internas (SRI), the Ecuadorian Taxation Authority, the main destinations of SMEs’ exports counts for 84.20% of total SMEs exports. In 2012, the most important markets for SMEs were the European Union (26.30%), the United States (24.60%), the Andean Nations Corporation,1 Russia (8.50%), Venezuela (8.10%), and China (5.20%).

There are three important concerns regarding Ecuadorian trade. Regarding the rise of total non-oil exports from 2000 to 2012, 75.00% of that rise is explained by price increments and 25.00% is related to rises in the volume and quality of the products (FEDEXPOR, 2013). Another issue that raises concerns is related to the concentration of 60.00% of the total non-oil exports on six products in 2012, while in 2000 the figure was 65.00%, according to FEDEXPOR (2013). Lastly, even though there have been efforts to increase exports, the deficit in the trade balance of the non-oil sector has increased over time (see Appendix V). In 2000, it was USD 930 million (4.50% of GDP) and at the end of 2012 the deficit was USD 9.44 billion (10.00% of GDP). For these reasons, more effort is being directed to support international entrepreneurship by Ecuadorian SMEs.

### 2.2. International Entrepreneurship

There is considerable business literature related to the kind of pathways that SMEs take to in their internationalization process. The world is more globalized and connected than ever, and this situation provides the opportunity for companies to expand their markets and go global. Lack of financial resources has been seen as an entry barrier in the world market. Nevertheless, new endeavours with limited funds may also enter and compete successfully in the international arena (Oviatt and McDougal, 1994, 2005; M.J. Jones et al., 2011). The international new ventures theory (Oviatt and McDougal, 1994) states that firms can skip stages of development and internationalize faster than normal. Moreover, it is also known as international entrepreneurship which is defined by Oviatt and McDougal (2005) as “the discovery, enactment, evaluation and exploitation of opportunities across national borders to

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1 The Andean Nations Corporation is integrated by Colombia, Ecuador, Peru and Bolivia.
create future goods and services”. According to the international new venture theory, there are several factors that help entrepreneurs to tap market opportunities, such as knowledge, entrepreneurial actor perceptions, competition and networks, as modelled by Oviatt and McDougual (2005).

Knowledge about the target market and industry specificities of the product or service offered generates a competitive advantage. It impacts on the speed of internationalisation of the firm and can be classified by its novelty, complexity and sophistication (Bell et al., 2003). Knowledge, as stated by Oviatt and McDougal (2005), is related to new product design, an improved production method and efficient service delivery. Moreover, the absorptive capacity and previous knowledge of entrepreneurs can influence the firm’s advantages in the market. Indeed, as mentioned by Chandra et al. (2009, 2012), knowledge is a valuable resource that over time influences and strengthens a firm’s ability to discover new opportunities beyond its local market. Likewise, entrepreneurs with experience abroad have acquired market knowledge (Fang and Zou, 2009), which implies more possibilities to foster the internationalisation process by reducing the uncertainties of global markets.

Internationalisation depends on the type of entrepreneurial orientation of the firms: traditional, the born global and born again global firms. The traditional entrepreneur is explained by the Uppsala model (Johanson and Vahline, 1977, 2009) in which the company starts selling locally, then exporting through agents, then establishes their own sales organization abroad and finally installs manufacturing facilities (wholly owned subsidiaries) to overcome trade barriers. It is important to mention that Johanson and Vahline (2009) revisited their work and updated the framework. The born global ones go international by taking advantage of the industry knowledge and networking (Kontinen and Ojala, 2011). A born global is defined as a firm that enters international markets within the three first years after its creation or less and its external earnings represent more than 25% of international sales (Zahra et al., 2000; Knight and Cavusgil, 2004, Lee et al., 2012). Whereas the born again global spur their internationalization process though sudden event occurrences such as changes in ownership, management or client followship (Bell, 2001, 2003; Kontinen and Ojala, 2012). Nevertheless, according to Chandra et al. (2012), born global and non-born global have many things in common and depend on their evolutionary process prior to internationalisation. It has been suggested that the definition of born globalness needs to be dynamic. Particularly with SMEs, most of them start their business locally and then expand, had previous ventures or had done extensive research and development. Therefore, most of them have previous experience and their internationalisation process has not been an overnight success, but rather a process (Chandra et al., 2012, Lopez et al., 2008).
Competition and networks are other aspects that influence the internationalisation process and they will be covered in detail in the next section of the study.

Another approach to the internationalisation process can be explained through the integrative model (Bell et al., 2003; Kuivalainen, Sundqvist, and Saarenketo; McNaughton, 2012) which combines Uppsala and the International New Ventures theories. This framework combines the main theories in question and segments the scheme into three dimensions, namely time, scale and scope. Time is in terms of the pace of internationalization, the scale is related to sales expansion abroad and scope is in relation to the number of countries (Rugman and Verbeke, 2004, 2008) in which the firm operates (Kuivalainen et al., 2012). In terms of time, there are early and late internationalization patterns. For the early internationalization, there are three categories, which are born global, rapid incremental and born regional. Meanwhile, the late internationalization patterns are divided into born again global, slow incremental and late regionals. Another variable considered under this approach is scope, categorizing firms in terms of number of countries, regions and distance from the home country (Kuivalainen et al., 2012). Lastly, the variable scale uses two measures, the ratio of Foreign Sales to Total Sales (FSTS) and mode of internationalization (exports, agent, commercial subsidiary, production facility). However, besides the ways in which a firm internationalizes; firms that want to survive and succeed need to raise their level of competitiveness. Therefore, this particular aspect needs to be analysed in detail to understand the management strategies and behaviour.

2.3. Competitiveness and Marketing Strategy Framework

Firms’ performance has had a critical effect on the internationalization process. Thus, it is fundamental to explain how competitive advantages and capabilities from developing countries' SMEs can lead them to succeed in the international market in their particular industries. According to Knight (2000), SMEs can be engines of economic growth because they employ the majority of the population (Wiklund et al., 2009) and push competition in the market by challenging competitors through innovation. Globalization has forced firms to improve their processes and standards to continue in the market and to enhance their competitiveness. The resource-based view (RBV) claims that superior performance of a firm can be accomplished through the acquisition and exploitation of its unique resources (Barney, 1991, 2001; Peteraf, 1993; Peng, 2001; Grant, 2010; Efrat and Shoham, 2012). According to Barney (1991), the resource-based theory implies that firms’ sustained competitive advantage is based on value, rareness, imitability and substitutability. Companies acquire the latest technologies and invest in R&D to facilitate innovation and it
also enables them to respond quickly to changes and the latest trends in the market. Moreover, the preparation prior to entering a market is related to better performance in that market in the future. Preparation involves market research, resource commitment in international markets and product adaptation (Knight, 2000). Therefore, the quality reflected in the products and services is a result of the capabilities and resources deployed by the firm, which have an impact on a firm’s competitiveness.

In the case of SMEs, organizational capabilities are directly expressed by the role played by the owner. This factor is critical because the individual is the decision maker and there is a low level of bureaucracy in the firm (Verhees et al., 2004). This condition may help firms to react quickly enough to conditions in the market, repositioning themselves constantly to anticipate responses from other players in the marketplace. It implies that a firm can grow faster due to its size and management flexibility, which might have a positive impact on market share and profit growth (Man et al., 2002; Schwens and Kabst, 2009).

Improvement can be made through enhancements of the resources and capabilities. Consequently, firms do not rely only on market conditions but also on internal developments. Indeed, RBV suggests that the social capital encountered within the firms in terms of ties, networks and contacts is seen as an asset that is difficult to replicate (Peng, 2001). Therefore, SMEs’ competitiveness is controllable to a certain extent (Man et al., 2002) and via a specific strategic focus the firm can achieve success in the internationalization process as opposed to knowledge intensity, international networking and international experience (Kalinic and Forza, 2012). In addition, it is important to consider the impact of an agile decision making process in terms of performance, assessing the competitiveness of the firm compared to the rest of the market. SMEs’ decisions are taken by the owners and this fact makes it possible to avoid administrative constraints (Autio et al., 2000; Schwens and Kabst, 2009), such as the bureaucratic situations encountered in big firms.

Regarding the competitive framework, a firm’s innovation may impact positively on its performance (Kaufmann and Todtling, 2000; Radas and Bozic, 2009; Parrilli and Elola, 2012). For this to happen, the owner needs to be open to new ideas, by making adaptations to the business model, both in the input and the output. These innovations can be implemented through R&D; in the case of very small firms it will be reflected via the new technologies adopted by suppliers, which means new inputs (Verhees et al., 2004). It has also been seen that SMEs rely on R&D cooperation and outsourcing to prestigious and highly qualified experts (Kaufmann and Todtling, 2000; Parrilli and Elola, 2012; Teirlick and Spithoven, 2013). Through these mechanisms, companies are able to respond and offer solutions to market demands. Without innovation, companies will not survive in the long run since superior quality and service can be achieved by competition in the short-term through
a copy of the marketing strategy (Verhees et al., 2004). The innovation can be divided into radical and incremental (Gopalakrishnan and Damanpour, 1997; Chetty and Stangl, 2010). Radical is defined by Gopalakrishnan and Damanpour (1997) as “the production of fundamental changes in the firm’s activities, which embody a clear departure from existing practices”. Zahra and George (2002) and Zhou and Li (2012) define radical innovation as a situation that must generate breakthrough ideas that enable the discovery of new technologies and opportunities. Meanwhile, according to Zhou and Li (2012), incremental innovation is defined by the former authors as a marginal departure from the existing practices within a firm. According to Massa and Testa (2008), Kaminsky et al. (2008) and Radas and Bozic (2009), collaboration with other firms and organizations, including suppliers is seen as a factor that impacts positively on the process of innovation. Moreover, firms that sell their products in local markets are less motivated to innovate and face less competition than firms that are present in international markets (Radas and Bozic, 2009). These actions will help small firms to stay ahead of the competition to gain a market share and maintain their relative product price. Remaining competitive in the local market will not assure future and sustainable growth. Thus, SMEs must search for opportunities for market expansion in the international arena.

