# STRATEGIC NETWORK AND ALLIANCES OF AFRICAN AGRIBUSINESS SME INTERNATIONALIZATION

The Case of Agribusiness SMEs in Douala, Cameroon



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#### ABSTRACT

The purpose of this research is based on the main ideas of networks and alliances as strategic approaches to internationalization of agribusiness small and medium-size enterprises (SMEs) in Douala, Cameroon. In order to accomplish this objective, qualitative research was carried out through a survey on directors and trade managers of nine (9) agribusiness SMEs in Douala, Cameroon. Respondents were mainly from upstream and downstream sectors. Previous studies on network and alliance approaches to internationalization were taken into consideration. Questionnaires from respondents were used to perform thematic analysis to help identify agribusiness SMEs with similar attributes.

The findings suggest that agribusiness SMEs in Douala, Cameroon have inadequate knowledge of target market dynamics that can readily be developed through strategic networks and alliances. This will allow agribusiness SMEs enhance their sustainable competitive advantages and overcome the burden associated with foreignness and outsidership. The survey equally allows concluding that numerous processes involved to internationalize, finding partners and information on international markets are among key constraints emphasized by these enterprises. All these points to mismatch incentives by the government of Cameroon (GoC) to take reactive measures to promote internationalization efforts of agribusiness SMEs through support and bridge programs that will foster a more realistic strategic networks and alliances for agribusiness SMEs in Douala, Cameroon to be competitive and robust.

Keywords: Internationalization, SMEs, Agribusiness, Networks and Alliances etc.

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## LIST OF ACRONYMS

SMEs NTMs CEMAC	Small and Medium-size Enterprises Non-Tarriff Measures Economic Community of Central African States
COMESA	Common Market for Eastern and Southern Africa
SADC	Southern African Development Community
ECOWAS	Economic Community of West African States
CCIMA	Cameroon Chamber of Commerce, Industry, Mines and Crafts
OECD	Organisation for Economic Co-operation and Development
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization
BGEs	Born Global Enterprises
MNEs	Multinational Enterprises
FDI	Foreign Direct Investment

## **1** INTRODUCTION

Today, there is a renewed interest in the internationalization of small and medium-size enterprises (SMEs) as it is believed that SMEs are the movers and shakers of economic growth (be it survivalist or growth-oriented) in developed, transition, developing and least developed countries. This has compelled most countries around the world irrespective of their level of development to prioritize and give SMEs the central role in formulating and revising developmental and economic policies as a strategy to combat income inequality, unemployment, inclusivity, and enhance sustained economic growth. For example, studies have shown that SMEs count for more than 95% of all enterprises on the planet and their share of employment is 60% (Ayyagari, Demirguc-Kunt & Maksimovic 2011.) These views are not new in developing countries like Cameroon where SMEs count for up to 97% of the enterprise population and contribute up to 34% of the GDP (Mawocha 2015, 2-4; DHL 2013; Fjose, Grünfeld & Green 2010, 7). For the foregoing reasons, SMEs in the agribusiness sector, especially agro-processing have been identified as agents through which sustained and inclusive economic growth could be achieved.

Garrity et al. (2010) in their studies on sustainable food security in Africa found out that the share of agriculture in GDP is around 25% in most African countries, constitute about 70% of the labour force and above 65% of household income. Research studies consistently show that there is a huge potential in the agribusiness sector in Africa which could be termed 'Africa's gold-mine.'In order to understand the growing momentum shaping agribusiness models, it is imperative to understand the driving forces behind the sector.

Firstly, global risk of food insecurity is alarming due to increasing urbanization and because Africa owns 65% of the world's arable land mass (CNBC Africa 2016). Secondly, increase in population growth rate has created a striving business model in the agribusiness sector as developing countries and Africa will witness a great deal of population growth (World Bank 2014). Thirdly, the rise of internet-enabled distribution business models has improved communication, shortened supply chains and than ever before. All these have facilitated business-to-business (B2B) transactions and help reduced transaction cost for common sellers, agribusiness vendors, and has equally boost community-based economies (UNCTAD 2017, 43-45). This help explain the push and pull factors teetering the agribusiness model in most developing countries. Amid the grid, there exist some lingering challenges and unanswered burning questions that have undermined the potentials of agribusiness SMEs in developing countries to break traditional borders and internationalize. Some of these questions include:

 why do most African countries, especially Sub-Saharan countries import the processed food from their unprocessed exports?

- what is holding back agribusiness SMEs in Africa to internationalize, giving the recurrent claims that SMEs that internationalize are more innovative and growth-oriented than those confined within national markets?
- do "agripreneurs" understand the forces and trends driving the agribusiness sector and internationalization?

Despite the growing need to address above challenges, there are increasing claims that agribusiness SMEs are the cornerstone through which economic growth could be achieved particularly in Cameroon and the global south through intra and inter-regional trade linkages. This is because agriculture is the sector through which Africa and most developing countries have comparative advantage in raw than added value. In the case of Cameroon, for example, the contextual narratives surrounding agribusiness value chain transformation (agro-processing) and internationalization is suggestive and not well established. One reason for this could be the over-reliance on traditional approaches in agricultural practices that still dwell on raw value of the agricultural products with very little attention on trends affecting the sector, especially to internationalize.

Given the increasing penetration of agribusiness SMEs in the global trade ecosystem, traditional methods of communication, government-togovernment matching in the case of state-owned enterprises have been replaced with value-added approaches – networks, alliances, joint ventures, and synergies, as well as digital communication systems and channels, that are perceived would enable agribusiness SMEs in developing countries to internationalize easily due to limitation in resources, capabilities and capacities.

According to a report by Swedish Trade and Invest Council, search engine marketing and optimization (SEM/SEO) are the most used form of digital tools to reach out to international buyers, followed by email and digital newsletters. The same report pointed out that digital communication systems rank highest in international sales. Still, in the same line of argument, a report by the World Economic Forum & Accenture (2016) find out that digitalization has influenced and enabled most business models today to innovate, invent and instill new approaches in conducting businesses, especially beyond national borders. The paper equally revealed that more than 70% of investors place significant values in enterprises that embrace and integrate digital tools as part of their business models by identifying and supporting metrics that support enterprise growth, build strong relationships and networks. Arguably, there are two key implications here. Firstly, are incentive-driven differences in both cost and capabilities to realize and reap the dividends of digitalization. Secondly, the infrastructural readiness of digitalization remains a burden to most SMEs in developing countries. This begs the question of: does agribusiness SMEs in developing countries and precisely Cameroon have the capabilities to walk alongside and silent the storms of today's technological disruption that affect their operational model and to internationalize?

To ascertain the relevance of the agribusiness sector in developing countries, it has become a common practice to validate the importance of the sector through the lens of household consumption rather than barriers affecting small and large-scale tradability, conduciveness of infrastructural landscapes and incentivizing agribusinesses of all types to scale and internationalize. At the level of agribusiness enabling environment, most developing country governments sometimes fail to capture the significance to leapfrog to a more robust secondary agriculture sector (connecting value chains) and to equip and promote agribusinesses at all levels by providing supportive tools for agribusiness owners such as credible and reliable information, sectoral capacity building programs, credit access facilitation schemes, etc.

Therefore, it is useful to distinguish between national, regional and foreign agribusiness value chain ecosystems as niche markets are increasingly becoming a vital part of agricultural value chain. This approach will enable national governments to segment and implore customized incentives to enhance foreign and domestic market entry for agribusiness SMEs. Despite this, lack of information channels and intrasectoral linkages of agribusinesses operating at national, regional and foreign markets remains a critical challenge. For example, according to a report by the World Trade Organization (2016, 38), developing countries SMEs share of direct exports in total sales is 5% on average compared to 95% of national sales.

The relevance and realizability of technology-centric models would help agribusiness SMEs better prepare for future challenges predominantly driven by technological innovation and embrace the dividend of digitalization. These approaches would understandably expand different networks and create synergies in foreign markets that will promote resilience to volatility in the commodity market (Khana, Palepu & Sinha 2005). Given the scale and relevance of agribusinesses in developing countries like Cameroon, one of the existing problems that has weakened the possibilities of agribusiness ecosystem is understanding barriers to scale that are largely driven by the internal or external context in which agribusiness SMEs operate. Internal barriers could be linked to whether agribusinesses have the capacities and capabilities to scale their model internationally. External barriers are those link to quality and regulatory compliance, including best-fit policy framework and supportive government programmes, as well foreign markets intelligence (i.e political, economic, socio-cultural, technological, environmental and the legal landscape). The continued existence of technical and non-technical barriers affecting agribusinesses in developing countries are arguably attributed to inconsistency in regulatory compliance due to lack of information on required standards, poor machinery and outdated processing infrastructures (Dong & Jensen 2007, 20-21; Trienekens & Zuurbier 2008.) If this is the case, does the concept of internationalization

works for agribusinesses in developing countries given the recurrent claims that agriculture is the glue that holds almost all developing economies together?

In the same line of argument, Ahmad & Kitchen (2008, 22) pointed out that internationalization is a western concept that is not consistent with the prevailing narratives of agribusiness models in developing countries. This is because agricultural products from developing economies are lagging especially in meeting technical specification, packaging and technological competencies to leapfrog beyond national borders. In addition, these technical barriers are not vertical but contextualize depending on importing countries or regions. Among the implications are; increase transaction and marketing costs, low productivity and scaling hurdles. Under combined efforts of internal and external operations, the golden goal of any business venture is to achieve profitable growth.

Unanticipated outcomes and risky behaviours could render a product or service unprofitable which in most cases automatically see a shift or change in business activities by an entrepreneur to a more lucrative venture, products or services. This is a common phenomenon with most agricultural commodities whose prices are constantly under threat in the commodity market. As such, the notion of internationalization by agribusiness SMEs in developing countries could be relevant only in theory. This is because, within the business environment context, formal enterprises are more productive and growth-oriented than informal enterprises. In developing countries like Cameroon, a large chunk of the economy consists of informal business actors whose activities today are seen as the number one threat by formal operators (Ayyagari, Demirguc-Kunt & Maksimovic 2014, 75-76; World Bank Enterprise Survey 2016; Benjamin & Mbaye 2014,3-5.)

Nonetheless, non-tariff measures (NTMs) such as sanitary and phytosanitary (SPS), institutional settings, product market information and openness are among the numerous factors still impeding agribusiness owners from developing countries to internationalize. Therefore, the technical capacity needed to boost productivity is often undertoned or at the minimum implore traditional approaches with little or no added value to increase productivity. Even so, Fontagné, Orefice, Piermartini & Rocha (2015, 5) emphasized that guality standards and regulatory compliance had led to a 6-9% increase in the prices of agricultural products. Amid quality concerns, Henson & Reardon (2005:243) likewise argue that commodity market has shifted from price-based mechanisms to gualitybased compliance. This suggests that governments and regional blocs have the responsibility to determine and ensure a credible system that will bestow trust in the thorny relationship existing between the cost and quality of agricultural products from developing countries to be strategically competitive in foreign markets.

More still, the barriers of agribusiness internationalization in most Sub-Saharan African countries like Cameroon point to a very critical issue that makes it very difficult for an agribusiness owner to break the silos of traditional markets. For example, the aching criteria of fulfilling quality standards and processes for export clearance help to stiffen competitiveness of agricultural products from developing countries. Based on these premises, does agribusiness SMEs from Cameroon have the capacity to enjoy the glories of internationalization? Alongside the whole range of NTMs classification (see fig 1 below) to be met for agribusiness SMEs to internationalize, it is tempting to think that internationalization is not for agribusiness SMEs in developing countries. This resonates around ongoing claims why developing countries and Cameroon have now become net importers of food despite having significant edge, comparative and absolute advantages in the sector (Rakotoarisoa, lafrate & Paschali, 2011; Minot, 2011.)

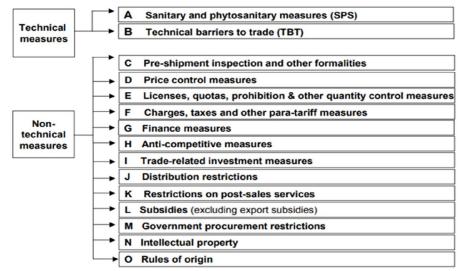


Figure 1: NTMs Classification

Source: Adapted from Josling & Roberts (2011, 3)

#### 1.1 Problem Statement and Research Objectives

Cameroon like most Sub-Saharan African countries has comparative and absolute advantages in trade in agricultural products which is a high-export potential sector. However, more than a quarter of the population depends on the sector for household consumption and survival farm to gate market small-scale businesses (Boto 2014). This indicates that the entrepreneurial ecosystem of the agribusiness sector in Cameroon is still not well developed. As seen earlier, agriculture alone constitutes 70% of Cameroon's labour force and almost 20% of GDP (GAIN 2013). Implicitly, the sector has the potential to enhance the country's foreign reserves and boost inclusive economic growth. The case of Cameroon creates mixed feelings on the theory of comparative advantage as it appears research on the internationalization of agribusiness SMEs in Douala, Cameroon, has not received much attention over the years.