2.4. International Opportunity Recognition Framework

Ellis (2010, pp.3-4) defines opportunity recognition as “the chance to conduct an exchange with new foreign partners”. The most important exchanges are with customers, distributors and manufacturers (Ellis, 2010). International opportunity recognition deserves special attention since it is considered the route of the whole internationalization process. Previous literature, such as the Uppsala model (Johanson and Vahlne, 1977), the OLI paradigm (Dunning, 1980) and the network perspective (Johanson and Mattsson, 1988) has taken for granted that firms recognize a market opportunity by giving a brief explanation about the means in which firms identify those market prospects. Therefore, it is essential to understand how firms, specifically SMEs, recognize opportunities for internationalization. According to Chandra, Styles, and Wilkinson (2009), Kontinen and Ojala (2011) and Hulbert et al. (2013), the key elements used to recognize opportunities abroad are prior knowledge, entrepreneurial orientation and networks.

In terms of knowledge it could be divided into market and technical knowledge as a tool to go international. Experiential knowledge is relevant in the process of internationalization (Eriksson et al., 1997), such as knowledge about the environment related to client, competitor and business rules. This is also called knowledge of markets
Another type of knowledge is industry experience associated with capabilities, resources and operations. This knowledge is acquired through work experience and is developed over time (Reuber, 1997; Park, 2005; Armario et al., 2008). This fact provides the chance to recognize unanticipated new mean-end relationships for an international opportunity (Chandra et al., 2009). Nevertheless, Kontinen and Ojala (2011) did not find knowledge to be relevant enough when searching for opportunities, but they mention its importance in the execution of those opportunities in the new market.

Regarding the entrepreneurial orientation, companies that are innovative and proactive are expected to find opportunities in the international marketplace. This characteristic is associated with activeness and alertness in the market, when entrepreneurs are looking constantly for opportunities through personal contacts and public sources such as magazines and newspapers (Baron, 2006; Kontinen and Ojala, 2011). Active search is also important in the sense that while searching people and firms tend to find things that were not considered in the first place as the search objective (Chandra et al., 2009). However, international opportunity recognition is more related to high levels of alertness in the international context rather than an active search for opportunities (Kontinen and Ojala, 2011). Factors associated with international opportunity recognition are entrepreneurs’ cognitive attributes such as intelligence, creativity and optimism (Kontinen and Ojala, 2011). These features will spur the ability to link that information with previous knowledge and find relationships between different concepts. In fact, opportunities may only be exploited by entrepreneurs that understand the value of the discovery and link it to his/her business idea (Shane and Venkataraman, 2000; Kontinen and Ojala, 2011). Ultimately, the manner in which firms recognize an opportunity is to find the right person that could represent the company’s products and services in a target country. According to Zhou et al. (2012), effective partner selection is a determinant factor for the success of new ventures in international markets.

Nevertheless, the opportunity recognition literature covered in this section lacks generalizability. As Kontinen and Ojala (2010) stated, regarding this issue from 1994 to 2004, eight countries have been examined, five from Europe, then Australia, the United States and China. Only four studies were developed by Yeung (2000), Tsang (2001, 2002) and Child et al. (2002) about opportunity recognition in China. Conversely, none of these studies revise the case of SMEs in depth. More recently, Kontinen and Ojala (2011) and Chandra et al. (2012) have analysed developed economies, by looking at Finnish and Australian SMEs. It is possible to be competitive for a period of time, but to remain
competitive it is critical to develop networks in local and international contexts. Firms are not islands; therefore they need to interact with one another through networking.

2.5. Network Theory of Internationalization

The network theory of internationalization was introduced to academia by Johanson and Mattsson (1988) who argued in their work about how firms interact with each other and build networks to internationalize. The model argues that firms willing to sell abroad and internationalize tend to develop network ties with other firms in the same business sector that belong to a network in the foreign market targeted. Networks are composed of several types of economic individuals such as customers, distributors, suppliers, competitors, non-profit organisations and public institutions (Kontinen, 2011). As mentioned by McDougall and Oviatt (2003), Lindstrand, Melen and Nordman (2011) and Musteen, Datta and Butts (2013), network analysis constitutes a useful framework to help entrepreneurs identify opportunities abroad, establish credibility with their partners, gain access to strategic resources (Manolova, Manev and Gyoshev, 2010) such as knowledge of the market, and help develop strategic cooperation and alliances. Networks can be analysed by looking at their relationships and their strategic effect.

Firm growth can be possible through network extension via investment and the development of relationships within these networks. The degree of formality of network relationships used to enter into a new foreign market can be divided into three branches, formal, informal and intermediary ties (Ojala, 2009). Formal ties refer to the ones that are based on market and business relationships. For instance, as Adler and Kwon (2002) state, a formal tie is characterised by the use of money and the exchange of goods and services. Indeed, Chetty and Wilson (2003) argue that formal ties are being used strategically to internationalize. This is possible since the company starts belonging to a certain network and acquires commitments in exchange for useful resources. The types of resources are related to reputation, advertisement, equipment and key processes sharing, discount negotiation and trade fair participations. On the other hand, informal ties are linked to friend and family relations (Coviello, 2006, Larson and Starr, 1993). These types of ties involve a more relaxed environment between the parties due to the familiarity. New ventures start with these types of networks due to the lack of legitimacy and market experience as small businesses, rather than established corporations (Chetty and Wilson, 2003). As Larson and Starr (1993) mention, formal and informal ties can be unclear at certain times and they may evolve from informal to formal or vice versa. Intermediary ties are the ones in which the seller and buyer
do not know each other and there is a third party in between. The intermediary has no business transactions with either party, in this case export support institutions, private or public, act as intermediaries and also trade fair organizers (Kontinen, 2011).

Regarding strategic concerns, networks are a source of competitiveness and play an important role in the internationalization process of a firm. Loane and Bell (2006) state that the strategic actions taken by firms are influenced by the actions done within the network, so that the firm is not strategically isolated. Indeed, new firms leverage their social capital by using these networks to improve resource and knowledge bases in relation to foreign market knowledge (Fang and Zou, 2009), identifying key players in the industry (major clients and producers), searching for R&D partners and identifying new market channels and funding through venture capitals. Many founders of new firms use their previously established networks to gain credibility in their new ventures by accessing clients through these business contacts (Loane and Bell, 2006). In many cases firms tend to establish networks with the key decision-makers in the objective enterprises, but this is not done individually but through the network. Nevertheless, it is seen as important to have knowledge and network-rich members in the management team because they can boost the internationalization process of the firm. In order to mitigate risks of dependence, the failure or poor performance of one of the partners of the network, firms need to develop relationships with different business partners (Chetty and Agndal, 2007).

As a result, networks are built upon the trust and long-term commitment of the parties. Moreover, networks help their members to incorporate new knowledge by learning about each other’s demands, resources and strategies in their particular business and the latest trends, tendencies and techniques in the market (Amal and FreitagFilho, 2010). However, the decisive factor is the partners’ commitment to the network for success in international markets. It is critical to recognise the crucial role of relationship networks in the company’s growth in international markets. Nevertheless, in order to maintain a long-term relationship, partners have interactions with their peers on a regular basis (Chetty and Agndal, 2007). Many routines and capabilities can be replicated through a web of coordinating relationships which connect firms with the specific resources they need. In the end, networks are not just potential clients and distributors; but suppliers, venture capitalists and other types of organizations that could enable the firm to acquire new knowledge.
3. Research Methodology

3.1. Summary of Method

The method of research that is going to be used in the study will be a qualitative approach. Within this approach, the study has been identified to follow a social constructivism worldview, using an ethnographic design and observation of behaviour. Multiple case studies will be conducted to gain a better understanding of Ecuadorian SMEs in the manufacturing sector. Eight cases will be examined to discover the similarities and differences between them. Afterwards, the multiple case studies will be useful to predict similar or contradictory results (Yin, 2009). This qualitative perspective is used whenever a relevant behaviour cannot be manipulated (Yin, 2009). The main objective is to gain an insight into a particular phenomenon, in this case the internationalization process of Ecuadorian SMEs. Thus, it will consist of interviews with the managers of these companies. In addition, previous work, done in developed and emerging markets, will be considered as a benchmark to compare the empirical results for this case study.

3.2. Research Questions

I. What kind of pathways do Ecuadorian SMEs take in the internationalization process?

II. What is the competitive advantage and capabilities of the Ecuadorian SMEs to succeed in the international market in the food industry?

III. How do Ecuadorian SMEs recognize opportunities for internationalization?

IV. How do Ecuadorian SMEs manage national and international networking?
a. Methodology and Approach to Research

i. Research Design

The design is “the logical sequence that connects the empirical data to a study’s initial research questions and then to conclusions” (Yin, 2009: p. 26). For case studies there are five key components including: a study’s questions, propositions, units of analysis, logic linking data to propositions and the criteria for interpreting findings (Yin, 2009).

For the first component, the study questions, it is suggested to use the forms “how” and “why” for case studies, rather than “who”, “what” and “where”. Yin (2009) proposes three steps to narrow the topic down to what the main interest of the research is and then to create potential new questions. First, use previous literature, review key studies and examine other studies on the same issue. Then, stating propositions is the second design component which reflects important theoretical issues and also helps the researcher to know where to search for significant evidence for his study. Since the internationalization process has already been explored in previous research, there will be a proposition related to every study question.

In the unit of analysis, the case being studied is the management decisions of small- and medium-sized enterprises in Ecuador that have had a rapid internationalization process. The companies are located throughout the whole country and are related to the food industry. Four of these types of companies will be contacted to obtain information (related to the study questions and propositions) for a multiple case study.

Further, it is critical to link the data to propositions and criteria to interpret the findings. The analytic techniques used in the case study are pattern matching, explanation building, time series analysis, logic models and cross-case synthesis. In this study the pattern matching technique will be used because it will be useful to compare empirically based patterns with several predicted ones (Yin, 2009).

Lastly, the criteria for interpreting the study’s findings related to the case studies do not rely on the use of statistics. Therefore, it will be important to consider and compare a compilation of the rivals’ explanations about the situation.
ii. Population and Sample Details

The sample strategy intends to find a pattern in terms of management behaviour among small- and medium-sized enterprises (SMEs). In Ecuador, the statistical definition of a small firm is supported by the Andean Nations Community (CAN) with its Decision 702 in which it states that a small enterprise has a range from 10 to 49 employees and sales ranging from USD 0.1 million to USD 1 million. While medium enterprises employ from 50 to 199 people and its sales range from USD 1 million to USD 5 million (ALADI, 2012). For this reason, a group of four firms (SMEs) from Ecuador have been selected for the study. The companies belong to the agroindustry sector. In order to focus on SMEs, it is important to narrow down the scope and it was necessary to select sample units taking into consideration four specific features:

- The number of employees should range from 10 to 199 people.
- The international sales as a percentage of total sales must be at least 10%.
- The company cannot be a subsidiary of a multinational firm.
- The company must export aggregated value products.

iii. Data Collection

The case study research uses several data sources to prove credibility (Yin, 2009). Therefore, data sources include secondary data such as company websites, annual reports, brochures and archival records. In this particular case, the FEDEXPOR and PROECUADOR databases of exporters have been used to select the firms that fit the characteristics mentioned above. Primary data has also been used, specifically through interviews. In this particular case, semi-structured interviews were conducted, with open-ended questions directed by a list of subjects to cover guided by a questionnaire with structured inquiries. The interviews were conducted via Skype due to informants’ availability. The respondent from each firm held the role of Chief Executive Officer (CEO) or the International Business Manager (in two cases it was the same person). This implies that the interview was targeted towards the people with the greatest knowledge of the internationalization process of the companies in question. All the interviews lasted from forty five minutes to one hour and were pretested before implementation. Each interview was recorded (except for one firm) and then transcribed to process and categorize the information to relate it to current literature.
Figure 1 Information about the case firms

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees</td>
<td>24</td>
<td>115</td>
<td>70</td>
<td>14</td>
</tr>
</tbody>
</table>

Firm A

Firm A is an Ecuadorian company that produces healthy snacks. It started producing plantain-based snacks from 2004 to 2008. Then, it was acquired by an Ecuadorian entrepreneur and his wife. They restructured the firm, especially in terms of quality and taste with new ingredients. During 2009, the management team created a website and obtained three quality certifications (GMP, HACCP, KOSHER). In the same year, they attended the SIAL Food Fair in Montreal and one product obtained the Trends and Innovation award. Afterwards, the firm started selling local products under a new brand for the gourmet market in December 2009 and began exporting in July 2010. In February 2011, it signed an agreement with the International Potato Center (CONPAPA) to introduce native Andean potatoes to its snacks offering. Since its inception, Firm A has been awarded three prizes for innovation and corporate responsibility. Currently, the firm has five quality certifications and has attended more than fifteen food fairs between 2009 and 2013. In total, the firm is currently exporting to 14 countries.

Firm B

The company was created in 2005 by four professionals who were relatives and wanted to export aggregated value products using a non-traditional fruit. Firm B has obtained five quality certifications (HACCP, ISO 9001, Premium Quality Organic Certification, Kosher and Global GAP). In 2010, the firm opened a packaging and distribution facility in Mexico and started to import fruits from other countries to serve regional needs (Organic Well News, 2011). The firm started its operations in Ecuador and since 2010 it has expanded via manufacturing and commercial subsidiaries to Colombia and Mexico. Afterwards, the firm opened commercial offices in the United States, England and Peru. Firm B is currently exporting to 15 countries with its own brand and to 20 countries representing other brands. These markets are Germany, England, Scotland, the USA, Canada, Mexico, France, Holland, Czech Republic, Switzerland, Austria, Italy, Turkey, Israel and Kuwait.
Firm C

Firm C was created in 1997 in Cuenca and then the company moved to Quito in 1999. By 1997 their products were only commercialized in Cuenca. In 1999 they started selling to the main retailers in Ecuador and gained recognition from local consumers within a few years. In 2012 they started to export to one client in the United States. During 2013, they have attended many international fairs and at the last one they signed contracts with three customers from Colombia, Uruguay and the Dominican Republic. The management team has not changed, and still remains mostly familiar. The products are based on cereals, fruits and chocolate. In a few years they have become leaders in that particular segment in Ecuador. The firm has one international certification, which is the Best Manufacturing Practices and they are currently working towards the ISO 22000 certification.

Firm D

The firm was created in 1998 as part of a consortium integrated by four firms, including Firm D. This was the first consortium that focused on reincorporating the value of Andean grains in Ecuador. By 2006, the firm had created a website and started to aggregate value to its production. The company produces more than 15 products based on quinoa and it collaborates with more than 1,000 small farmers in the Andes region. In addition, the firm has access to international credits through Root Capital to sustain the liquidity and working capital of the business. It has four certifications, the Bio Control System (BCS), the National Organic Program (NOP) from USDA, the Japanese Agricultural Standards (JAS) and the European Conformity (CE). Firm D has exported to five countries: Colombia, the United States, England, France and Germany.

iv. Data Presentation

The study will be presented as a multiple case study since the researcher established the research question. The evidence is collected from market and company data and previous research. In this case, the primary data obtained from the interviews will be included in the study as well as the secondary data used. Furthermore, the validity of the research will contribute to a better understanding of the literature and it will be relevant to the Ecuadorian agroindustry sector.
v. Data Analysis and Generalisation

Cases studies are analysed using five techniques: pattern matching, linking data to propositions, explanation building, time-series analysis, logic models and cross-case synthesis (Yin, 2009). In this study, time-series analysis and logic models will not be used.

Figure 2 Qualitative data analysis process

According to Creswell (2012), these are the steps to analyse the data collected:

1. First, organize and prepare the data for analysis (transcribe interviews, optically scan material, catalogue all visual material, sort and arrange the data).

2. Second, read and look at the data (general ideas, tone of voice, depth, credibility, observational field notes).

3. Third, start coding the data. Organize the data by dividing it into parts for analysis, segmenting sentences and paragraphs. Then, create an abbreviation for each category and alphabetize the codes.

4. Fourth, use the coding practice to create a description of individuals (people, places, events) and generate between five and seven categories for further analysis.

5. Fifth, present the description and themes that will be represented (visual figures and tables used).
4. Findings and Discussion

In this section the document presents the description and findings about four Ecuadorian exporters. The findings that are presented correspond to the same approach taken by Coviello (2006), Coviello and Munro (1997) and Kontinen and Ojala (2011, 2012). This approach involves interviewing managers and reporting findings at firm-level.

4.1. Case Stories

4.1.1. Internationalization Pathways

One of the drivers of international entrepreneurship is knowledge. This issue is related to new product design, improved production and experience abroad. The empirical evidence showed that Firm A changed ownership and manager 4 years after the company was established. The new manager studied Business and Economics abroad for several years which was helpful to give the company an international perspective. Nevertheless, he is the only person with an international background. The Project Manager of Firm A describes this issue in the following manner:

We have not hired anybody with international experience or market knowledge. As a matter of fact, all the people we have hired during these years have been “juniors”. In this manner we are able to train young people with all the values that the firm shares. This is very important for us to consolidate a good team of workers.

Likewise, previous knowledge was seen in Firm A by the fact that its manager had previous market experience in two ventures, firstly importing bikes and secondly managing a tourism agency. Therefore, he was familiar with dealing with international businesses.

In the case of Firm B, the management team was comprised of three friends; all of them studied and had several years of corporate work experience abroad. Moreover, the management team also analysed what the firms were offering to the market and found out that their product was unique and unexploited. On the other hand, the firm has not hired anybody with international experience to help the firm increase their sales abroad. This task has been done by the President of the firm, who constantly travels around the world looking for new markets and clients. The CEO of Firm B expressed this situation as follows:
We do not have that need because the Economist (President of the firm) spends most of his time abroad. He travels all the time, sometimes to visit a new provider or on other occasions he goes to some countries to support our clients. He always wants to establish direct contact with his business counterparts. The international management is solely the product of his effort.