Several scholars on similar studies have looked at barriers affecting the internationalization of SMEs in Cameroon and comparing internationalization processes of SMEs in developed and developing countries (Bello, 2009). Research at sectoral level, especially the internationalization of agribusinesses in Cameroon is limited. Hence, despite the premise of agricultural abundance (Rakotoarisoa, lafrate & Paschali 2011), Cameroon and most African countries still import the value-added agricultural products they cultivate. For example, there are views that the government of Cameroon spends up to 30% of its GDP to subsidize food imports. Even so, potential agribusiness exporters who occupy the bottom pyramid of small-scale agricultural value chain do not only lack the incentives to scale but are equally compounded by inadequate capacity to manage their operations. Externally, a key leverage could be for agribusiness SMEs to create alliances, synergies, and network with lucrative target markets as internationalization strategy. With a total of 95%:5% of national and foreign sales respectively in most African counties (WTO 2016, 38), this clearly shows that research on how agribusiness SMEs could make use of foreign alliances and networks as a cost-effective internationalization strategy is inevitable. Nonetheless, whether agribusiness vendors are willing to internationalize is a question of their perception on the how, where, who, what and why to internationalize.

Despite existing research underlining the central role agriculture play in Cameroon's economy, this paper examines the agribusiness model in relation to the perception of agribusiness owners to internationalize by leveraging foreign networks and alliances to scale internationally. In doing so and to achieve the research objectives, the following questions will be attempted and answered.

#### 1.1.1 Research Questions

How can Agribusiness SMEs in Douala, Cameroon, make use of foreign networks and alliances to access foreign markets?

#### 1.1.2 Sub-questions

- i. What are the competitive advantages of strategic networks and alliances to internationalization?
- ii. What problems do agribusiness SMEs in Douala, Cameroon are facing to internationalize? Can these problems be overcome and how?
- iii. What lessons can other developing countries learn from Cameroon's agribusiness SME internationalization experience?

#### 1.2 Scope and Delimitations

The emphasis of this study is to advance understanding in the relationship between business networks and internationalization performance of Agribusiness SMEs. As such, the study is delimited into two categories: (i) entry modes; the entry modes conceptually combine the use of strategic networks and alliances through the lens of Agribusiness SMEs in developing countries and (ii) International performance; international performance is delimited to the market knowledge and resource sufficiency of developing countries Agribusiness SMEs to gain market positioning. This is done by applying and assessing decision's makers' knowledge in foreign market to achieve and enhance internationalization performance that exceeds customers' expectations.

The study does not cover micro and large enterprises, as well as enterprises with no agriculture orientation to scale internationally. The study therefore limits its coverage to a representative sample size of nine (9) Agribusiness SMEs.

#### 1.3 Definition of Key Terms

Building on previous works, four key terms will be reviewed and defined systematically with the intention of broadening the literature by integrating different theoretical and conceptual perspectives. This includes internationalization, business networks and alliances, agribusiness and SMEs, etc. One of the most used definitions of internationalization is one offered by Venkatesh, Dubey & Bhattacharya (2015, 354). They define internationalization as the increasing economic operations of a firm's products or services in foreign markets. Others argue that internationalization should be define based on the share of foreign sales to total sales, share of foreign employment to total employment and share of foreign subsidiaries to toal subsidiaries (UNCTAD 1995,23-25.) Business networks and alliances on the other hand accoding to Oparaocha (2015, 862) and Harris & Wheeler (2005) is the likelihood and ability of a firm or management to partner with other firms and use relationships or partnership to be competitively robust and to influence actions in favour of the firms.

Agribusinesses are business entities or individuals directly or indirectly engaged in economic operations from agriculture sector (primary, secondary or tertiary). In the context of this paper, they are businesses engaged in imports, exports, foreign direct investment or businesses with subsidiaries in foreign markets. SMEs, an umbrella term for wide range of enterprises that have multiple definitions based on country, laws, policy, etc. In the context of the case paper, in Cameroon, SMEs are enterprises with staff count ranging between six to 100 and pre-tax turnover between €22.8million to €152.5million. (MINPMEESA, Law No. 2015 of 16 July 2015 §.)

#### 1.4 Douala in Perspective

Douala is the capital of the littoral region and the economic capital of Cameroon. It is the largest and most populated city in the region with a surface area of 923km2 and a population of about 2.8 million inhabitants with an annual growth rate of 3.62%. It has a population density of 3,003 inhabitants per km2, making it the most densely populated and most urbanized city in the country. Among other things, the city holds 35.1% of all registered enterprises in the country which provides a self-sustaining platform for a vibrant SME ecosystem, especially as businesses alone contribute 61% of the city's gross value added and 22% of national GDP (Euromonitor International Report 2016; NIS 2009, 2; Douala Urban Council n.d.)

With seven (7) main districts (Bonanjo, Akwa, Bonapriso, New Bell, Bonaberi, Deido, and Bassa), Douala is bordered in the north by the west region, in the west by the south-west region, the east by the center region and south by the Atlantic Ocean. The city is home to the largest seaport in the Central African Zone (Chad, Congo, Central African Republic, Equatorial Guinea and Cameroon) that handles six (6) million tons of goods annually and it is the gateway to 95% of all goods entering and exiting the CEMAC area (World Bank 2010a, 2010b).

The presence of an international airport – the Douala International Airport has increased mobility of people in and out of the country over the years and facilitated business transactions of all kinds. All these have positively influenced the internationalization landscape of SMEs not only in Douala but also in neighboring cities due to the presence of ring roads (see appendix 1) that easily connects Douala to the rest of the country. This has made it possible for small and large-scale entrepreneurs engaged in especially agribusinesses to easily transport and export their products beyond national markets. All these are qualifying rationales for choosing Douala as the case study for this research which will provide credible data for meaningful analysis in answering the research questions and achieving the overall objectives of this paper.

#### 1.5 Research Structure and Overview

This paper is divided into five (5) main chapters. The **first** chapter (introduction) presents the background, rationale, scope, and relevance of the research, including research problem to be contested and questions.

In chapter **two**, the paper captures and explores competing theories and concepts in the internationalization literature. In doing so, it critically examines how these theories and concepts fit the contextual narrative of agribusiness SMEs in Douala.

Chapter **three** lays out the research methodologies to be employed to help answer research questions. It equally describes the sampling and data

collection techniques as well as respondent's selection criteria. Still, in this chapter, I analyzed and interpret field data.

Chapter **four** presents the contextual background and how the interplay of social, economic and institutional mechanisms affects internationalization of agribusiness SMEs in Douala, Cameroon.

Chapter **five** concludes the research paper by answering research question and offers recommendations on research problem.

### 2 STRATEGIC APPROACHES TO INTERNATIONALIZATION

This section discusses the implications in defining internationalization and how it is perceived by both pessimists and optimists in relation to the level of a country's development. The section asks questions like: do countries in the global south, and global north has equal potentials in the internationalization landscape? Does internationalization really favor agribusinesses in the global south? By looking at these questions among others, will ascertain if internationalization is a curse for some and blessing for others.

#### 2.1 A Curse or a Blessing

In an imperfectly competitive world with market friction influenced by high technological advancement, globalization, human-capital gap, competitors and socio-cultural differences, trade wars, etc. the concept of internationalization could be said to have gone mainstream as to whether or if it is a blessing for some and a curse for others. Along these lines of thinking, Dunning (2012, 307) and Baum, Schwens & Kabst (2011, 4-5) conveniently pointed out that even in products where most developing countries have proven to be internationally competitive, the resources (procedural fulfillment of export requirements, market and product knowledge, information asymmetry, quality standards, digital divide) involved to internationalize are exceedingly high (Brush, Edelman & Manolova 2002, 2; also see OECD 2009). By contrast, SMEs entering new markets encounter very little setbacks as they utilize same resources to expand, increase market size and customer base by leveraging digital tools (e-commerce platforms) to access foreign markets.

In addition, the organizational structure of SMEs – small size, allows them to adapt to changing circumstances, adopting or rejecting new possibilities, and less bureaucratic. All of which facilitate easiness in decision making and to trade with foreign buyers, as well as to create strategic alliances (Ruigrok & Wagner 2003, 68; Törnroos 2002; Toulova, Votoupalova & Kubickova 2015.) In a contrary view, Vicarelli, Costa and Pappalardo (2017, 755) documented that firm size is a critical success factor operating in foriegn market. They further argue that higher productivity and innovation in foreign markets is an attribute of large firms due to their resource capacity. In a similar analysis by Kraus et al. (2017), a firm's performance, competitiveness and internationalization will thus continually be affected by a firm's resource capacity and capability caryingout research and development which most SMEs especially from developing countries are constrained.

A fundamental premise in the internationalization paradigm holds that the hurdles, modes of internationalization and influence of born global firms and gradual entrants are different. Born global firms are firms whose operational model directly target national and foreign markets at the very

beginning of their activities. They are, however, challenged on multiple fronts when deeply immersed in foreign markets due to additional resource requirements, extent of competitors' power, understanding contextual factors - Market dynamics and customerization challenges. On the other hand, gradual entrants - firms with huge presence in national markets with very little presence in regional markets and high ambitions to enter foreign markets in the near future, are keen on how risky behaviours in entering new markets could affect their resources and competitive position even in domestic markets. As such, born globals could be risk takers in the internationalization paradigm against gradual entrants who among other things lack the resource capabilities to swiftly enter foreign markets - they are one leg in and one leg out, thereby adopting a stepwise approach to internationalization. Hence, it is not an easy path to provide an exhaustive list of reasons why agribusiness SMEs from developing countries are compounded with a number of barriers (see table 2 below) in an effort to explore and tap the opportunities of internationalization.

Description of barriers	
Shortage of working capital to finance	
Identifying foreign business opportunities	
Limited information and difficulties in identifying	
national and international channels of information to	
analyse foreign markets	
Inability to contact potential overseas customers	
Obtaining reliable foreign representation	
Lack of managerial time to deal with internationalisation	
Inadequate quantity of and/or untrained personnel for	
internationalisation	
Difficulty in matching competitors' prices	
Lack of home government assistance/incentives	
Excessive transportation costs	

Table 1: SMEs internationalization barriers ranking

Source: (OECD 2009, 2014)

Accompanying above barriers is the dynamic nature of internationalization process that is constantly being shaped not only by the political economy but also by forces of globalization, technology and social responsibility of firms. For example, e-commerce has created a striving model to unlock the barriers of globalization and created a sweet spot (online sharing and trading platforms) to match demand and supply than ever before. Similarly, customerization has amplified customers' voices in what they care about beyond products and services – people, planet and prosperity. This has triggered most businesses to be socially responsible in not only ways they conduct themselves in both domestic and foreign markets, but also how they operationalize their social values and engaged with stakeholders. The above evidence suggests that internationalization cycle is not only a well thought out process but one that require capabilities and resources. The question whether agribusiness SMEs in most developing countries fit in this cycle is one that cannot be neglected.

Arguably, the patterns and metrics used in defining internationalization are not clear-cut despite the growing recognition of the importance of the concept. To gain a more detailed view of internationalization and in the context of this chapter, different researchers in the internationalization literature define internationalization as the increasing commitments of firms to engage in and carry out business transactions with foreign buyers (Johanson & Vahlne 2003,90; Paliu-Pola 2008). In the same line of definitive approach, Venkatesh, Dubey & Bhattacharya (2015, 354) posit that internationalization involves increasing economic operations of an enterprise by customizing its products or services to be competitive in foreign markets.

The transnational index of internationalization (TII) by the United Nations Conference on Trade and Development World Investment Report (UNCTAD 1995,23-25) capture three main criteria to assert the degree of internationalization of an enterprise. Firstly, the share of foreign sales to total sales. Secondly, the share of foreign employment to total employment and lastly, the size of foreign subsidiaries to total subsidiaries. These linkages of the TII inherently play an important role in identifying the pull factors of internationalization. Drawing from the above argument, a firm may decide to internationalize based on market growth and size, level of competition, strategic relationship and alliances, as well as incentives by foreign and local governments. Adhering to the above point, it could be difficult to dismiss views that internationalization is a near possibility for agribusiness SMEs in developing countries.

For example, Sullivan (1994, 331) argues that internationalization is multidimensional, as such it does not follow a smooth path as uncertainty in knowledge of foreign markets and information could influence a firm's choice to internationalize within a given timeframe or period (McCole, Ramsey & Williams, 2010; Olejnik, 2012; Sun, Peng, Ren and Yan, 2012). Sulilivan (ibid) further examined the degree of internationalization through three main factors: attitudinal, performance and structural. Attitudinal factor of internationalization has to do with an SME level of foreign engagements and activities. Performance factor looked at the resource sufficiency of an enterprise to compete in foreign markets and structural factor consider the level of international exposure of executives of an enterprise (Brush, Edelman & Manolova 2002, 11-12). The mix feelings in the above findings are inappropriate to completely assess what internationalization is, as too often, internationalization is perceived as an end product with little attention on the prerequisites and compelling rationales why enterprises internationalize.

Looking at internationalization from the perspective of economics, it is not uncommon to ask similar question as to why internationalization is increasingly regarded as an important concept in the international business literature, and why do firms internationalize. It is difficult to understand with certainty where internationalization process starts. The pace at which firms internationalize and explore opportunities in foreign markets shows no sign of slowing down due to increasing commitments to unravel the untapped economic potentials of national, regional and global trade system. Internationalization depends not only upon participating in the global trade system per se but also fostering an inclusive and equitable system where businesses of all types, sizes and location have access to reliable information to compete and strive.