In addition, the President of the company had market knowledge because for several years he worked with his father on two family companies before starting his own business. He was able to meet clients with his father and learn from these experiences about international transactions and the business world (see Fang and Zou, 2009). This exposure has helped him to be more confident about the international prospects of the firm.

Firm C was established in 1997 and did not start exporting until 2012. The management team has been the same for sixteen years. The management director had knowledge of the industry, but he did not have any experience abroad. The CEO of firm C studied Economics and has many years of experience working in social issues. At the moment, the firm has two professionals who graduated abroad. The Commercial Manager studied in Spain and the Industrial Manager studied in Germany. It can be seen that the firm has technical knowledge and an understanding of the Ecuadorian economy in terms of consumption. The firm has focused on the local market for fifteen years and last year five per cent of sales came from abroad. Firm D has not shown any signs of previous knowledge that helped the firm to increase its international prospects. The manager studied Economics at a recognised university in the capital of Ecuador and had relevant business experience locally, not internationally. Moreover, the management team has been the same for 15 years, and currently hires locals from the universities where the firm is located. During that time the firm manager has acquired knowledge through training and experience at international fairs.

In the case of Firms A and B, previous knowledge is acknowledged as one determinant factor in the internationalization process. This is in line with Oviatt and McDougal (2005), Lopez et al. (2008), Chandra et al. (2009, 2012), Kontinen and Ojala (2011) and Hulbert et al. (2013) because in both cases the founders of Firms A and B had previous business experience which has been helpful in order for them to operate in their new firms. Firm C is a different case since its manager does have previous experience, but this was in the local market and his main focus was not the international market. Therefore, he was interested in growing locally and then once the company became medium sized he wanted to export. Several of the managers at Firm C have studied abroad, but this was industrial engineering
and marketing and these subjects did not have any effect on the international focus of the firm. For Firm D, its manager did not have any previous experience of international business. Thus, knowledge cannot be acknowledged as one factor for success in that particular business venture. Firms C and D are not in line with Chandra et al. (2009, 2011) and Kontinen and Ojala (2011). These firms have traditional features and are in line with Johanson and Vahlne (1997) because they have not taken advantage of previous knowledge in terms of industry or markets abroad.

Another feature that has an impact on new international ventures is the entrepreneurial actors perceptions. These entrepreneurial perceptions are divided into traditional, born global and born again global. The results of interviews and data from Firm A indicates that the firm initiated its local sales with a new brand name and management team in January 2010 with a major retailing chain. Afterwards, its first export was executed in December 2011. This fact implies that Firm A behaved as a born again global firm because a major event happened before they started selling abroad. The change in ownership and manager in 2008 changed the whole perspective of the firm. Moreover, Firm A cannot be catalogued as born global since its exports started 7 years after the company’s creation (see Oviatt and McDougal, 2005). Regarding Firm B, it was created in April 2005 by three friends who decided to quit their corporate jobs and start their business idea. They started selling locally for a very short period of time (eight months), but their main focus was international markets. The CEO of Firm B explained this event in the following way:

In 2006 we started exporting the Andean berry which is our star product. Everything began when three young professionals agreed to create an exporting business based on dehydrated fruits and their derived products.

Therefore, they started exporting in less than a year after the firm’s foundation. This scenario catalogues the firm as a born global player. These types of companies are the ones that enter international markets within the first 6 years after their inception, which is in line with Zahra et al. (2000) and Knight and Cavusgil (2004). In addition, this internationalization did not happen due to a case of client followership or because it experienced a change of ownership or management team. Thus, it cannot be called a born again global firm, as characterized by Kontinen and Ojala (2012). On the other hand, Firm C has followed a clear traditional path since its creation in 1997. It started selling in southern Ecuador and the firm moved to Quito in 1999 in order to take advantage of a bigger market and to distribute its products nationwide. Firm C started selling to the main retailing chains with its own brand and with the retailing brand in 2011. In 2012, the firm signed its first international contract
with a businessman from the United States. This year, after the last trade fair in June 2013, they now have four potential clients from Latin America (Colombia, Peru, Uruguay and the Dominican Republic). The case of Firm C is congruent with the findings of Johanson and Vahlne (1977, 2009) because the firm has had a progressive path of development by going from local to foreign sales over a long period of time. Firm D started producing quinoa in 1998 and they had their first export in the same year to the United States. This event happened due to a client request because of the organic nature and nutritive value of quinoa. However, Firm D has been interested in exporting since its creation. This was expressed by its CEO as follows:

In 1998 we met a US importer at an International Fair in Quito, which was organized by the government through the Exports and Investment Corporation of Ecuador (CORPEI in Spanish). He was very interested in our product because it was 100% organic and also because we help small farmers to increase their household income. There was a request by them, but we were both interested in doing business, as our firm wanted to internationalize soon.

After this the company kept exporting the grain until 2005. In 2006 the firm acquired machinery to aggregate value to quinoa, then in 2007 they started selling a range of new products such as cookies, chocolate, quinoa powder, quinoa pasta and quinoa bars with dried fruits. These products were appealing in international markets and in 2007 they were exported to France and Germany. The company’s production is mainly focused in international markets, 94% is exported and the rest is for the local market. The main reason for advertising its products abroad is because in Ecuador twenty years ago quinoa was considered to be a food for the lower classes and was not popular in the main cities. Moreover, organic production was not recognized as a premium food and therefore the prices offered by the main retailers were competitive. On the other hand, in foreign markets there is awareness of the benefits of organic food and the additional costs (certifications, regulations and inspections) that are involved in its production. Firm D has been behaving, in theory, as a born global firm because it started exporting the same year as its creation. Conversely, actually it has followed a traditional path (see Johanson and Vahlne, 1977, 2009) because in 1998 they started selling grains and by 2006 the firm started adding aggregate value to their production.
4.1.2. International Opportunity Recognition

An international opportunity can be recognized based on the level of alertness that the firm’s owner might have. Intelligence, creativity and optimism are associated with high levels of alertness (see Kontinen and Ojala, 2011). Entrepreneurs are those who understand the value of a recognized opportunity in the market. Thus, the managers of Firms A and B can be considered as this type of individual. An example is the case of the native potato in Firm A in which the firm contacted the International Potato Center authorities very quickly and had the opportunity to talk to them a few hours after contacting them by telephone. This situation was described by the CEO of Firm A as follows:

In 2011, I was talking to an English client and while I was mentioning all the products we had, he asked if we could also send native potato chips. At that moment I said, ‘No, what is that? No, unfortunately we do not offer that type of product’. Then he replied saying ‘I thought you were doing the same as the Peruvian companies’. After that conversation I asked our project manager to find out about it, and one day later we were in contact with the International Potato Association, and coincidentally its Directors were in Quito for a meeting. Two months later the firm was making native potato chips.

For the case of Firm B a clear example of linkage between an opportunity and a market gap was the moment when they started making a different product with the same input. This fact is expressed by the CEO of Firm B in the following manner:

The vision of our President is very interesting. Until last year we did not have a market in Colombia, but he found a market in the caramel Andean berry and now we are manufacturing Andean berry candy in Colombia, which is a boom in the international market. We are the only company that is making this product so far.

Firm C did not show any signs of international market alertness between 1997 and 2012. Its first and only international client contacted the firm by email and telephone in 2012 and then they started negotiations. In 2013 the firm recently participated at a trade fair in Ecuador, where the CEO talked to many potential international clients and he is confident that the firm will start exporting to these new markets by the end of the year. The management team is starting to realize about the opportunities abroad. This was expressed by its CEO as follows:
I found out about the malanga (Chinese potato) because someone was exporting the raw product to the United States. Then, I talked to someone from Central America about it and he told me that in that region people eat the product on a daily basis. This was the moment when I offered to make a puree of malanga for his retail chain. Now, we are producing the product for that client and as far as I know we are the only company that is making this particular product worldwide.

Firm D discovered an opportunity to commercialize the Andean grain, quinoa, fifteen years ago when no one else was aware of its potential in Ecuador. According to Firm D’s CEO, it was a matter of external alertness; he found out that in Bolivia and Peru people were harvesting the grain in high volumes. After he created the first quinoa consortium of Ecuador others started imitating the same idea. Nevertheless, after this event the firm has recognized opportunities mostly through International fairs, Congresses and Commercial Missions organized by other parties such as CORPEI, PROECUADOR, FEDEXPOR and the Ministry of Foreign Affairs of Ecuador. Indeed, the CEO of Firm D was attending the World Congress of Quinoa when he was being interviewed and he took notes on every new aspect of the industry’s developments explained by companies and scientists from more than twenty countries. This situation was described by him as follows:

At the moment I am attending the World Congress of Quinoa from the 8th to 12th of July, 2013. Many people from all over the world, from scientists to businessmen, have come to discuss the current situation of the Andean grains and its future development. People are debating the nutritional properties and market value of quinoa. I have just found out that in Peru, a company launched a new snack based on quinoa that has the same texture as pork skin. After this event I expect to increase our product portfolio in the coming months.

Therefore, the findings of the cases of Firms A, B, C and D are in line with Kontinen and Ojala (2011) as they give more importance to the level of alertness in the market. Firms A and B complement this alertness by searching actively in international markets through constantly travelling. On the other hand, Firms C and D do not look for opportunities by themselves. They rely on the fairs organized by the governmental institution in charge of export support, PROECUADOR. Opportunities through personal contacts were not encountered in any of the cases and all of the commercial opportunities were discovered through formal channels. Thus, the firms’ behaviour does not confirm the findings of Baron (2006). Finding the right person that could represent the firm abroad is considered critical for success abroad (see Zhou et al., 2012). Firm A follows a strict process when doing business.
with distributors and they even assess the inherent risks related to the distributor that wants
to work with them. This was reported by the Project Manager of Firm A in the following
manner:

We had a couple of bad experiences due to thinking that all clients are “the best”.
Therefore, right after that we created an assessment system for client reputation in
which we analyse how good the client is, if they show they have made an effort to
promote our products and if they are registered as a company under the company
house in their country. For these reasons we ask for many documents such as
notarized company registration, a signed confidentiality agreement and some other
documents to make sure they do not have anything to do with drug organizations.

Firm B collaborates with well-known and recognised companies. In the case of Germany, the
firm works with one of the best-recognised organic importers, Wolden. In the United States,
Firm A works with one of the biggest clients of organic food worldwide. Firm B verifies that its
customer is not related to drugs. Another practice of the firm is to ask for secure transfers
(cash payments) and a detailed analysis of the client itself. The firm also considers if the
importer shows stability and has made an effort to introduce the product to the market. The
CEO of Firm B explains the situation as follows:

In our business what we first work on is to look at the Clinton list, which is a detailed
register of companies linked with drug trafficking. Second, we have the assurance
that the President knows the international market very well so we sell to very
recognised enterprises. Thus, for USD 200,000 these companies will not risk their
reputation, name and market image in the long run.

Firm C has mentioned that they follow what is written in the law. The firm ensures that the
client is registered in its home country and they create an agreement for the payments. The
CEO considers that he can only ask for the usual requirements that are mentioned by law,
nothing else.

Firm D mentioned that they have met all their business counterparts at the international fairs
and that these firms have been serious. In 15 years they have not had any problems;
nevertheless they have worked with bank deposits as a payment warranty. The company did
not deem it critical to implement a system to assess new clients. In addition, Firm D works
with brokers in foreign countries that are in charge of all the importing procedures and they
establish contact with different distributors and retailers, especially for the food, hospitality
and pharmaceutical industries. They have realized that trust is very important in international business when they could not fulfill the expectations of an English importer. The firm could not handle the amount requested periodically and Firm D lost its client base in the United Kingdom. When asked about exports to England the CEO commented on this in the following manner:

We used to export to England, but we lost that market due to lack of supply. The company did not have enough production capacity to handle the clients’ requests. Therefore, they decided to terminate the contractual relationship about three years ago. Regarding the other countries, the relations have remained stable and we continue to export without any inconveniences.

Consequently, Firms A and B consider it to be critical to find the right importer and have sophisticated procedures to select them. These firms’ actions are in line with Zhou et al. (2012). Whereas, Firms C and D have not prioritized business partner selection and rely on the credibility of international fairs, which is where they meet their clients and brokers. For these reasons, these Firms (C and D) are not aligned with the findings of Zhou et al. (2012).

4.1.3. Competitive Advantage and Capabilities

Competitiveness has many components, and one that should not be dismissed by companies is related to investment in technology and research and development (R&D). In the case of Firm A, they have invested in infrastructure and processes to meet the requirements of their six international certifications which are HACCP, Best Practices of Manufacturing (BPM), KOSHER, Gluten Free, Business Alliance for Secure Commerce (BASC) and NON-GMO certifications. However, the firm is aware of the latest technology used to process their products, but the manager has decided to remain with the artisanal equipment. Therefore, it has signed an agreement with an American University to build solar-based machinery to replace that currently used. Firm B has invested in terms of processes and to obtain five international certifications (HACCP, ISO 9001, KOSHER, Global GAP and Premium Quality). It acquired state of the art technology to dry fruit, cut and package the product. Moreover, the firm’s technology provider creates machinery under all the required specifications. This generates an advantage for Firm B because it makes it possible to control every aspect of the product process, especially quality and flavour. Another factor that the managerial team considers to be important is that they have control
over the complete value chain, from the farmers to the final product. The farmers who are the providers of Firm B all obtained the Organic Certification and received training from the firm and USAID for several months to optimize their harvest. This fact guarantees the best quality of fruit which is the only input. In both cases, Firms A and B have improved their internal developments through the organic certification of their crops and by providing training for their suppliers and managers which is in line with Man et al. (2002).

Firm C has invested in state of the art technology in order to offer the best products to its customers. Many people from the company attend International events to stay up to date with the current technological developments in the food industry. The firm had an idea about the product it wanted to develop and contacted a machinery firm from New Zealand. The management team went there to test the machinery and after that they had training for a week. Then the machinery provider invited the CEO to a conference in Chile about all the functions of the machinery. During his stay there the CEO contacted the Director of the School of Food of a University in Chile. They signed an agreement and with his knowledge they started developing the first formulas of the products. Afterwards, the product development team continued creating more items. They are also subscribed to several magazines and other information to be aware of the latest developments in the food industry.

Firm D bought machinery in 2006 and since then the company has not increased the range of products it offers. For them, it has been difficult to invest in new technology, research and development. The firm is from the community; therefore it pays fair prices to more than one thousand providers, which are female farmers. This situation has generated low profits and thus it is not possible for the firm to reinvest. On the other hand, the firm constantly invests in training on organic harvesting for the farmers. This has helped the company to obtain many international certifications such as the Bio Control System (BCS), the National Organic Program (NOP) from USDA, the Japanese Agricultural Standards (JAS) and the European Conformity (CE). The CEO of Firm D is aware of the need for new investments in technology and R&D, which was mentioned as follows:

For us, it has been difficult to update our machinery. We keep making the same products that we used to sell six years ago. We need to invest in new equipment because our competitors in Peru and Bolivia are developing many new products. We need to move forward and we are trying to work on that issue at the moment.

Of all the firms, Firms A and C were aligned with Verhees et al. (2004), Kaufmann and Todtling (2000), Parrilli and Elola (2012) and Teirlick and Spithoven (2013) in terms of R&D
developments in order to become more competitive. Firms B and D were more in line with R&D cooperation (see Teirlick and Spithoven, 2013) because they have been working with international and national organizations to improve the quality of their products through certified procedures. In terms of R&D developments, Firm B has a technological supplier that creates all the machinery for the company, which gives them their competitive edge. Likewise, Firm C’s technology provider generates pilot machinery to test new products and the feasibility of their production. This has helped the firm to be competitive enough to fulfil their clients’ requirements. This event can be categorized as a R&D agreement. Firm C has two certifications, one national and another international and it is currently obtaining its second international certification (ISO 22000). Besides the four organic certifications, in the case of Firm D, it has not had another type of R&D agreement or cooperation with any organization.

The level of responsiveness to market changes can be measured by firms’ organizational capabilities. In the case of SMEs, this is mainly reduced to the owner’s role regarding the decision-making process and low bureaucracy (see Autio et al., 2000; Schwens and Kabst, 2009). Firm A demonstrated a fast decision-making process and level of alertness when they contacted the representatives of the International Institute of Potato within one day. This event enabled them to start diversifying their production with two new native Andean potatoes. Another case of responsiveness is the fact that the firm considers it necessary to adapt to every market. This responsiveness was detailed by the Project Manager of Firm A as follows:

We always listen to what the customer says and needs. We follow all requirements for labelling in every country according to their regulations and languages. Indeed, we had to adapt to different cultural contexts such as in Saudi Arabia, where the company had to remove the kosher certification label from the packaging. I do not know much about religions, but we were told that they would not accept the product with this type of certification.

For the case of Firm B, it can be seen that the management team has been diligent enough to establish many international contacts while going to International Food Fairs. In particular, the President of the firm is the person in charge of contacting clients at all the food and drink fairs in the world. On his trips he is always looking for opportunities and new market developments. For instance, in Colombia he realized that there were many opportunities to create a facility due to cheap labour costs. This event helped him to meet new clients using Colombian networking via ProExpor Colombia. Afterwards, the firm visualized another
opportunity in the vast Mexican market and created a manufacturing facility in Mexico D.F. in 2010 to serve the Northern hemisphere market more efficiently. These events were commented on by the CEO of Firm B as follows:

While the President was on a visit to the facilities in Colombia he attended some meetings with clients in that country. After that trip he realized that there was a demand for natural sweets. Thus, he said that the company should start creating confectionary with dried fruits.

Meanwhile, Firm C has a more conservative manager and he has not explored many opportunities abroad (see Radas and Bozic, 2009). The only opportunities encountered were related to exporting to one client in the United States. Nevertheless, the firm is number one in its food segment in Ecuador and they can be very competitive. The CEO of Firm C mentioned the level of adaptability in the following manner:

For us it depends on the market’s needs, then we adapt to the situation. We are very open to hearing what the client wants. For instance, if in the city where you live, the ham is very salty, we will produce it exactly the way you like it. We will not say: This is how we produce the ham and we cannot change it. We do the opposite, we are very glad to adapt and satisfy our clients.