Searching the word internationalization on google as well as on google scholar today 15.11.2018 yielded 12.200.000 (in 0.43 second) and 588,000 (in 0.04 second) results respectively that cut across different fields; education, software industry, migration and the field of economics and business. Central to these distinctions is the orientation through which the concept of internationalization is represented across different fields. Therefore, irregularities in defining internationalization have strong ties to its multidimensional nature. In view of this, internationalization could be a process by which a firm or an enterprise decides to operationalize the sales of its products or services in foreign markets in order to increase market size, customer-base, acquire new skills and technology and achieve profitable growth, etc.

A dominant wave of thinking within the internationalization literature suggests that most enterprises internationalize due to opportunity to leverage foreign market gains, enhance sales, to diversify their operational efforts, expand competitive superiority beyond national and regional markets, economies of scale, acquire new skills and technology in order to better serve existing and new clients (Ernst & Young 2015; Taylor 2013,1928-1929; IESE Business School 2015). In order to establish a case for internationalization, it is imperative to explore the interplay of the strategic choices of internationalization through the lens of key drivers and motivations why and how agribusiness SMEs internationalizes.

#### 2.2 The Choices of SME Internationalization

The strategic choices of most SMEs or firms to internationalize are driven by what I called the 3W+H model of internationalization. This involves determining *why* firms internationalize; *when* do firms internationalize, *where* do firms choose to internationalize –criteria for foreign market entry? Lastly, *how* do firms internationalize, that is, what are some the channels through which SMEs used to leverage foreign market presence that will positively enhance returns on investment? Understanding what matters most for SMEs to internationalize can not be treated in isolation of what matters to markets, investors, government, customers, competitors, suppliers and foreign subsidiaries? This section shall examine the 3W+H model of internationalization and elaborate on the *why and how* SMEs internationalize that forms one of the underlying objectives this paper seeks to underpin.

Different scholars have put forward different reasons why, where, when and how firms internationalize (Evers & O'Gorman 2011; Lu & Beamish 2001, 566). For most SMEs in developing countries, informal channels of information on foreign market remains the most useful and cost-effective means to make their cases in foreign markets before exploring formal entry modes. Nevertheless, common findings suggest that most SMEs irrespective of their level of internationalization see learning from others and collaborative mode of internationalization as the most productive entry channel into foreign markets (Schwens and Kabst 2009; Castellani et al. 2010). It seems plausible to assume here that most agribusiness SMEs developing countries still explore traditional approaches to in internationalization that are motivated by market opportunity and periodic value of products. This has created a paradigm shift especially in the agribusiness sector where most agribusiness owners trade in products with high periodic market demands and value. This approach could likely lead to a jack of all trade and master of non-tendencies, whereby, agribusiness SMEs have very little knowledge of market know how, product regulatory and technical requirements.

Although targeted approach to internationalization is eminent to early or late internationalizers with respect to where, what and whom to sell (Agyenim-Boateng, Benson-Armer & Russo 2015), a firm's choice of internationalization has been increasingly link to the firm's productivity and performance in foreign market. For example, according to findings from Vicarelli et al. (2017, 754), SMEs and firms engaged in imports and exports are more productive, second by those engaged in either imports or exports (Gordon and Suominen 2014, 14). The least productive SMEs are those operating only in domestic markets. As a success criterion for SMEs in developing countries, it is more likely to establish a link or network of subsidiaries to enhance understanding of target market dynamics which could allow SMEs to engage in a two-way internationalization (import and export) scheme. The value here lies in acknowledging that diversification of activities between foreign and domestic markets is likely to increase a firm's information warehouse and performance that is inevitable in today's uncertain market ecosystem especially in recognizing, taking decision and validating long-term market opportunities (Peschken et al. 2016, 199-200).

Adding to the complexity of the causal chain between internet penetration and internationalization is the fact that digitalization has revolutionalize businesses of all types, especially in developing countries that are increasingly becoming digitally mature. This has by no doubt facilitated the possibility and provided SMEs in developing countries a one-time opportunity to be deeply immersed in the global trade system (Paunov and Rollo 2016, 3-6; Osnago and Tan, 2016; WTO 2013; Clarke, Qiang & Xu 2015). By contrast, only 15% of SMEs in Sub Sahara Africa are involved in cross-border trade (Gordon and Suominen 2014, 15). Among the different reasons for this is claims that most SMEs in developing countries are resource constraint in meeting the needs and wants of cross-border trade as foriegn market dynamics are by far different from domestic markets (Lu and Beamish 2015,566-570).

A report by Manyika et al. (2016, 23) pointed out that globally, 12% of trade in goods are conducted online while 50% of trade in services have been digitized. In addition, it is estimated that by 2025 global cross-border e-commerce could reach \$250 billion and will account for about 12% of total e-commerce with global business-to-business (B2B) making upto 90% of all e-commerce (WTO 2013; Van Heel, Lukic & Leeuwis 2014). Such figures are illuminating to believe that businesses especially agribusiness SMEs in developing countries can efffortlessly access relevant information necessary to enhance competent decision making in not only recognizing market opportunities but also to be competitive. However, the sweet spot of digital commerce is not a straight path for all businesses. This is because it is not enough for a firm to estabhlish presence in foreign markets but meeting regulatory prerequisites to export or import has been an all-time threat to SMEs from developing countries and agribusinesses.

It is not uncommon that some of these requirements are disguising to protect domestic firms from foreign competitors (Van Tulder 2015, 4). As such, agribusiness owners may choose to target foreign markets with similar regulatory export or import requirements. However, regulatory compliance is just one of the many bottlenecks hindering internationalization of SMEs from developing countries. For example, eWallet is one of the most widely used payment instrument in global crossborder e-commerce, while mobile payment such M-PESSA dominates in Africa (UNCTAD 2017, 4). Despite the numerous bottlenecks, agribusiness SMEs from developing countries still believes in the rewards of foreign market expansion, since internationalization itself is a growth strategy that has consequently prompted different entry modes in which most firms and SMEs alike operate in foreign or international markets.

#### 2.2.1 Why SMEs Internationalize?

This section demystifies the importance of internationalization through the spectrum of the rationales behind SME increasing penetration into foreign markets. Generally speaking, understanding internationalization means understanding firstly, the motivation why SMEs and firms internationalize with respect to the increasing zeal towards foreign market presence and what possibly could be holding back agribusiness SMEs especially from developing countries to internationalize? The hidden implication here could be attributed to the fact that more than 60% of SMEs in developing countries are not born globals. This is because a quarter of SMEs in developing countries operate in the grey economy (Khavul, Bruton & Wood 2009, 1221-1222; Wellalage and Locke 2016). In addition, Bloom et al. (2010, 620-621) pointed out that one of the key setbacks affecting the performance of SMEs in developing countries both in domestic and foreign markets is poor management practices.

As such, developing country SMEs are not only gradual or slow entrants to internationalization but the culture of internationalization is a near possibility, since the operational model of most SMEs primarily target domestic and to an extend regional markets due to psychic distance and socio-cultural tenets. This assessment is within the argument of Ruigrok & Wagner (2003, 68) who recognized that internationalization is an evolutionary path through which most SMEs turn to harnes the gains of proximity markets before weighing into distant markets. For Nichter and Goldmark (2009), the entrepreneurial traits, resource capacity of an enterprise, their relational value chains and environmental influence etc. are crucial to supporting the internationalization of SMEs especially in evidence-based decision making. Therefore, interregional and distant market connectivity could pose potential constraint to enterprises in developing countries due to inadequate foreign market know-how, uncertainty, degree of consistency in meeting the needs and wants of foreign buyers and actors. Figure 2 below highlights the relationship between domestic, entrepreneurial and international environments and how the interplay of these variables influences the internationalization lifecycle of a firm.

The twin roles of domestic market environment conditions and SME internationalization performance are intertwined. If the critical enablers - market conditions (such as political and economic stability, government incentives and friendly policies etc.) are not favourable, entrepreneurial orientations are likely to fail or struggle to survive. This coincides with A.T. Kearney 2018 Foreign Direct Investment Confidence Index in figure 3 below, where domestic market environment conditions are among the top concerns for enterprises wishing to explore foreign market opportunities. This further explains why Africa and Eurasia are the least destinations for foreign direct investment (FDI).

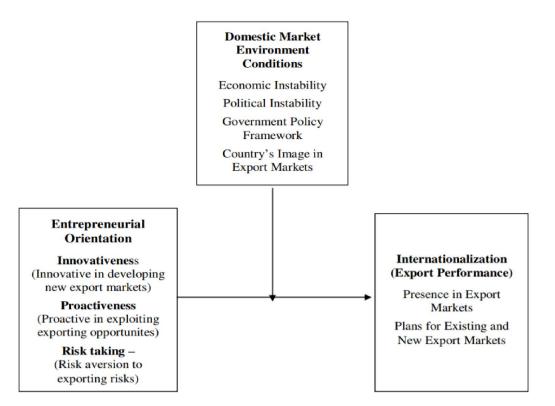


Figure 2: Conceptual model of entrepreneurship - internationalization relationship

Source: Taylor (2013; 1931)

Rank

2017	2018			
5	1	Regulatory transparency and lack of corruption	15%	
3	2	Tax rates and ease of tax payment	14%	
12	3	Cost of labor	13%	
1	4	General security environment	13%	
6	5	Domestic market size	11%	
4	6	Technological and innovation capabilities	11%	
7	7	Domestic economic performance	10%	
8	8	Ease of moving capital into and out of country	10%	
10	9	<b>Government incentives for investors</b>	9%	
9	10	Strength of investor and property rights	9%	
11	11	Country's participation in trade agreements	8%	
2	12	Efficiency of legal and regulatory processes	s 7%	
19	13	Quality of telecommunications infrastructure	e 7%	
16	14	R&D capabilities	s 7%	
15	15	Talent and skill level of labor pool	7%	
13	16	Availability of financial capital in domestic market	6%	
14	17	Availability of land and real estate	6%	
17	18	Availability of raw materials and other inputs	6%	
18	19	Quality of transportation infrastructure	6%	
20	20	Quality of electricity infrastructure	4%	

Figure 3: FDI Confidence Index

Market asset and infrastructure factors Governance and regulatory factors

Source: A.T Kearney Foreign Direct Investment Confidence Index (2017-2018)

The tendency of firms to pursue internationalization strategy is by no doubt profit-motivated and to broaden their customer-base. However, liabilities of foreignness and outsidership resulting mainly from the cost, culture, market and product knowledge, laws, etc. associated with entering foreign market continue to pose a major threat to SMEs and firms of all types irrespective of the level of development (Johanson & Vahlne 2009, 1412 - 1414). This is because unlike foreign firms, local firms have a good knowledge base and mastery of the socioeconomic and political interplay and are therefore more competitive than foreign firms. Similar analysis reveals that foreign firms and SMEs from developing countries continue to struggle to establish foreign market presence for four main reasons.

Firstly, cost associated with mobilization of products or services for imports or exports. Secondly, cost due to foreign market requirements. Third, cost of creating market awareness of products or services by partnering with foreign subsidiaries or agents and lastly, cost of uncertainty, cultural correctness and risk of foreignness (Bell, Filatotchev & Rasheed 2012). All these suggest that; (a) there is no one-size fits all approache to internationalization; (b) cost of internationalization differs from market-to-market; (c) SMEs should therefore identify markets with proceedures like those of domestic market; (d) it is not enough to have formal knowledge of foreign market, knowledge of unwritten rules is important. Against this backdrop, there are also views that two sets of factors continue to motivate firms and SMEs to internationalize despite the rocky paths involved in the internationalization lifecycle, viz; the proactive and reactive perspectives of why firms internationalize (IESE Business School 2015; Van Tulder 2015; Yener, Doğruoğlu & Ergun 2014, 5-6; Van Tulder 2015; Dubravská et al. 2015, 123).

- Proactive perspective; are pull factors that compel most firms and SMEs to internationalize. They are mostly implemented at the very beginning of the business lifecycle and very common with born globals. These factors are driven by a firm's need to (a) achieve economies of scale that will reduce production cost per unit of output; (b) take advantage of market expansion and opportunities, to acquire new skills and technology to; (c) to understand customers' needs, market culture and value, and to have market-based organization rather than just having subsidiaries or agents; (d) leverage experience gained in other markets to more competitive regions that will enhance a firm's value chain - location advantage.
- Reactive perspective; are factors mostly triggered by domestic market dynamics in order to; (a) compensate for poor performance due to uncertainties in home market; (b) achieve profitable growth and increase sales through expansion; (c) diverfication of operations to compensate for security associated with market unknowns; (d) new government support programs and incentives to internationalize and

change of political regimes; (e) low labour markets, skills transfer and technology acquisition; (f) psychic distance between markets.

The basic idea here points to the notion that an exhaustive list (see table 2 below) of the reactive and proactive factors of internationalization are not a primafacie for SMEs to fully devote their efforts and resources to market expansion without enough resources to support all factors simultaneously. In order to successfully commit and consolidate resources towards foreign market entry and expansion, prioritization of enabling resources and capacities ought to be developed to an expansion strategy that will allow SMEs to explore the different channels on how to internationalize.