Firm D mentioned that the management team is flexible, but its actions hold a great deal of responsibility because they will impact on the whole community of farmers in Chimborazo. Moreover, as part of the consortium, every participant has a specific role and all actions must be taken when both parties agree. This fact lowers the reaction time of the firms in relation to events in the market. However, the CEO affirmed that they can act rapidly if necessary. The firm has also responded to market and customer needs and adapting its products. This was commented on by its CEO as follows:

We were exporting quinoa cookies to France and one day the customer called and asked us if we could make the cookies using unrefined whole cane sugar instead of normal sugar. He sent us the recipe and we start producing the cookies according to their needs. The same happened later with our German customer, when he sent a specific formula with some ingredients and we satisfied his demands.

The cases of Firms A and B are in line with Man et al. (2002) and Verhees et al. (2004) due to the fact that the firms are dynamic in nature and have no bureaucratic procedures when it
comes to taking an opportunity in the marketplace. Even though Firms C and D have relatively low levels of bureaucracy, they do not have the same level of dynamism in the market as Firms A and B. Hence, C and D they are not aligned with the previous findings.

Entrepreneurial competence is reflected when an owner has a long-term perspective strategy. In the cases of Firms A and B, their managers are very optimistic and visionaries. They have developed products that were inexistent in the market and they keep moving. Firm A is very optimistic about the future of the Andean potato and dehydrated vegetable products that the firm is currently developing. Meanwhile, Firm B has indicated a long-term mind-set by establishing facilities abroad every year, first in Colombia, then Mexico, the United States, England and one month ago in Peru. This shows a dynamic entrepreneurial spirit rather than a short-lived decision process because they are investing a great deal of financial resources in future plans. On the other hand, Firm C has been moving strategically slow in the international arena. It represents the old-fashioned mind-set characterised by “playing safe” locally. These actions reveal a low level of entrepreneurship within its management team. Firm D mainly depends on international sales and 94% of its production is destined abroad. Therefore, is has experience of international business. The management team expects to obtain credit from the government to improve their capabilities and to expand to more markets. This shows that the manager has a long-term perspective. Although, based on their past performance, it seems that their actions are not being executed as they might have expected.

Firms A and B have plans and are executing many actions in order to build that future via enhancing their resources and capabilities (see Peng, 2001; Knight and Cavusgil, 2004; Efrat and Shoham, 2012). This statement is in line with Man et al. (2002) and Verhees et al. (2004). On the opposite side, Firm C is trying to increase their capabilities to continue expanding in international markets, since they have already started with the United States. While Firm D has remained in the same situation for many years, based on their past performance, the management team has not been thinking strategically about the future of the firm. These two firms are not aligned with past research such as that of Man et al. (2002) and Verhees et al. (2004). In terms of alertness and adaptability, all of the firms have reacted to their customers’ needs and all of the firms’ managers think that the customer must always be listened to. These actions are in line with Knight (2000) and Verhees et al. (2004).

The performance of a firm is explained by its profits growth rate and its vast portfolio of value-added products. In the cases of Firms A and B, both are experiencing high rates of profitability. They have already started to expand their facilities in less than nine years of
existence. This means that current production will not be able to cope with future demand. This has pushed them to reinvest in more assets, which has increased the value of the firms. Firm C is also financially well managed. The firm moved to the capital two years after its creation, and by that time there was a financial crisis in Ecuador and the firm was struggling. However, the firm launched one star product in the market, which was very appealing to the public. Afterwards, they launched other products that were also well accepted. These events have helped the firm to maintain a sound financial performance over time.

Innovation means to be open to new ideas; business model adaptations in-put and out-put, supplier and customer intelligence in order to fill gaps in the market (see Zahra and George, 2002; and Zhou and Li, 2012). Firm A mentioned that they are very careful with all the recommendations from customers and one way to spread the brand is when a customer goes to another country and looks for the product, then the customer lets them know that the company should be there. Firm B’s general manager considers that the firm is innovative because many new products are launched every year and the firm is thinking about new improvements. As a matter of fact, Firm B started to produce honey in 2013 since they realized that there was only one local producer and the market needed competition. Another innovation in the last year was made in the Colombian facility, where they found out that people would be willing to buy candied Andean berries and now it is a worldwide success for the company. For other markets, the firm has developed mixed fruit teas and infusions based on dried fruits and natural sweeteners.

For Firm C, during the last five years the company has launched new products to the local market. They are creating a variety of more than thirty new products. The firm has ten products with its own brand and the rest are manufactured for other companies. Their production has not been imitated by local competitors since they have superior technology and specific formulas for their products. According to its CEO, the firm produces unique items that are much better than any other options in the market.

In the case of Firm D, its CEO mentions that his firm is innovative because they have developed many products that are different to those made by other Ecuadorian exporters. Some of these products are quinoa cookies, noodles, quinoa and chocolate powder and energy bars made with quinoa and dried fruits. However, he thinks that most of these sorts of innovations are based on previous ideas from Bolivian and Peruvian firms. The CEO is aware of the importance of innovation, and he mentioned this as follows:
For us innovation is critical for the business development, as the firm cannot have and old fashioned point of view. It is the key to success; otherwise firms tend to die. For this reason we are focused on improving our technology in the short-term in order to keep up with our competitors.

Firms A and C have collaboration partners for their R&D developments. This fact confirms findings from the previous research in terms of these actions on innovation. Therefore, firms A and C are in line with Kaufmann and Todtling (2000), Parrilli and Elola (2012) and Teirlick and Spithoven (2013). Nevertheless, the focus on research and development did not contribute to the process of the internationalization of Firm C. Meanwhile, Firm B’s source of innovation is related to high technology investment and the CEO’s new ideas. These elements have helped the firm to launch innovative products to the market. Firm D has not updated its technology since 2006 and has not signed R&D agreements with any organizations. Thus, to a certain extent Firm B is in line with Teirlick and Spithoven (2013), whereas Firm D is not aligned with previous findings in terms of innovation.

4.1.4. Networking Theory of Internationalization

Network relationship can be segmented by formality into three types: formal, informal and intermediary (see Adler and Kwon, 2002; Chetty and Wilson, 2003). The most effective networks have been created via formal ties. In relation to Firm A, according to its management team, most of the people at the fairs are the decision makers in their firms. Therefore, contacting them is a very effective channel to start doing business. For Firm B, in terms of certifications, the company has networks. As well as at the local level, the firm is part of the National Exporter Federation and the Association of Food and Drinks Producers. For Firm B, the firm has tapped opportunities through formal and informal ties. In the words of the CEO: “If you have a good product, people will recommend you”. What is clear for Firm B is that all the relations have been very direct, i.e. at fairs and they have made visits to clients to verify the quality of their processes (in the case of international providers). In the cases of Firms A and B, the best opportunities to start business with international parties were found at trade fairs. For Firm C, formal networks have been established with the Industrial Chamber and ProEcuador. Firm D belongs to the network of exporters of ProEcuador and the Quinoa Consortium. No informal ties were identified in Firms A, C and D.

One of the strategic effects of networks is the improvement in terms of resources and capabilities. A firm can acquire new knowledge via identifying new market channels and
venture capital when interacting in a network. Firm A mentions that they have gained credibility and access to new clients, for example working with ProEcuador, an intermediary tie from the Ecuadorian government. Moreover, the same institution has helped Firm A with training for its employees about exports and trade. Firm B says that they belong to Fedexpor, Food and Drinks Association and ProEcuador in terms of local networks. In addition, the company has worked closely with USAID for farmers’ technical training and currently they are working with the Ministry of Industries and Productivity to obtain a new international certification (ISO 22000). All of them have helped the firm locally, but there is also a need for support with international issues. In the case of Firm C, they belong to two national networks: the Industrial Chamber and ProEcuador. Firm C’s CEO mentioned that the second institution has been very helpful lately for them to obtain more international opportunities. Firm D is part of one local network. The firm belongs to the Quinoa Consortium of Chimbóra and through this organization they are linked to another network, Fedexpor. The CEO of Firm C said that the membership cost and monthly subscription is expensive and he does not see an integral benefit from that organization. In relation to international networks, Firm C does not have contact with any, whereas Firm D is part of the networks related to its four organic certifications.

Establishing networks with decision makers is one of the key factors about international fairs. According to Firms A and B, at the most important trade fairs all the stands are attended by general or international sales directors who are able to make important decisions. Even in their specifications for attendees the fair organizers mention that the sales representative must hold one of the two positions previously mentioned. Examples of this situation can be seen at fairs such as ANUGA, SIAL and Fancy Food.

Having different partners in a network in a particular country in case one fails has been suggested as one factor to consider while doing business. Nevertheless, in the case of Firm A, they have a very strict process to qualify their distributors. Therefore, since this assessment Firm A has not suffered any type of inconvenience with any business partner. For this reason, they believe that a partner’s commitment is a key aspect of internationalization. Firm B has been doing business for eight years and they have not had any negative experiences. This has been possible due to a direct encounter with a manager via visits to their headquarters. This is complemented with visits to production plants to guarantee the quality of the products. Both companies require a confidentiality agreement and all the necessary documents to prove that the company has a well-known reputation. In 2012 Firm C started business with its counterpart from the United States and the relationship
has been stable during this period. Firm D has worked with the same partners for fifteen years and they have not found any difficulties.

The findings in relation to Firms A and B are in line with previous research related to the internationalization benefits of networking. Therefore, Firms A and B are in line with Chetty and Wilson (2003), Coviello (2006) and Kontinen (2011). However, Firm B is the only one that is in line with the findings of Larson and Starr (1993) regarding the fact that some formal ties can become informal over time, by executing actions such as product recommendations to other importers. Firms C and D are not in line with previous findings since these firms have not tapped the market opportunities through networking.