Table 2: Drivers of SME Internationalization
--

Author(s)	Divers of internationalize	
Dunning & Lundan (2008)	(1) natural resource seeking, (2) market	
	seeking, (3) efficiency seeking, (4) strategic	
	asset or capability seeking; "other motives":	
	(a) escape investments, (b) support	
	investments, (c) passive investments	
Rugman & Collinson	1) To diversify, (2) tap growing world markets	
(2012)	for goods and services, (3) follow the	
	competitor, (4) reduce costs, (5) overcome	
	protective devices, (6) take advantage of	
	technological expertise through FDI (foreign	
	direct investment)	
Verbeke (2009;2014)	1) Natural resource seeking, (2) market	
	seeking, (3) strategic resource seeking, (4)	
	efficiency seeking	
Dicken (2003, 199)	'Global profits': "business firms may well	
	have a variety of motives other than profit,	
	such as increasing their share of a market,	
	becoming the industry leader, or simply	
	making the firm bigger. But, in the long run,	
	none of these is more important than the	
	pursuit of profit itself."	
Daniels Badebaugh	· · ·	
Daniels, Radebaugh,	"A few" general reasons, but more	
Sullivan (2009)	specifically (1) expanding sales, (2) acquiring	
	resources, (3) minimizing risk	

Source: As cited in Van Tulder (2015)

#### 2.2.2 Internationalization Criteria and Entry Modes

An SME drive to foreign market presence is often rooted in expanding profit and the idea that operating in different foreign markets will make up for uncertainties in domestic markets. In as much as a firm or enterprise may be aware of the rationale behind their dying need to expand into a given foreign market, the bulk of the problem lies on the ways and approaches used by firms to internationalize. This is crucial because gaps exist between domestic and foreign market conditions. Secondly, unlike BGEs that are resourced rich, SMEs may elect to take the gradual paths to internationalization since knowledge of foreign market does not happen overnight (Wai and Noichangkid 2012). According to Altomonte et al. (2013), firms and SMEs alike depending on their level and choice of operations access foreign markets through equity and non-equity modes, either as exporters, importers or both, through foreign investments, as an outsourcee or outsourcer, joint venture, licensing, franchising, foreign subsidiary, strategic alliance and network (Pan and Tse 2000) as shown in figure 4 below.

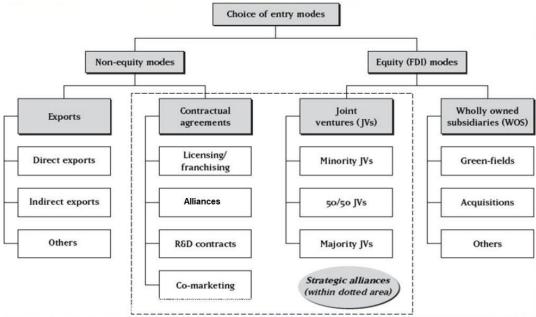


Figure 4: Forms of Foreign Market Entry

Source: Addapted from Pan and Tse 2000

As shown in figure 4 above, the channels explored by SMEs to internationalize present another challenge to the internationalization process, in terms of how firms can efficiently and effectively coordinate their resources to achieve sustained competitive advantage in foreign markets due to firm specific, environmental and moderator factors (Driscoll 1995).

For the forgoing reasons, SMEs do not follow a straight path to internationalize due to differences in their resource capacity and institutional environments, that raises debate on how SMEs internationalize and the different forms of entry strategies they use to competitively flourish in foreign markets.

#### (a) The Uppsala Model

A recurrent theme in the growing internationalization literature is the paths (Coviello & McAuley, 1999) taken by SMEs to internationalize. Kuivalainen, Sundqvist, Saarenketo & McNaughton (2012, 450-453) explicitly pointed out that SMEs may go through series of behavioural patterns in their lifecycle to broaden foreign market presence, increase customer base and shareholder value. The writers recognize differences in (i) the scope and (ii) scale of born global enterprises (BGEs) and late entrants will undoubtedly define their internationalization strategy and roadmap, as well as outcomes as shown in figure 5 below.

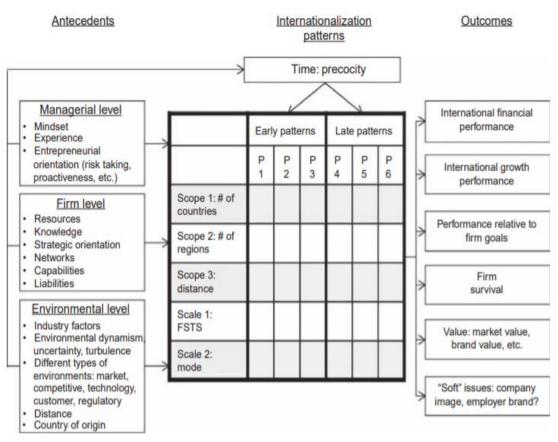


Figure 5: Model relations of internationalization patterns and outcomes

#### \*FSTS: foreign sales of total sales

Source: Kuivalainen, Sundqvist, Saarenketo & McNaughton (2012.ibid)

Strategically, born global enterprises (BGEs) and multinational enterprises (MNEs) are highly likely to competitively overshadow foreign markets than most gradual or late entrants. The reactive nature of BGEs may be lacking scope-wise, but their scalability and direct agile foreign market entry at the very beginning of their business model allows them to gain economies of scale and rapidly capture market needs. Evidently, developing countries agribusiness SMEs fall within the periphery of gradual or late entrants of internationalization. To demonstrate this, Johanson & Vahlne (2006, 168;

1977, 24-28) examine the relationship between target market knowledge and internationalization performance. According to the U-model (Uppsala model) proposed by the duo, the very first steps taken by traditional internationalizers is to:

- (i) Acquire a minimum level of knowledge on target market, such as sociocultural tenets, competitors and customers' profile and political landscape, etc. The hidden and implicit intention here points to two assumptions. Firstly, the risk of internationalization failure decreases with increasing knowledge of target foreign market. Secondly, late entrants could leverage combine effects and performance in home and regional markets in their internationalization efforts to identify, commit and tap the opportunities provided by target markets. A potential pitfall with this assumption owes to the fact that the contextual interplay between two markets is largely influenced by several factors, for example, level of development, technology, human capital, etc. As such, knowledge in one market or region cannot be easily used as a success metric to foster certainty in another market.
- (ii) The value of distance between new entrants and target market; psychic or geographical distance between markets remains one of growing reasons why most SMEs first explore intra-trade (regional markets) followed by external trade (foreign markets) in their efforts to expand beyond domestic market. Globally and regionally, market proximity is positively associated with the degree of internationalization due to socio-cultural coherence, intra and inter-regional tolerance to trade through trade blocs among neighbouring countries (in Africa such as the COMESA, SADC, ECOWAS, CEMAC etc.) Unlike BGEs, late entrants of internationalization are likely to explore regional markets and maximize knowledge gained in foreign markets. This assumption might be lost due to the way international businesses are being conducted today markets are fragmented. For example, change and advancement in technology has influenced trade in goods and services thereby breaking traditional barriers to conducting business.
- (iii) Use of sales subsidiaries and independent agents; what is clear here is sales subsidiaries or agents have been recognized as increasingly important in the internationalization value chain, especially in reducing costs associated with R&D, winning negotiations and closing deals on behalf of principal enterprise. This is not only a strategy implored in the private sector but also public and non-governmental organizations. The end goal of sales subsidiaries as export channels of internationalization is the hope that gradually, BGEs or late entrants of internationalization will fully go operational by implementing marketing strategies to be implemented by agents, establishing manufacturing plants as well as warehouse facilities and logistics.

It is important to note, however, that the bargaining power of sales subsidiaries or agents could adversely affect principal-agent relationships.

In a market scenario with few agents or if agents play a vital role in the value-added supply chain network, this could pose a serious threat to the principal. Although different studies (Anderson & Buvik, 2002; Bjorkman & Forsgren, 2000; Pillania, 2008; Ojala & Tyrvainen 2007; Johnson & Tellis 2008) favourably point to the direction of the U-model, the limit of this model has been a subject of discussion and criticism (Johanson & Vahlne 2009; Vahlne & Johanson 2013; Forsgren 2002; Lynn Childs & Jin 2014; Aspelund & Butsko, 2010; Keen & Etemad, 2012; Gomez-Mejia & Palich, 1997; Mitra & Golder, 2002.) The authors ague that the U-model failed to recognize;

- Cultural and market distance is inversely proportional to a company's success and as such could not be considered as a deciding factor to internationalize.
- (ii) Niche markets, strong brand image and differentiated products may internationalize faster without the influence of independent agents, hence, not consistent with gradual entry suggested by the U-model.
- (iii) As relationship among businesses grows, a network of trust is created where formal and informal knowledge of the market is likely to emerge, unlike the role of agents as primary sources of market information. In addition, agents may not have the required and critical mindset to allow decision makers in MNEs and SMEs to make informed decisions. Therefore, most MNEs send experts on field mission to ascertain foreign market intelligence which SMEs can not due to inadequate working capital.
- (b) Strategic Network and Alliances

Expectations of mutual dependence on consumers' needs and wants, investors value-added, government regulations have all created systematic approaches and fierce competition through which enterprises now explore foreign markets. The rise of strategic networks and alliances has placed new demands on businesses of all types and prompted changes in performance and operational best practices of MNEs and SMEs alike. It is not uncommon for multinational enterprises - MNEs or even SMEs to win contracts, partnerships or investment opportunities through their interwoven web of networks or alliances. But how does this play out in the internationalization process in generating the expected and actual value (Austin 2009,87 -90)? The increasing penetration of businesses in the global value chain has prompted research on strategic business networks alliances - how SMEs internationalize. In simple terms, strategic business networks and alliances are a passive or active cohesion of mutual interest between firms to operationalize their efforts with sole objectives to be competitive and achieve profitable growth be it in domestic or international markets (Lynch 2015, 285-286; Oparaocha 2015, 862Harris & Wheeler 2005; Rialp, Rialp, J & Knight 2005.)

Business cohesion of such in some cases allows a firm or management to use their relationships or affiliations to formally and informally influence actions outside of the firm in favour of the firm. Despite perceived relevance of business networks and alliances, it needs fervent commitment and extra efforts to keep partnership up to expectations. In addition, majority takes an informal form, that is, they are non-contractual which might place additional burden on commitment and breach of partnership. Although economies of scale could hardly be achieved in such partnerships, networks and alliances are very much relevant in today's internationalization literature for few reasons (also see figure 8 below); firstly, partners can build self-sustaining commitment that pull resources together and be competitive since they are able to access market information at low-cost and guickly. Secondly, close collaboration could quickly enhance market dominance and expansion to other markets and lasitly the cost of investing in such partnership is relatively low (Lynch 2015,645). However, in such partnerships there very little or no legal binding or contract enforcement. It it mostly driven by goodwill of partners involved. This implies that conflict resolution could be a pressing challenge especially where the interest of a member is hurt or proven unpfitable.

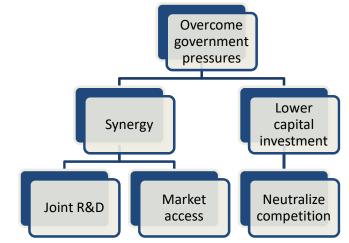


Figure 6: Reasons for strategic business networks and alliances

Source: Lynch (2015, 645)

Business strategic networks and alliances can be divided into three (3) main categories, to wit: Personal Informal Networks (PIN), Formal Business Networks (FBN) and Public Institutional Support Network (PISN)

- Personal informal networks (PIN); networks based on family ties, marriage, schooling and living experiences in foreign countries. A key characteristic of a PIN according to Zhao & Hsu (2007), is trust and goodwill rooted in ethnicity ties, common languages which are seen by some as a common strategic norm by SMEs especially at the very early stages of their operations (Manolova, Manev & Gyoshev 2010).
- Formal business network (FBN); according to Johanson & Vahlne (2009) is a performance-based and ethical network formed between business

leaders and managers with stakeholders especially those in the value chain system - suppliers, dealers, customers and logistics.

Public Institution Support Network (PISN); is a government-togovernment (G2G) type of network mostly driven by government agencies on behalf of a domestic enterprise (Oparaocha 2015 ibid). It is highly influential and, in most cases, involved top performing large enterprises in domestic and regional markets facing entry barriers into a given market due to tax regulations and burden of outsidership. Where G2G fail to yield expected results, it is likely to result to a trade war between countries involved. G2G is particularly common in small-scale economies where the carrying-capacity of domestic markets is not robust enough for SMEs to rely on to achieve profitable growth.

It is important to recognize here that but for FBN and PISN, PIN has the potential to influence business decisions and relationship based on recurrent trust and interactions. Once trust and performance are established informality grew overtime thereby strengthening the relationships which could be extended to other areas (Khavul, Bruton & Wood 2009, 1223). PIN is mostly common among family businesses or businesses with similar affiliations. A key cleavage points to the possibility that PIN undermines merit-based performance of SMEs with limited resources to compete. In as much as strong PIN ties are built on trust and performance, weak PIN may exist at superficial level among parties involved. This is mostly common among managers with low autonomy on decision making.

In order to enhance the internationalization of MNEs or SMEs through business network, two approaches are imperative. Firstly, by liaising with internationally experienced and recognized managers or consultants in target markets (Loane & Bell 2006; Fletcher & Harris 2012). This could be achieved through sub-sectoral international trade fairs and exhibitions, targeted public-private meetings, direct contact with consumers through ecommerce platforms and business associations in target foreign market (Johanson and Vahlne 2006; Kontinen & Ojala 2011a, b; Measson & Campbell-Hunt 2015; Senik, Scott-Ladd, Entrekin & Adham 2011). However, expectations from head office on rules of engagement in target foreign market often come with mixed feelings. This is due to differences in government regulations, values, market culture and beliefs on what is perceived to be desirable or internationalization fit by head office. It is for this reason that most enterprises already established in given foreign market elect market entry through foreign subsidiaries.

Although choice of networks may differ based on the rationale behind their causes, there are views that business networks satisfy different but common goals such as; ascertain doubts in foreign markets, foster credibility and reliability, reduce transaction costs, including hurdles associated with bureaucracy, facilitate entry decision and value for time, including reducing risk of dealing with strangers (Chandra, Styles & Wilkinson 2009; Ellis, 2011; Ellis & Pecotich 2001; Boyd, Ulrich & Hollensen 2012; Zhao and Hsu, 2007).

For example, in one study conducted by Wong and Ellis (2002), they discovered that the likability factor to be considered for business venture or partnership is two times higher with a recommendation based on strong personal ties. Since networks are based on close ties, there are two implications. It limits business creativity and transparency, especially for new entrants who may not have the capacity or exposure to foster network relationship. Secondly, it creates invisible landlords and rules of the game in the internationalization space which begs the question of are networks relevant in all businesses? In my view, no. This is because creative business models with proven market potentials that uniquely meet and add value to the needs of customers are undoubtedly likely to exceed customers expectations and enhance foreign market performance. Hence, are highly likely to succeed without leveraging networks.

Comparatively, personal and business network modes of internationalization help decision makers in MNEs and SMEs to increase market knowledge, reduce the risk of entry and allow MNEs and SMEs to make strategic entry decisions that could boost their internationalization performance (Jin & Jung 2016, 816; Zhou, Wu & Luo 2007). As shown in figure 5 below, decision maker's personal network is likely to enhance better understanding in a foreign market and subsequently business international performance. This is true for business networks. Overall, increase in market knowledge is expected to increase internationalization competitiveness and performance. Inadequate knowledge on target foreign market will undoubtedly reduce market expectations, especially on competitors, regulations and rules of the game that could lead to internationalization failure.

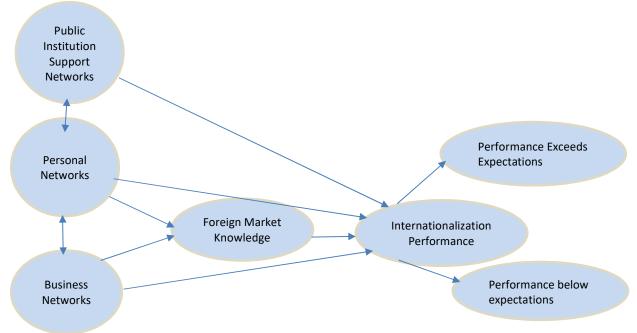


Figure 7: Network framework to internationalization

Source: Adapted from Jin & Jung (2016, 817)

#### (c) The Resource Based View (RBV) Model

Proponents of internationalization claim that to sustainably and competitively gain foreign market edge is a harsh reality for all firms or enterprises irrespective of their level of maturity. Arguably, one of the major challenges facing most SMEs today especially those in the global south is aligning their internal resources in a way that would allow them to withstand foreign market uncertainties and turmoil in a heterogeneous and dynamically changing regional and global market space. For SMEs to be internationally competitive, it is important to rethink their internal landscape through the 5C approach of: (a) *concept* alignment – how their model uniquely addresses target market need, (b) *capability* to implement – people and tools to actualize their concept (c) *culture* – intangible asset (d) *creativity* – moving with global market trends, (e) *consumer* face value – customer-centric.

Central to the above are people and tools. However, efforts by SMEs to achieve and gain favourable market position both at home, regional and global market is often compromised by ill-driven strategic roadmap and implementation based on uninformed decision and lack of performance monitoring system. This construct is further stressed by Teece (2014,17) who argue that markets are created, and needs met when internal resources are effectively mobilized to succinctly align with strategic priorities that generate best value for a company or enterprise interms of profitable growth. It is, however, important to point out that getting internal resources right with respect to a firm's or an enterprise's strategic position is not a panacea in achieving sustained competitive advantage, even in-home market. Although it could be a *bow* without an *arrow* to hit the target, studies have consistently shown that one possible benchmark for a firm or enterprise towards sustaining competitive advantage could be ascertain by at least passing the VRIO stress test. The VRIO test seeks to challenge the resource capacity of an enterprises on four (4) counts, to wit; are the resources of the firm or enterprise valuable, rare, imitable and organized? (Teece 2018,16; Somsuk & Laosirihongthong 2014,199; Jan 2013, 63).

Drawing from the RBV model, firms or enterprises are continuously challenge to leverage their tangible and intangible resources in a way that would allow them to achieve sustained competitive advantage. If tangible and intangible resources are to benefit an enterprise, then the capabilities of the enterprise must align with consumers interest — something that can be achieved by recognizing the determinants of an enterprise capabilities. These determinants are two-folds, namely; ordinary and dynamic capabilities. By juxtaposing these capabilities, an enterprise can ascertain resources that create more value and how it should be prioritized to uniquely create market value in the face of increasing fierce competition in foreign and domestic markets.

#### 2.3 Consolidation

The economic benefits of internationalization both in domestic and foreign markets is overwhelming. However, cross-national and global dynamics have placed internationalization in a very tight position given that countries in the global north experience far different experiences in the global trade value chain than those in the global south. The differences between economies is twice as wide as constraints they face to internationalize. For this reason, bilateral and multilateral trade agreements have become unavoidable as countries continue to use their veto power to engage in trade wars. More so, agribusiness SMEs have also continued to explore strategic joint ventures and alliances to overcome the passive and active barriers to internationalization as 70% of these barriers are external to these agribusinesses. Examining the propositions discussed in this section, it is important to highlight that; (i) internationalization is multidimensional (ii) firms and enterprises that competitive in foreign and domestic markets move in different angles and not circles as there is no straight path to internationalize, (iii) barriers to internationalization could be contained through strategic alliances and joint ventures that pull resources, capacities and capabilities together (iv) incentivize efforts for agribusiness SMEs to internationalize largely lies in the policy framework, institutions and programs by the state.

## 3 RESEARCH METHODOLOGIES AND APPROACHES

The choice of research methodology chosen by the research was primarily driven by three criteria: firstly, the degree of transparency and accuracy to generate reliable data; the ability of the generated or unstructured data to add value to the phenomenon to be investigated and lastly, how generated data would provide a legitimate roadmap for future researchers through evidence-based recommendations. To show the dynamic position of this paper, this chapter presents the methodological approaches and techniques implored in generating and analyzing data. The methodological approaches embody two lines of action. Firstly, data sources and secondly, tools used in generating data. Sources are respondents and in this case are agribusiness SMEs in Douala, Cameroon. Tools of generating data involve use of questionnaires (primary data) and exploring the body of literature on agribusiness SMEs and internationalization theories from academic databases, among others. Equally in this chapter, the rationales for the methodological choices and why they are relevant in achieving the objectives of this paper will be address.

#### 3.1 Case Study Approach

Qualitative and single-case study design approach was used in order to comprehensively gather and contextualize different viewpoints on internationalization of agribusiness SMEs in Douala, Cameroon. In light of this, Yin (2009, 2) and Lapan (2003, 218) define case study design approach as one that provides the unique basis to acquire an in-depth knowledge of a phenomenon to be investigated by establishing and analyzing the reliability of different patterns in order to answer the how and why questions. That is, by exploring different patterns of argument and establishing divergent consensus, it allows the researcher to consolidate (Yin 2003,13) the usefulness and quality of data analysis needed to validate the reliability and credibility of results (please see table 1 below).

Tests	Case Study Tactic	Phase of research
		tactic occurs
Construct	Use multiple sources and	Literature review
validity	establish chain of evidence	
Internal	Do pattern-matching	Data collection
validity	Do explanation-building	
	Address rival explanations	
	Use logic models	
External	Use theory in single-case	Research design
validity	studies	
Reliability	Use case study protocol	Data collection
	Develop case study database	

Table 3: Design tests tactics for case study research

Source: Yin (2003,34)

#### 3.2 Data Generation Methods and Techniques

Primary and secondary methods of generating and collecting data were used as they are exploratory, highly engaging, involved self-examination to investigate, understand, and make an in-depth inquiry (Hine & Carson 2007, 34-35; Jennifer 2002,4-7). More still, using both methods will illuminate and provide real-time multiple sources of data for triangulation by accessing and establishing linkages to the research problem (Jenner, Flick, von Kardoff & Steinke 2004, 178-180; O'Leary 2014, 147; Hine & Carson 2007, 38-39). Of particular importance, the chosen methodologies will provide the unique basis to capture different insights in order to juxtapose and ascertain facts in reporting the research findings and see where those findings connect which is imperative in enhancing the overall credibility of this paper and achieving research objectives.

#### 3.2.1 Primary Dataset

Primary data was generated by identifying and sampling nine (9) agribusiness SMEs involved in upstream and downstream activities (inputs, agri-trade, wholesales, retails, agri-services etc.) in Douala Cameroon, which had confirmed passive or active involvement in foreign market activities. Semi-structured questionnaire (see appendix 2) was used due for clarity in adding new and evidence-based data to the existing body of literature on the research problem to be addressed (Hox & Boeije 2005,593). SMEs in Cameroon are enterprises with staff count ranging between six to 100 and pre-tax turnover between €22.8million to €152.5million (MINPMEESA, Law No. 2015 of 16 July 2015 §.) Going by this definition, the respondents were purposefully chosen based on their activities either as exporters, importers, outsourcer or outsourcee.

The rationale for choosing nine agribusiness SMEs is based on two reasons. Firstly, to have a small group that is representative and meet the resources of the researcher. Secondly, working with a small group of respondents will provide adequate means for in-depth inquiry which would allow the researcher and assistant (Cameroon Chamber of Commerce - CCIMA) to have a 360 review with respondents. Data on the respondents were provided by CCIMA based on purposefully chosen criteria set aside by the researcher with reference to the overall outcome of the research. For example, the nature of activities of agribusinesses and their perception on internationalization.

Questionnaires were physically distributed to respondents with help of CCIMA between the months of June to August 2018. In order to achieve coherence, the researcher had several telephone conversations with the Chief of Communications at CCIMA on some useful approaches during the process to guarantee trust and transparency. For example, to inform respondents, their responses are kept private, and information provided is used for research purposes without any disclosure of enterprise information or details. In addition, the respondents were informed of the

relevance of the sincerity of their feedback to the overall quality and credibility of the survey in order to avoid irrelevant answers and at the same time motivate respondents to freely share their experiences and understanding on the research themes (Cooper & Schindler, 2003:160-170; McGuirk & O'Neill, 2016; Sarantakos, 2012:37). This is necessary to clear any unforeseen misunderstanding between CCIMA and respondents in relation to conflict of interest and lack of clarity in understanding research questionnaires.

It would have been resource efficient to reach out to respondents by email. However, the limited capacity in the use of and access to the internet by respondents is the reason why the researcher opted for physical distribution of questionnaires to respondents. This will do away with misrepresentation that could arise between CCIMA and respondents and to reduce any influence that could possibly result from power and social dynamics (Cresswell & Poth 2017, 178; Jennifer 2002, 76-77).

The questions were centered around themes that will help the researcher categorize, analyze and unravel the perceptions of agribusiness owners to internationalize. In doing so, the questions range from the position of the respondents in the business, number of years in agribusiness operations, what they consider as key impediments to access and internationalize. Overall, primary data technique of generating and collecting data provides the basis to distinguish, investigate, assess and analyze multiple sources of perception on the same research phenomenon to be contested (Bird, 2009).

#### 3.2.2 Secondary Dataset

Unlike primary data collection method, secondary data mainly explore existing materials both publish and unpublish on how agribusiness SMEs in developing countries can maximize strategic network and alliances to internationalize. By *materials* I meant electronic journals from international business databases and websites, articles from companies, organizations, including notes from websites and books from libraries, including personal knowledge, etc. Secondary data provided the researcher with multiple sources and viewpoints. This gives the researcher the potential to reshape and take a unique position based on researcher's sole discretion to critically decide on the relevance and connection between different patterns in order to articulate the overall position of this paper in the wider context of the research phenomenon being discussed.

The researcher's discretion in granting or rejecting findings from multiple topics on areas like the subject matter is of immense importance for two reasons. Firstly, it saves transaction cost for the researcher and secondly, it enhances the relevance, reliability, credibility, and legitimacy of research findings before making it usable. Ghauri & Grønhaug (2002, 79), however, argue that the fact that secondary resources are based on similar theme is not a primacie for being likable. The writers stressed that the contextual

differences on the same topic that different researchers addressed in their research findings are key instrument for researchers to watch out for as what is applicable in the context under which research X was carried out might not be feasible in context Y. They illustrated this, for example, that the factors hindering SMEs in the global north to internationalize could not be considered a reliable premise to be applicable as same factors affecting SMEs in the south due to differences in context that has to do with political, governance, legal and economic mechanisms (Ghauri & Grønhaug ibid.) In addition, internationalization trategic network alliances is constantly changing and affected by market trends. Hence, secondary data is unlikely to cover all the pieces of evidence in its literature and findings. In order to concretize and ascertain primary data from field sources, the author juxtaposed against secondary data for analyzes on how theory fits practical, reconciled differences of view points in my recommendation and how the interplay of these differences relate to the conclusion and recommendation of this paper.