4.1.5. Inter-case Analysis

Figure 3 Firm Description

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees</td>
<td>24</td>
<td>115</td>
<td>70</td>
<td>14</td>
</tr>
<tr>
<td>Direct Exports</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Representative</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiary</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Subsidiary</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Of all the case firms Firm B has had the best performance in terms of internationalization. Meanwhile, Firm B was created in 2005 and started exporting in 2006, one year after its inception. This firm has moved rapidly into the internationalization process, first with representatives in other countries, commercial subsidiaries and afterwards with production facilities. Firm A can be catalogued as the second best because the firm is expanding more quickly every year. In 2010, the firm was exporting to two countries, then in 2011, it expanded to six new markets, and in 2012 it added eight clients to its portfolio. Firm A has hired an Ecuadorian executive with many years of experience in Europe. She works as the commercial representative of the firm and coordinates actions for the European market. In all the cases the firms started selling their products locally, except for Firm D, which started to export directly. After eight years, the firm acquired technology to aggregate value to their products and launched several items to local and international markets. Even though Firm D
started exporting the same year as its creation, the firm still just exports directly. The firm works with brokers to contact importers in foreign countries. Therefore, they have not established a direct relationship with their clients. Firm C only has one international client and they have a direct relationship and export on a regular basis.

**Figure 4 Firms’ internationalization process**

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Activity</td>
<td>Savory Andean Snacks</td>
<td>Processed Organic Food</td>
<td>Savory Snacks</td>
<td>Processed Food Quinoa-based</td>
</tr>
<tr>
<td>No. of employees</td>
<td>24</td>
<td>115</td>
<td>70</td>
<td>14</td>
</tr>
<tr>
<td>Degree of internationalization</td>
<td>High</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Foreign Sales to Total Sales</td>
<td>70%</td>
<td>36%</td>
<td>7%</td>
<td>80%</td>
</tr>
<tr>
<td>Number of countries exporting to</td>
<td>17</td>
<td>15</td>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>

A comparison between the four firms shows that Firms A and B are more international, exporting to 16 and 20 countries respectively. Firm B has offices in 6 countries in order to concentrate on the needs of every market. Three of them (Ecuador, Colombia and Mexico) have production facilities and the firm is taking advantage of the economies of scale. The firm has strategically located three offices by region. The first office is in Mexico to cover that country and Central America. Another office is located in the United States to focus on the American market due to its demographical importance. The third office is located in England from which it coordinates with headquarters in Ecuador to export to the whole of Europe and also Japan. Of all the firms, Firm B is the only one that has established commercial and production subsidiaries abroad. On the other hand, Firm C has the lowest level of internationalization, considering its year of establishment. This firm has only exported to one client in the United States since 2012. However, the firm has had offers from brokers to export under a commission scheme. Additionally, businessmen from Colombia, Peru and Venezuela have gone to Ecuador and bought the product to take it to their countries and resell it. The highest percentage of international sales is encountered in Firm D, although it is important to mention that just ten per cent of those exports correspond to value added goods. Furthermore, the sales are concentrated in four countries (the United States, Germany, France and Colombia). Meanwhile, the local market has found the product of Firm D very expensive. The organic certification is not seen as important; therefore people find easily a substitute product at a better price. Then, Firm A exports 70% of its production, but it also
has a strong local market due to the quality and uniqueness of its products. Firm B started with a small local market, but after eight years of establishment, the firm has earned popularity and local sales currently represent sixty four per cent of production. Therefore, the cases of Firms A and B are more representative in terms of aggregated value and foreign sales, compared to Firms C and D.

Figure 5 Firms’ entrepreneurship profile

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivations for internationalization</strong></td>
<td>Demand for high quality products</td>
<td>Non-existent market for Andean berry</td>
<td>Immigrants’ demand for Ecuadorian food</td>
<td>High demand for quinoa and its nutritious value</td>
</tr>
<tr>
<td><strong>Entrepreneur feature: innovation</strong></td>
<td>Yes, it has innovative products that are not offered by competitors</td>
<td>Yes, they deliver high end exotic fruit products, which are customized to their clients’ requirements and needs</td>
<td>Yes, several new products have been launched in the last few years. Efficient product diversification</td>
<td>Yes, the company has been creating many products with aggregated value</td>
</tr>
<tr>
<td><strong>Entrepreneur feature: pro-activity</strong></td>
<td>Yes, the company looks for clients and constantly goes to fairs to search and maintain a vast portfolio of foreign clients</td>
<td>Since its inception the company has tried to focus on foreign sales, as they did not have an unsolicited order from abroad. They looked for the market.</td>
<td>No, the company was motivated by immigrants’ demands for Ecuadorian products, rather than filling a gap in the international market itself</td>
<td>Yes, the company found an opportunity when they joined the first consortium. They realized that there was a high demand for their product in international organic markets.</td>
</tr>
</tbody>
</table>

In the cases of Firms A and B, the firms were motivated to go international because they found a gap in the market. Their products were new in the market; the Andean potato chips and the dehydrated golden berry were launched abroad as a novel nutritious product. On the other hand, Firms C and D were motivated by external demands and in both cases they were contacted by their clients, from the United States in both cases. An American businessman found out about the products of these firms and decided to distribute them to their markets. Manufactured products based on a mixture of nutritious grains were appealing to Firm C’s client. Meanwhile, product D, quinoa, started to become famous internationally due to its nutritional value. Scientifically proven, it was able to replace many other foods due to its high value qualities.

Paradoxically, the most innovative firm is the least international. Firm C has demonstrated high levels of innovation through the creation of many products every year since its establishment. The firm signed an agreement with the Food Manufacturing Department of
the University of Chile. They have worked together on the creation and development of new aggregated-value products for the cereal market. Many products are being delivered to the local market and to one international destination. Firm B has similar levels of innovation. Their main source of innovation has not been academia, but rather the technology provider. The firm has worked on adaptations of products launched in other countries by using local and unique ingredients. In comparison with Firm C, the management team of Firm B has been able to exploit opportunities in the international arena with these innovative products. Firms A and D have shown the lowest level of innovation in terms of new processes and technology. These firms have kept using old equipment to manufacture their products. Indeed, the number of products created every year is much lower than that registered by Firms B and C. Nevertheless, Firm A has recently worked with one American university in order to find a new green technology to implement in their production facilities.

Therefore, the findings encountered in Firm A are in line with the findings of Chetty and Stangl (2010), which are related to the fact that small and young firms with few networks have incremental innovation when they experience an incremental process of internationalization. Firm B is in line with Chetty and Stangl (2010) to a certain extent. The firm does not have the characteristics of radical innovation behaviour, but has internationalized radically. With respect to Firms C and D, their findings do not confirm those of Chetty and Stangl (2010) since the firms are not young and have not internationalized incrementally.

In terms of proactivity, the firm that demonstrated high levels of proactivity is Firm B. The President of the firm regularly travels abroad as he attends trade fairs and meetings with clients and providers. During these trips he always looks for new opportunities and new products launched in other locations. This fact reveals that Firm B does not wait for opportunities to appear, but looks for them all the time. Likewise, the President of Firm A travels to fairs and visits clients and distributors, but does not look for opportunities in the meantime, as is the case with Firm B. On the other hand, Firms C and D have shown low levels of proactivity. These firms wait for clients to call, instead of searching for them. Even though Firm D has attended many international fairs and been on commercial missions, the firm has not increased its number of clients abroad. Meanwhile, Firm C did not go to any fairs from its creation until 2012. Since last year, the firm has been looking for opportunities abroad. Yet, the firm does not even have an international sales department.

The findings confirm those of the previous literature related to entrepreneurial orientation and the internationalization of firms. Thus, Firms A and B are in line with the findings from Oviatt and McDougal (1994, 2005) and M.J. Jones et al. (2011) because these young firms
with scarce resources were able to skip stages of the process of internationalization. Firm A is a born again global firm and Firm B is a born global firm. On the other hand, Firms C and D do not show proactivity and are therefore aligned with the findings of Johanson and Vahlne (1977, 2009) who explain the traditional pathway of internationalization (the Uppsala model).

Overall, it is worth mentioning that entrepreneurship is composed of several factors, from which innovation and proactivity are the most important. However, the cases show that a high level of innovation is not strictly related to the internationalization of the firm through more foreign clients and the creation of foreign subsidiaries. It must be complemented with the proactivity of the management team who constantly need to look for more markets and opportunities.