#### 3.3 Data Analysis

Field data in their unstructured format can not be interpreted, digitized or make any meaningful revelation that will guide the researcher's understanding to reliably address and answer research questions. To analyze and make unstructured fieldwork data understandable, openended questions were used to underpin recurrent trends in order to establish evidence-based analysis (Thomas 2006:238).

Firstly, the researcher carefully reviewed each transcript (returned unstructured and completed questionnaires from respondents) over and over till saturation point inorder to capture the differences in respondents' feedback. This allowed the researcher to organize and labeled patterns in the transcripts for indexing (structured data). Indexed data gave the researcher the possibility to recognized recurrent trends of respondents' responses that are related to research questions and reduced them into themes for thematic analysis (see table 3 below) – a process known as coding (Ghauri & Grønhaug 2002, 122-125; Löfgren 2013.)

Of equal importance and in order to get a clear picture of translated data after coding, thematic analysis was used to categorize data based on the relevance and connection between these categories, pool of questions and research problems for conceptualization and logical interpretation using frequency tables and graphs (Elo, Kääriäinen, Kanste, Pölkki, Utriainen & Kyngäs 2014,7; Collis & Hussey 2009,164-165.)

Table 4: Thematic analysis of research questions and data sources

No	Research question	Thematic analysis	Data Source(s)
1	How can Agribusiness SMEs in Douala, Cameroon, make use of foreign networks and alliances to access foreign markets?	Internationalization process of agribusiness sector in Cameroon	Primary data from questionnaires and secondary data from government agencies
2	What are the competitive advantages of strategic networks and alliances to internationalization?	Easiness to trade internationally; internationalization process best practices and benchmarking institutional facilitation mechanisms.	Primary data from questionnaires, concepts and theories from secondary sources
3	What problems do agribusiness SMEs in Douala, Cameroon, faced to internationalize? Can these problems be overcome and how?	Export potential assessment; capacities to internationalize against trends influencing internationalization process and agribusinesses (e.g technology-enhanced tools, cultural differences etc)	Primary data from questionnaires, concepts and theories from secondary sources.
4	What lessons can other developing countries learn from Cameroon's agribusiness SME internationalization experience?	Foreign markets access reliability and SWOT (strength, weaknesses, opportunities and threats) of agribusiness SMEs internationalization from Cameroon's experience.	Triangulation, including author's analysis and recommendation from qualitative sources.

# 3.4 Ethical Considerations

It is believed that unethical approaches in any research have implications on research outcomes and overall research credibility has been prevalent for decades among scholars, academics and practitioners. To mitigate risks associated with unethical approaches the researcher followed and implemented guidelines for ethical research proposed by Collis & Hussey (2009,45) and Ghauri & Grønhaug (2010, 21-23):

(i) willful or voluntary participation of respondents; the research ensured unreserved acceptance of selected respondents to participate in the data generation and collection process. In no instance where respondents financially or materially motivated to partake in the research – completing questionnaires. In view of all this, selected respondents were briefed on the objectives of the research and importance and how research outcome will largely be defined by the authenticity of their responses. A key incentive to the respondents was to make available electronic copies of the research findings which the researcher believes will help the respondents understand problematic challenges facing their operations and take recommendable actions.

(ii) the research guaranteed the anonymity and confidentiality of respondents; no part of respondents' information or responses were revealed to anyone without respondents' consent. Even at that, the researcher designed the questionnaires in a manner that caters for respondents' anonymity and confidentiality which does little to internal confidentiality visa-vis research assistance - CCIMA. However, questionnaire was designed in a manner that is not identifiable. Even so, respondents were informed of the purpose of the research, the audience, etc. Transcript from field work were scanned and saved (for six months) in researcher's icloud to be discarded with hard copies once researcher sent out research summary as promised to respondents through CCIMA.

(iii) informed consent of respondents; the researcher informed respondents how their genuine and unbiased responses will advance the study being investigated which is inline with a partial fulfillment of a graduate diploma and to broaden researcher's understanding to create knowledge from research findings.

(iv) dignity, credibility, and reliability; to ensure validity and accuracy of research findings to eliminate potential pitfalls associated with bias. The researchers used qualitative questionnaire survey and inductive approach for triangulation. (Bryman & Bell 2007, 411.)

#### 3.5 Empirical Results

This section examines perception of agribusiness SMEs in Douala, Cameroon, to internationalize based on field data with respect to different themes, such as, what agribusinesses see as constraints and how they are maximizing strategic networks and alliances to competitively internationalize. In doing so, three criteria were used to identify the sampled agribusiness SMEs: i) SMEs in upstream and downstream activities (inputs, agri-trade, wholesales, retails, agri-services etc.) who represent almost 80% of the ten most exported commodities from Cameroon; ii) SMEs that operate in the formal economy and meet Cameroon's definition of SMEs; iii) SMEs passively or actively engaged in foreign businesss ativities (import, export, FDI, subsidiary etc.) The criteria for selected respondents could be underrepresented considering the population of agribusiness SMEs. In addition, selected SMEs were purposefully chosen that largely came from CCIMA affiliates and networks which sought respondents whose attributes are in line with research design and rationale. That is, respondents engaged in the agricultural sector with high export or import potentials.

Although the questionnaires were addressed to the director of these SMEs, it so happened that four (4) of the respondents who completed the questionnaires were directors of their respective enterprises, three were

trade managers and two were administrative and human resources manager. While it is tempting to conclude that the respondents other than directors who completed the questionnaires have little knowledge of the context being discussed, the researcher believed that majority (directors and trade managers) who completed the questionnaires have compensating knowledge that this research can reliable rely on based on the themes covered in the questionnaires.

#### 3.5.1 Share of Respondents and Industries

Amoong the respodents who completed and returned the questionnaires, some hesitated to complete questionnaires amid consent from senior officials. Even so, time factor in meeting deadline of returning the questionnaire was a real challenge that further increases the financial burden of the author. As shown in figures 8 and 9 below, seven (7) of the enterprises surveyed were medium-size enterprises against two (2) small enterprises. Of the nine questionnaires distributed, all nine enterprises responded with eight fully completed and one partially completed questionnaire(s). The survey, therefore, achieved 99.9% response rate. Six (6) of the respondents occupy top-management positions, and three (3) were line managers. By far, five (5) of the respondents were agribusiness SMEs from input industries (upstream), followed by three (3) agritrade and wholesale agribusiness SMEs (downstream) and lastly, one respondent from agrifood industry.

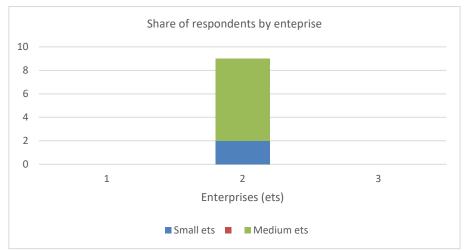


Figure 8: share of respondents by enterprise

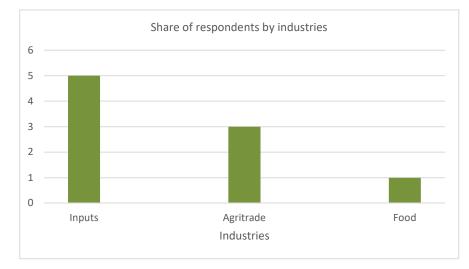


Figure 9: Share of respondents by industries

Clearly from above findings, the size of an enterprise could be directly proportional to ease of internationalization. As seen earlier, the ease of internationalization in most cases is hindered by inadequate resources which is mostly common with small enterprises. Similarly, among the most exported agricultural products are from upstream industry.

### 3.5.2 Liability of Foreignness

The dominant choice of foreign market expansion by 90% of the respondents is regional markets (CEMAC and ECOWAS) while only two (2) of the respondent's trade beyond regional markets (in EU) as shown in figure 10 below. These findings are consistent with literature of the unrivaled role of psychic distance and culture as deciding factor of a firm's strategic consideration when internationalizing. This coincides with nine (9) of the respondents who are versed with languge culture target regional target. However, only three (3) of the respondents have knowledge of local laws and regulations of target market against six (6) with very little knowledge of target market laws and requirements – also see figure 11 below.



Figure 10: Share of target foreign markets

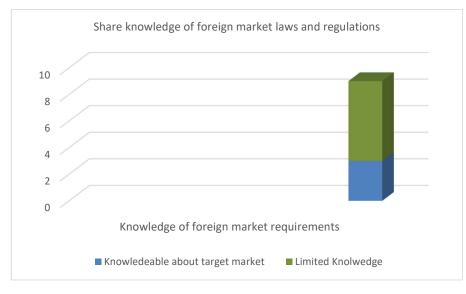


Figure 11: Share knowledge of foreign market laws and regulations

With regards to foreign market knowledge and internationalization performance, the findings from respondents indicated in figures 10 and 11 maintain that there is a link between target market knowledge and degree of internationalization performance. In what follows, possibility of foreign market entry diminishes with inadequate knowledge of foreign market regulations. Market knowledge is therefore considered one of the most important aspects in the internationalization literature which is seen as among the top skills for managers. SMEs whose managers have required knowledge in foreign markets are likely to overcome hidden cost that increases production cost and makes a firm less competitive in regional or foreign markets.

#### 3.5.3 Foreign Alliances and Partners

In terms of foreign alliances and partners, figure 10 below distinguish between respondents wishing to expand beyond Africa regional market (intra-trade), their affiliation to sector association and what they see as main impediments. In what follows, seven (7) of the respondents would like to expand beyond regional market citing EU as preferred choice against two (2) of the respondents comfortable with regional market activities. One possible reason to stay regional could be link to procedural burden, quality standards and high cost associated in entering EU market, as well as distance that affect choice of market location. In addition, seven (7) of the respondents cited increase in turnover, sales, enterprise visibility etc. as main reasons of expansion beyond regional market. Six (6) of the respondents belong to sector association, of which five (5) cited lack of foreign partners as key impediments to foster their internationalization efforts (see figure 11 below).

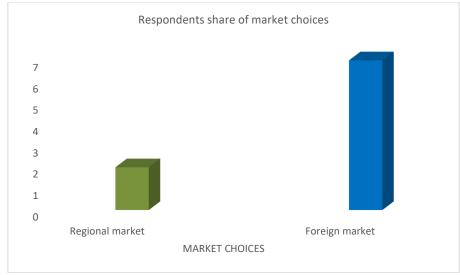


Figure 12: Share of market choices



Figure 13: Share of sector association membership

Logically, sector association membership and a firm's connectivity or networks and alliances or ease of finding foreign clients are interlinked. Although respondents with no membership have no foreign partners or affiliations, six of the seven respondents with membership in sector association cited lack of foreign partners and alliances as among the top impediments to internationalize. This begs the question: are sector associations still relevant in today's global market space or should these associations rethink their model and engagement with their clients with respect to foreign partners and affiliations? Membership to sector association appear much less influential on internationalization literature if their clients are unable to establish long-term partnership, alliances with foreign investors etc. that forms one of the strategic choices for agribusiness SMEs to internationalize.

#### 3.5.4 Foreign Market Entry Barriers

Analysis of foreign market entry barriers provides noticeable and complementary understanding of the monumental changes currently affecting internationalization efforts of agribusiness SMEs. If procedures are burdensome and not correctly met, it challenges the very essence of foreign market entry. This is evident (figure 14) as seven of the respondents indicated that numerous processes involved to internationalized is by far the most severe obstacles faced. At the same time, finding customers and partners in foreign markets is perceived by six of the respondents to be very challenging, followed by five who cited inadequate foreign market knowledge. Similarly, At the lower end, four (4) of the respondents see costs associated with logistics and export procedures to be among the top 5 barriers to foreign market entry.

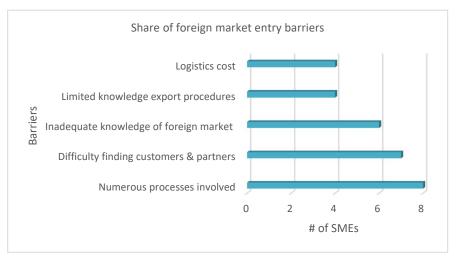


Figure 14: Share of foreign market entry barriers

The increasing foreign market entery barriers documented in figure 14 have had wide ranging consequences on agribusiness SMEs internationalization performance which could be further regrouped into three main categories: (a) transaction cost due to numerous processes and transportation (b) problems finding partners abroad (c) inexperience in foreign market operations. The extent to which these barriers translate into lower internationalization performance is not uncommon. This suggest why strategic networks and alliances could help agribusiness SMEs overcome these barriers by pulling resources together.

#### 3.5.5 Management Practices used by Respondents

Business management best practices are imperative as a way through which agribusiness SMEs can mobilize internal resources in order to be competitive in today's global market space. This category assessed practices used by respondents to effectively enhance competitiveness in domestic and foreign markets. In doing so, the section looked at six main indicators in relation to the share of respondents integrating these practices in their daily operations as shown in figure 15 below.

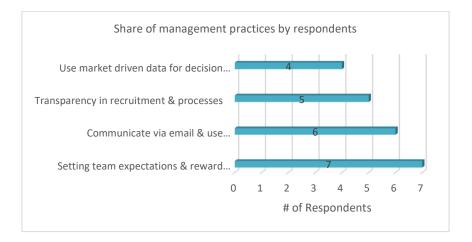


Figure 15: Share of management practices by respondents

At least four observations can be deduced from figure 15. Firstly, seven of the respondents are aware of the gains of innovation and setting team expectations for optimum performance, though implementing those expectations pose another level of challenges. Secondly, in today's digital age, respondents (6) recognized the need of reaching out to large client base via email and telemarketing. However, all of these does not automatically translate to credible decision making by leveraging respondent's information warehouse on target foreign market. Third, without transparency in human capital acquisition and processes, meritbased incentives, work ethics and innovation could only be a near possibility. Finally, less than half (four) make use of data in decision making. Despite all these problems, however, transparency and data sensemaking in decision making exhibit the most potential in the internationalization paradigm.

#### 3.6 Consolidation

The research applies a qualitative research method. Being a single case study selection of respondent was limited to agribusiness SMEs operating in Douala, Cameroon. The main theme of analysis is how agribusiness SMEs in Douala, Cameroon, can enhance their performance and be competitive in domestic, regional and foreign markets through strategic networks and alliances. Literature review is used to formulate the theoretical framework followed by two months of fieldworks for generating primary data assisted by CCIMA. The main technique for data collection is semi-structured interview. Among the main challenges during field work was reluctance and delay in completing questionnaires by two respondents amid authorization from management, cost of meeting respondents, etc. Secondary data analysis was carried out to triangulate the data. Research questionnaire can be found under Appendix 2. Field data were reduced to categories for thematic analysis.

# 4 THE AGRIBUSINESS SECTOR, VALUE CHAIN CONTEXT IN CAMEROON

The purpose of this chapter is to discuss how interplay of institutional, organizational and global forces are affecting and shaping internationalization efforts of agribusiness SMEs in Douala, Cameroon. The chapter will also discuss some of the challenges affecting these agribusiness SMEs and Cameroon's outlook in global trade arena. Still in this chapter, problematic factors of internationalization will be explored. Despite these challenges, the chapter will also discuss some of the strengths, weaknesses, opportunities and threats of agribusiness SMEs in Douala, Cameroon, to internationalize.

### 4.1 Institutional, Regional and Global Trade Outlook

The strategic framework and commitment to develop the agribusiness ecosystem in Cameroon are driven by the National Agricultural Investment Plan (2014 –2020) that is rooted in the government's vision 2035 and the growth and employment strategy paper (GESP). This initiative aims at facilitating market access for agribusiness SMEs, to scale agricultural production that will meet national consumption and exports and reduce underemployment by 33%. (IMF 2010; MINPAT 2009.) In addition to be a founding member of the World Trade Organization, Cameroon has vertically and horizontally enhanced her trade ties as member of the Central African Economic and Monetary Community (CEMAC) and the Economic Community of Central African states (ECCAS).

Recognizing the European Union as it main foreign market for imports and exports, including FDI, Cameroon is the only country within the CEMAC region to have signed an Economic Partnership Agreement (EPA) with the EU that will facilitate market access of agribusiness SMEs and other sectors to the EU. (ITC 2014, 18-21) Despite the obvious economic benefits of bilateral and multilateral trade agreements, there are still lingering questions as to if these agreements are beneficial to agribusiness SMEs in Cameroon that are perceived as economic drivers. For example, given that almost 80% of all SMEs in Cameroon operate in the grey sector, it is difficult to tell how these SMEs especially agribusiness SMEs can leverage gains of trade agreements to scale and internationalize as their mode of operation limit not only access to credit but also credibility in dealing with foreign buyers and investors.

The good news is agribusiness SMEs in Cameroon offer opportunities to exceed the expectations of Cameroon's vision 2035 for two reasons; they are motivated to scale and diversify their operations. This has given agribusiness SMEs the autonomy to operate in more than one sub-sector which is vital to achieve economies of scale and internationalize. Secondly, they are transformers, connectors and have critical understanding of local and foreign market expectations, especially as Cameroon's top ten trading partners represent four continents, to wit; the EU, Asia, North America,

Africa (see table 6 below). In as much as agribusiness SMEs in Cameroon are structurally limited to internationalize, there is a huge foreign market base where the agricultural sectors and other sectors in Cameroon have been reliably seen as having export potentials. The reality is, however, different. Among Cameroon's regional and global trading partners, it is raked 133 (last position) on export efficiency which measures transaction cost (time and procedures) due to exports. Unlike members of regional trade bloc such as Gabon and Central Africa with FDI stocks of 66.8% and 68% respectively, Cameroon's FDI stock is 21.9%. (UNCTAD World Investment Report 2018.)

Table 5: Cameroon trading partners

#### Total Goods: Top trading partners 2017

Imports Exports Total trade Value Mio € % World Value Mio € % World Value Mio € % World Partner Partner Partner World 4,351 100.0 World 2,382 100.0 World 6,734 100.0 1 EU 28 1,337 30.7 EU 28 1,146 48.1 EU 28 2,483 36.9 18.9 2 2 2 China 824 China 278 11.7 China 1,102 16.4 3 Thailand 345 7.9 3 Algeria 115 4.8 3 Thailand 347 5.1 180 4.1 4 Malaysia 104 4.4 4 Nigeria 227 4 Nigeria 3.4 5 5 168 3.9 5 Bangladesh 3.8 USA 197 India 91 2.9 3.7 6 6 USA 129 3.0 6 Chad 88 India 179 2.7 7 2.8 7 7 Brazil 120 Vietnam 82 3.5 Togo 147 2.2 2.6 8 USA 2.8 8 Turkey 8 Japan 115 68 138 2.0 9 Togo 110 2.5 9 Nigeria 47 2.0 9 Malaysia 129 1.9 10 Turkey 109 2.5 10 Indonesia 41 1.7 10 Brazi 121 1.8 1 EU 28 1,337 30.7 1 EU 28 1,146 48.1 1 EU 28 2,483 36.9

Source: EU Commission (2018)

#### 4.2 The Agribusiness Context

As a five-star sector, the agribusiness sector in Cameroon is the leading sector in terms of employment, employing about 70% of the population and account for almost 15.3% of the country's GDP in 2017. (World Bank 2017; Global Economy 2018; Statista 2018; Mordor Inteligence 2017). Despite presence of global economic downturn, the sector is among the only sectors in the country that appear to be stable and robust with increase in GDP contribution of 8% between 2016 to 2017 (Business in Cameroon 2018.) The dynamics of internationalization has presented Cameroon with the opportunity to diversify their export portfolio by shifting from primary to tertiary or manufacturing economy that will transform and add value to primary agricultural commodities.

With this, agribusiness SMEs in Douala, Cameroon, can significantly diversify their export portfolio, both in terms of products and goods exported in foreign as well as regional and domestic markets. For example, the most exported products from Cameroon are primary commodities, ten of which make up 84.8% of Cameroon's total export in 2017 and 85.8% in

Source IMF

2016. Of these ten commodities, six are agricultural commodities, to wit; raw cotton, raw timber, saw woods, coccoa, beans, coffee, banana, etc. (Business in Cameroon 2018). Given the diverse nature of the agricultural sector in Cameroon with high export proportion compared to other sectors, agribusiness SMEs have the potential to increase their contribution to formal employment if properly incentivize and surpass the government's underemployment target of 33% as seen earlier.

Although Cameroon's agribusiness sector constitutes more than 50% of its total global exports (Workman 2018), it has unfortunately become popular to validate the reliability of the sector, despite views that almost 80% of agribusiness SMEs operate in the grey economy. This indicates that jobs created by the sector are mostly low-paid and low-quality jobs that are labour intensive with very little or no technical expertise. Efforts by the government of Cameroon to diversify the economy in order to reduce the country's over reliance on the agricultural sector that is seen as a high export potential sector are still to achieve expected results both home and abroad. Whether these efforts and instruments have succeeded or not, is a matter of export facilitation schemes and performance of Cameroon's agribusiness SMEs in foreign and domestic markets. A joint 2016 report by the World Economic Forum and Global Alliance for Trade Facilitation on Global Trade Enabling index ranked Cameroon 63 out 136 on foreign market access based on tariffs faced in target foreign market (EU).

The above ranking reflects the commitment of EPA between the government of Cameroon and the EU. Along with this ranking, Cameroon agribusiness SMEs can make tremendous leap to scale and internationalize. It is important to note, however, that for agribusiness SMEs in Cameroon to fully transform several shifts are imperative that will undeniably involve public-private engagement. This is because being ranked 63 on foreign market access is not a gateway for agribusiness SMEs to internationalize even in its own most traded foreign market – EU, since as a rule of thumb there exist several bottlenecks and burdensome procedures to fulfil in order to export. Amid domestic market access, Cameroon occupies the 132<sup>nd</sup> position out of 136 as shown in table 7 below among other indicators that shows the country's poor performance at national, regional and global trade facilitation.

There is no doubt that trade agreement comes with considerable benefits for agribusiness SMEs through their contributions to productivity growth and innovation. However, surviving and thriving in today's business environment depends not only on signing trade agreements but equally for the government of Cameroon to make end-to-end transformation that will make agribusiness SMEs in Douala, Cameroon become more agile by negotiating burdensome import and export procedures. For example, the same report ranked Cameroon 133 out of 136 (also in table 7 below) on efficiency and transparency of border administration. This indicator looks at two main factors; the cost and time associated with documentary and border compliance to export. This clearly shows that irrespective of the EPA between Cameroon and the EU, there are still blanket of challenges that continue to deprive and limit internationalization efforts of agribusiness SMEs in Cameroon to reap the gains of the EPA among other trade agreement. For example, the World Bank 2018 Doing Business Report ranked Cameroon 186 out of 190 economies on trading across borders. All these reflect why Cameroon's FDI stock of 21.9% is among the lowest compared to regional trading partners, including large merchandise trade balance deficit of -2.90 billion USD as shown in table 8 below. Despite significant advances by the government of Cameroon to promote internationalization efforts of agribusiness SMEs in Douala, there are consistent evidences that SMEs have failed to live up to the hype of internationalizing. Several factors have contributed to this failure that are more complex, internal and external to the operations of agribusiness SMEs in Douala, Cameroon.

Performance Overview	Rank / 136 S	core (1-7)	Trend	Distance from best
Enabling Trade Index	130	3.2		_
Subindex A: Market access	114	3.6		-
Hillar 1: Domestic market access	132	3.0		
IIII Pillar 2: Foreign market access	63	4.3		
Subindex B: Border administration	133	2.7		
Pillar 3: Efficiency and transparency of border administration	133	2.7		
Subindex C: Infrastructure	1 <mark>29</mark>	2.6		
Q Pillar 4: Availability and quality of transp infrastructure	ort 121	2.4		
A Pillar 5: Availability and quality of transp services	ort 129	2.9		
Pillar 6: Availability and use of ICTs	123	2.5		
Subindex D: Operating environment	109	3.8		
H Pillar 7: Operating environment	109	3.8		1

Table 6: Global trade performance outlook

#### Source: WEF & GATF (2016, 91)

Table 7: Cameroon trade	performance outlook
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Countries	Trade openness	Share of world trade	Merchandise
	% GDP	% world total	trade balance
			US\$ billions
Cameroon	36.5	0.03	-2.90
Chad	46.8	0.01	0.70
Congo, DR	31.3	0.04	-0.40
Gabon	56.8	0.02	2.04
Nigeria	19.5	0.29	0.40

Source: WEF & GATF (2016)

### 4.3 Problematic Factors Affecting Agribusiness SMEs

The win–lose approach of Cameroon's agribusiness sector amid its comparative advantage of abundance and limited opportunities and resources to develop agricultural value chain system is one that cannot be overemphasized. In as much as internationalization has presented the government of Cameroon and agribusiness SMEs a unique opportunity to shore up growth by developing the agricultural value chain system and transforming primary products of agriculture, internationalization has equally presented several challenges that continue to render agribusiness SMEs from Douala, Cameroon, and other developing countries less productive in the global trade system. Exceptionally, the government of Cameroon is heavily represented in the challenges and factors hindering the internationalization of agribusiness SMEs despite pursuing large-scale efforts that seeks to increase production of primary commodities of agriculture rather than transforming these commodities to be suitable and competitive in home and foreign markets.

No doubt, to internationalize is a difficult decision that comes with lots of uncertainty, especially for agribusiness SMEs with limited resources and skills that are vital to sustain competitiveness in foreign markets or imported goods. Most of the challenges facing and affecting agribusiness SMEs in Douala, Cameroon, to internationalize whether it is export or import etc are mainly external challenges and cut across three distinct areas, to wit; procedural challenges, poor governance, skills gap, meeting technical requirements and tariffs and non-tariffs barriers. Tables 8 and 9 below highlights some of the most problematic factors ranked from most problematic to least problematic affecting import and export activities that continue to undermine internationalization efforts of agribusiness SMEs in Douala, Cameroon.