**Figure 6 Firms’ Networking Profile**

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National network relationship</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>International network relationship</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Cooperation</strong></td>
<td>Not with competition, but with suppliers and independent farmers</td>
<td>Not with competition, but with suppliers and independent farmers</td>
<td>No, the firm does not collaborate with other parties</td>
<td>Yes, with other Ecuadorian quinoa exporters. They created a consortium.</td>
</tr>
<tr>
<td><strong>Public institution support</strong></td>
<td>Yes, specifically PROECUADOR, as they provided support for travelling to food fairs</td>
<td>Yes, specifically PROECUADOR, as they provided support for travelling to food fairs and MIPRO in obtaining ISO 22000 quality certification</td>
<td>Yes, PROECUADOR has supported the firm in order to create a Consortium of Quinoa Exporters</td>
<td>Yes, PROECUADOR, in terms of the food fair travel and creation of the consortium</td>
</tr>
<tr>
<td><strong>Private institution Support</strong></td>
<td>Yes, USAID for the farmers’ training on good agricultural practices for organic products</td>
<td>Yes, USAID for the farmers’ training and FEDEXPOR with market information</td>
<td>No, the company has had minimal help from private institutions such as the Industrial Chamber of Ecuador</td>
<td>Yes, from FEDEXPOR for training and Root Capital for long-term credit</td>
</tr>
</tbody>
</table>

Concerning the networking efforts deployed by Firms A and B have established many networks locally and internationally. Both firms belong to national networks such as the Industrial Chamber, the Ecuadorian Association of Food and Drinks, ProEcuador, Corpe, Fedexpor and USAID Ecuador. Although, the firms have not found new clients through these networks, it has been possible to acquire new knowledge about the trends and developments of products, organic production techniques and quality certifications.
Meanwhile, Firm D belongs to international networks related to organic certifications, which has helped it to stay up to date about organic techniques and knowledge. The least connected firm in the case studies was Firm C, with just two national networks (the Industrial Chamber and ProEcuador). The firm has not established any contact with international networks since its creation.

All of the firms agreed on the fact that ProEcuador is a governmental network that has been very helpful in their process of internationalization. ProEcuador has organized trade fairs in the country and has invited the firms to attend international fairs. Moreover, all of the firms mentioned that ProEcuador has provided training for their staff about exporting procedures and international business issues.

According to Firms A and D, private institutions such as Fedexpor and the Industrial Chamber have been useful to a certain extent by providing market information whenever they needed it. In contrast, Firm B mentioned that the support given has been part of their internationalization efforts, but the core efforts have been made by the company. Likewise, Firm C mentioned that the Industrial Chamber gives market information regularly, but they did not see this event as relevant.

The findings of Firms A and B (the most connected firms) confirm the results of Lindstrand, Melen and Nordman (2011) in terms of the benefits that local and international networks offer to new small- and medium-sized enterprises. Moreover, Firms A, C and D were in line with the findings of Musteen, Datta and Butts (2013) by mentioning the positive impact of government support by organizing and inviting exporters to trade fairs, missions, courses and seminars about international business. Firm B was the only one that did not recognize governmental support as relevant, but rather as complementary to its international management. In opposition, the findings of Firms C and D are not in line with those of Loane and Bell (2006); Lindstrand, Melen, and Nordman (2011) and Manolova, Manev and Gyoshev (2010) because these firms have remained partially isolated locally and internationally and have not seen the positive side of networking or tapped the potential resources that it offers.
5. Recommendations and Conclusions

5.1. Recommendations

It is critical to stop depending on the same export structure and to start producing goods with a high aggregated value. In the meantime, it is also fundamental that new ventures experiment with the international path which can lead to improvements in sales and capabilities.

In terms of international entrepreneurship, the firms’ owners need to adjust to globalization. Therefore, it is critical to be proactive and to take advantage of the new technologies. Ecuador is a small country and its local market could be sufficient for years, but it will become saturated. Thus, it is important to launch new businesses with an international focus. Internationalization of the firm will diversify the risk of failure and will generate high profit margins in the long-term.

In terms of competitiveness and marketing approach, Ecuador has to realise that it is a unique country with many features that can constitute a competitive advantage. Nevertheless, it is recommended to move toward more hi-tech manufacturing. This will involve large amounts of money being spent on R&D development. Research and Development should be a priority for firms since that will be the factor for future and sustainable success. All the firms have had an incremental innovation path, but to be competitive they must have radical innovation through the new inventions being brought to the market.

Firms need to be more aware and alert to all the changes and trends in the market. From the results it can be seen that in terms of opportunity recognition, Ecuadorian firms should not only rely on the international fairs and commercial missions organized by governmental institutions. Companies must include in their budget an amount destined exclusively for commercial and scientific fairs. Another amount should be channelled to client reinforcement, in order to visit current clients and build strong relations with them. Travelling to all international fairs is mandatory to find new clients and to maintain current ones. Otherwise, if the company does not go to these events, a negative signal (financial distress) is sent to current clients.

There is one aspect of a particular factor that Ecuadorian firms need to work on which is networking. The results reveal that firms belong to few national networks. However, these
firms do not belong to any international networks. This situation means that firms do not see the advantages of networks, such as credibility establishment, strategic resource access, market opportunity recognition and access to new clients through business contacts. It is urgent that firms start looking for foreign partners and networks and join them. This fact will increase the possibilities of success and will open up the world to the Ecuadorian firms. Being a member of these networks might be seen as a cost to the firm, but it is an investment. All the benefits of networking will pay off the cost of membership.

5.1.1. Implications

The results from this study will provide additional insights for managers and policy makers in relation to the internationalization process. The highlights of the implications to improve and support the internationalization process of small- and medium-sized enterprises (SMEs) in Ecuador are presented.

5.1.2. Limitations

This investigation has focused on firms in the food industry and a snapshot of its current conditions. Therefore, even though the internationalization process can be executed by any type of firm, it might not be possible to make generalizations based on one industry in particular. The research has been conducted on Ecuadorian small- and medium-sized enterprises. Thus, it might be unlikely that the internationalization process can be replicated in the same manner by big enterprises. Longitudinal approaches are necessary to capture specific cause-effect relationships. It is also important to undertake research in different sectors of the economy, including services, in order to gain a better perspective and therefore to generalize results. The number of firms used in the research could be higher acquiring better knowledge of the patterns encountered.
5.1.3. Recommendations for Future Research

For future research it will be important to consider different strategic sectors of the economy, such as services, pharmaceuticals, electronics and metal mechanics. It will also be critical to include more firms in the pool of case studies. This will give a better perspective of the current situation of Ecuadorian exporters.

5.2. Conclusions

This study investigated the internationalization of small- and medium-sized enterprises in Ecuador. The multiple case study methodology was used and was composed of four companies from the food industry. My main findings in terms of international entrepreneurship have shown that half of the firms’ actions (Firms A and B) are in line with the international new venture theory. This has been possible due to the rapid internationalization path that these firms have followed. The owners’ business experience was critical for these firms to succeed. In both cases, they have presented previous endeavours in the market. In addition, a business and economics academic background gained abroad is believed to be another factor of accomplishment. Meanwhile, the other half (Firms C and D) are aligned with the Uppsala model, which is related to the traditional path of internationalization. These firms are not characterised by new international ventures because they just sold locally for a long period of time before going international.

In relation to the level of competitiveness of the firms, three of them (Firms A, B and C) are following the Resource Based View (RBV), which states that the capabilities and unique resources of a firm are the strength to be competitive in the market. Meanwhile, Firm D does not follow this competitive strategy. None of the companies are in line with the Knowledge Based View (KBV), which entails inventions that break through the market. Therefore, in terms of innovation, all of the firms have incremental innovation, meaning that their products are creations and adaptations, but not new to the market. For this reason, none of the firms are in line with the radical innovation perspective.

From these case studies it is evident that Ecuadorian firms all recognize opportunities through international trade fairs. During these events, companies are able to directly contact the decision makers, potential buyers or commercial partners. Nevertheless, for Firms A and B, besides from being mandatory to the business, trade fairs are complementary to other actions. The owners of these two firms constantly travel around the world in order to look for
new products and markets and also to consolidate sales in countries where they are new. For Firms C and D, there has not been a proactive attitude or alertness of all the events that occur within the international marketplace. These firms have recognized commercial opportunities just via trade fairs.

Based on the findings we can say that firms do not tap all the opportunities that networking offers. All firms have one formal network in common, PROECUADOR, which is a governmental organization that supports exports and investment in Ecuador. Firms A and B belong to FEDEXPOR, the private counterpart of export and investment support. Meanwhile, Firms C and D are not part of this private network. Firm D belongs to a private consortium that gathers other firms to tap international negotiation benefits. In relation to international networking, it is clear that these Ecuadorian firms do not take part in international networking. In the cases of Firms A, B and D, they have many international certifications. Nevertheless, there is no evidence that suggests they have found new market opportunities from these international organizations. For this reason, the results presented are not in line with the International Networking theory statements.
6. References


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7. Appendices

Appendix I
Ecuadorian Exports from 2000 to 2012 (USD Millions FOB)

Appendix II
Ecuadorian Non-Oil Exports from 2000 to 2012 (USD Millions FOB)
Appendix III

Ecuadorian Non-Oil Exports from 2000 to 2012 (Millions of Tonnes)

![Diagram showing Ecuadorian Non-Oil Exports from 2000 to 2012 (Millions of Tonnes)]

Fuente: Banco Central del Ecuador

Appendix IV

Ecuadorian Non-Oil Exports from 2000 to 2012 (Number of products)

![Diagram showing Ecuadorian Non-Oil Exports from 2000 to 2012 (Number of products)]

Fuente: Banco Central del Ecuador
Appendix V
Trade Balance (Total and Non-Oil) in USD Millions

Appendix VI
Firm Profile Interviewees

Firm A

Name: Entrepreneur A
Position: International Projects Manager
Date: 14/June/2013
Mean: Skype

Firm B

Name: Entrepreneur B
Position: Chief Executive Officer
Date: 27/June/2013
Mean: Skype

Firm C
Name: Entrepreneur C
Position: Chief Executive Officer
Date: 12/July/2013
Mean: Skype

Firm D
Name: Entrepreneur D
Position: Chief Executive Officer
Date: 11/July/2013
Mean: Skype