Problematic import barriers	Score (0-100)
Burdensome import procedures	27.1
Tariffs and non-tariff barriers	19.5
Corruption at the border	18.6
High cost or delays caused by inter	10.9
national transportation	
High cost or delays caused by	9.9
domestic transportation	
Domestic technical requirements	6.0
and standards	
Inappropriate telecommunications	5.2
infrastructure	
Crime and theft	2.7

Table 8: Import barriers

Source: Browne et al. (2014)

Table 9: Export barriers

Problematic export barriers	Score (0-100)		
Difficulties in meeting quality/quantity	13.4		
requirements of buyer			
Access to trade finance	12.6		
Inappropriate production technology and skills	11.2		
Burdensome procedures at foreign borders	11.0		
Technical requirements and standards abroad	8.4		
High cost or delays caused by domestic	8.1		
transportation			
High cost or delays caused by international	8.0		
transportation			
Access to imported inputs at competitive prices	7.9		
Identifying potential markets and buyers	6.3		
Corruption at foreign borders	5.9		
Tariff barriers abroad	4.5		
Rules of origin requirements abroad	2.7		

Source: Browne et al. (2014)

As global interest in agricultural products has blossomed, agribusiness SMEs in Douala, Cameroon, must not only be nimble with their comparative advantages, they equally need to be agile in identifying their unique market value that is rooted in their strengths provided by their location, resource abundance and squarely face their threats and weaknesses while optimizing their opportunities to be competitive in domestic, regional and foreign markets.

Table 10 below gives an overview of the main strengths, opportunities, weaknesses and threats associated with agribusiness SMEs in Douala, Cameroon. As seen earlier, the major strength of the sector is the resource abundance transformable primary commodities. Being centrally located facilitates easy transportation, exportation and importation. As an industrial and highly concentrated city, it is easy for agribusiness SMEs to form alliances to pull resources together to be competitive in regional and even foreign markets. There is a large domestic, regional and foreign market base of clients that provides agribusiness SMEs enough incentive to continuously diversify their product portfolio. As markets become more and more fragmented, agribusiness can cease opportunities provided by niche markets and globalization, while making use of technological advancement, innovation to optimize their internal processes in meeting quality standards.

Most of the weaknesses faced by agribusiness SMEs in Douala, Cameroon, are very much common to most SMEs in developing countries, such as; inadequate financing, skills gap and poor management practices that continue to implore traditional management operations, as well as over reliance on primary commodities. Like weaknesses, agribusiness SMEs are by far threatened by product and foreign market compliance, fragility of

the political economy. For example, the anglophone crisis has witnessed a drastic drop in over agricultural products. Subsidized and competitive foreign products and poor governance infrastructure such as corruption that increases cost of production.

Strenghts		Weaknessses
- - -	Agricultural resource abudance Centrally located, ease imports/exports Large client base for products Large product portfolio for diversification Low-cost labour market	<ul> <li>Inadequate finances to fund operations</li> <li>Skills gap, inadequate to meet human capital</li> <li>Poor management practices</li> <li>Reliance of primary commodities</li> <li>Inability in meeting quality requirements</li> </ul>
	Opportunities	Threats
-	Youthful population, provide	<ul> <li>Political fragility</li> </ul>
-	needed labour Diverse market and client- base Globalization and ICT promise of meeting quality standards.	<ul> <li>Fluctuation of commodity prices</li> <li>Currency fluctuations</li> <li>Entrants of new foreign produtcs</li> <li>Cost of corruption and</li> <li>burdensome bureaucracy</li> </ul>

# 4.4 Consolidation

There are pronounced efforts by the government of Cameroon to achieve high regional and global trade performance. While trade agreements at regional and global levels have increasingly become part of the government's strategic economic to relieve over time, the performance of Cameroon agribusiness SMEs at regional and global levels suggest that current efforts by the state are not yielding recommendable results, despite evidence that agribusiness SMEs have the potentials to reduce underemployment. Among the top five potential reasons for the poor performance of Cameroon's agribusiness SMEs to competitively internationalize are; (i) labourius procedures (ii) meeting quality standards (iii) corruption that increases production cost, (iv) cost due to poor infrastructure and (v) access to affordable financing. Beyond these challenges and as agricultural activities shift away from primary to tertiary or manufacturing phase, the role of agribusiness SMEs will be integrated to achieve their unique and differentiated contribution to unemployment and formalization. However, with the current institutional settings and negative performance of primary commodities in domestic, regional and foreign markets, it is uncommon that a shift from primary to agroprocessing (value addition) will yield a high-end agribusiness sector that will be significantly different from status-quo.

# 5 FINDINGS AND CONCLUSIONS

### 5.1 Findings

The intersection of strategic network alliances and internationalization performance of agribusiness SMEs in Douala, Cameroon, offers an important, optimistic, and timely but often overlooked opportunity to creatively operationalize competitive internationalization. The research sought to understand and finds empirical evidence on the impact of strategic networks and alliances during internationalization process using the case of agribusiness SMEs in Douala, Cameroon.

he survey results confirm that the agribusiness industry in Douala, Cameroon, is mainly characterized by primary commodities. Foreign networks and alliances provide multiple channels of FDI to foster domestic value chain, technology integration and skills development. Emperical findings also indicate that given the proportion of exports, agribusinesses together with foreign networks and alliances can compel both governments into a mutual bilateral trade agreement.

As part of the findings, agribusiness SMEs in Douala are resourceconstrained to competitively fulfil internationalization promises. Likewise, foreign networks and alliances provide win-win and optimistic market knowledge and local rules of game, share risks, gains and losses which will shield agribusiness SMEs from market volatility. Even so, patterns showed that despite efforts by the GoC, numerous processes involved to internationalize, limited knowledge on target market, as well as difficulty finding foreign partners are potential threats.

There is a huge market for agribusiness SMEs, especially as most developing countries have comparative advantage in the sector and 70% of internationalization problems are external to SMEs. Governments have a leading role to incentivize the sector that transcend well beyond policy and agreements. As summarized in appendix 3, agribusiness SMEs have attributes that are enough to boost vertical and horizontal economic growth despite mixed priorities that undermine their value creation.

### 5.2 Conclusions

Today's global marketplace is increasingly becoming complex and competitive, the role of the GoC is much larger, profound and more impactful that goes beyond boosting production to signing bilateral or multilateral trade agreement. The valuable contributions of agribusiness SMEs have inevitably placed them as catalyst and agents beyond domestic markets. Despite their recognized and unrivaled economic value, agribusiness SMEs are still confronted with huge differences in performance to compete in foreign markets. As the discussion of this paper makes it clear, the unexpanded role of the GoC has changed what agribusiness SMEs can achieve to internationalize. It appears that one of the reasons that interventions from the GoC often do not have the desired outcomes is their inability to recognize, react and reduce competitive threats of agribusiness SME internationalization such as burdensome procedures that increases transaction cost and makes it difficult for these enterprises to compete. In addition, institutional deficits and weak integration programs and platforms, to connect agribusiness SMEs with foreign alliances and partners appears to be among the most problematic factors. Approaches and incentives that will offset and mitigate costs associated with liability of foreignness and outsidership.

The entirety of this paper concentrated on strategic networks and alliances as a path through which agribusiness SMEs can enhance their presence and competitiveness in domestic, regional and foreign markets. Strategic networks and alliances need to be perceived in three main ways. First, strategic networks and alliances are not in themselves end-product of competitiveness in the internationalization paradigm whether in regional or foreign markets. As there are more avenues for assessing performance, the continuous role of innovation needs to be also recognized. In short, more strategic networks and alliances will translate to high technological diversification, research and development, risk diversification etc. that are challenging for most agribusiness SMEs in Douala, Cameroon.

Secondly, as evident awareness of foreign market dynamics is correlated with internationalization performance and competitiveness. Although market awareness is not always seen as a strategy, adequate market information, in this, case will allow agribusiness SMEs to identify their strengths and limitations to internationalize through an adaptive pattern that will contribute to a two-way knowledge sharing and learning.

Thirdly, there are increasing needs for government incentives not as players but as facilitators of internationalization. Despite evidence of positive initiatives by GoC, the net effect of global trade performance on Cameroon's agribusiness SMEs remains ambiguous, because less has been done to promote and contain internationalization bottlenecks faced by agribusiness SMEs. A valuable area for future research would be to investigate the effectiveness of government support programmes to foster strategic networks and alliances for Cameroon's agribusiness SMEs. Ahmad, N. & A. Hoffman. 2008. A Framework for Addressing and Measuring Entrepreneurship, OECD Statistics Working Paper No. 2008/2. Paris: Organization for Economic and Cooperative Development.

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# **APPENDIX 1**





Douala Road Map, Cameroon

# Questionnaire

Q1. What is your position and number of staff in your enterprise?

- i. Position
  - a. Owner/Manager
  - b. Manager
  - c. Others (please state): \_\_\_\_\_
- ii. Number of staff

a.	6 - 20	
b.	21 - 100	

c. Others (please specify):

**Q2**. Do you have personal or business contacts abroad you rely on to enter and sell your products in your target foreign markets? If yes, how relevant are these contacts for your enterprise to enter target foreign markets? If no, what are some of the reasons of not having personal and business contacts abroad to help your enterprise enter foreign markets?

**Q3**. Does your enterprise have experience in the following (please rate from 1= lacking and 7= sufficient)?

- a. Foreign language of your target market?
- b. Foreign business laws and regulations?
- c. Foreign government agencies that can assist your business?
- d. Foreign competitors and customers
- e. Foreign distribution channels
- f. Entry and maketing strategy in foriegn market?

**Q4**. Do you sell your products in Cameroon, abroad (please specify) or in both markets?

- a. Cameroon
- b. Abroad (which countries: \_\_\_\_\_)
- c. Both (please list the countries you currently sell your products)

**Q5**. If you sell your products only in Cameroon, would you consider selling them in foreign markets?

- a. No
- b. Yes

c. If 'yes,' what is stopping you from selling your products in foreign markets?

**Q6.** In addition to the points below, what are the main challenges your business encounter in doing business internationally? (please circle or cross the corresponding letters and add what you see as a threat to do business internationally).

- a. Lack of knowledge or information about foreign markets
- b. Difficulty in establishing relationship with international partners and customers
- c. Language barriers
- d. Lack of management resources
- e. Problems with regulatory compliance and standards in destination country
- f. High customs duties in the destination country
- g. Lack of knowledge of export procedures
- h. Excessive or complex paperwork requirements
- i. Processes involved to sell products internationally
- j. Cost of transport services
- k. Unstable currency market and / or inflation
- I. Local competition

**Q7**. Which government agency (ies) or private organizations you know of that promote enterprises like yours to trade internationally by providing information on foreign markets or where to find contacts of international buyers?

Government agency(ies)

b. \_\_\_\_\_

Private or international organizations (please list them below)

b. \_\_\_\_\_\_

**Q8**. Is your enterprise a member of any sector-based local or international association?

a. Yes

a.

c.

a.

b. No

**Q9**. To what extent do you apply the following practices in the daily management of your enterprise? Please rate your choice using, 1 = less and 7= more.

- a. Setting team expectations
- b. Transparent in processes and outcomes among staff members
- c. Using market data-driven decision making
- d. Encourage failure through experimentation
- e. Encourage and reward innovation

- f. Use email for communication and telemarketing
- g. Transparent in recruitment of staff

**Q10.** If your enterprise is trading internationally, what are the 3 main benefits and potential threats as a result of trading internationally?

Benefits

a. \_\_\_\_\_\_ b. \_\_\_\_\_

C. \_\_\_\_\_

Threats

- a. \_\_\_\_\_
- b. \_\_\_\_\_\_ c. \_\_\_\_\_
- **Q11**. What are the top 4 things you think is affecting enterprises like yours to sell their products in foreign markets?
  - a. \_\_\_\_\_\_ b. \_\_\_\_\_\_ c. \_\_\_\_\_
  - d.\_\_\_\_\_

# **APPENDIX 3**

No	Research Questions	Findings
1	How can Agribusiness SMEs in Douala, Cameroon, make use of foreign networks and alliances to access foreign markets?	The Agribusiness industry in Douala is mainly characterized by primary commodities. Foreign networks and alliances provide multiple channels of FDI to foster domestic value chain, technology integration and skills development. Emperical findings also indicate that given the proportion of exports, agribusinesses together with foreign networks and alliances can compel both governments into a mutual bilateral trade agreement.
2	What are the competitive advantages of strategic networks and alliances to internationalization?	Agribusiness SMEs in Douala are resource- constrained to competitively fulfil internationalization promises. The research finds that foreign networks and alliances provide win-win and optimistic market knowledge and local rules of game, share risks, gains and losses which will shield agribusiness SMEs from market volatility.
3	What problems do agribusiness SMEs in Douala, Cameroon, faced to internationalize? Can these problems be overcome and how?	The patterns showed that despite efforts by the GoC, numerous processes involved to internationalize, limited knowledge on target market, as well as difficulty finding foreign partners are potential threats.
4	What lessons can developing countries learn from Cameroon's agribusiness SME internationalization experience?	There is a huge market, especially as most developing countries have comparative advantage in the sector and 70% of internationalization problems are external to SMEs. Governments have a leading role to incentivize the sector that transcend well beyond policy and agreements.