

**A SURVEY OF INTERNATIONALIZATION OF WOMEN-OWNED
ENTERPRISES IN KENYA**

BY

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DECLARATION

This is to declare that this research project is my original work and has not been submitted for any award in any other institution of higher learning other than the University of Nairobi.

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This is to declare that this research project has been submitted for examination with my approval as the university supervisor.

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I also wish to thank my mother, Ms. Lucy Ngina for her encouragement and Prayers through everything I do in my life. God Bless you Mom.

Without our Father almighty, I would not be here today to celebrate this achievement which only He could have given me the strength to achieve. I thank you God for Blessing me abundantly.

DEDICATION

I dedicate this research project to my lovely baby, Ginelle Sare Owilly, who has brought so much joy to my life and to my husband, Dr. Sam Owilly for offering his support immeasurably during my MBA study period and beyond. I thank God for you both. This family was designed in heaven!

ABSTRACT

In the current era, technological advancements, declining trade barriers among others are driving the world economy to become more and more integrated and this rapid globalization is enabling women enterprises to become international in a fast way. The basis of this research was to describe the internationalization process of women enterprises in Kenya with a focus on the factors they took into consideration before internationalizing and their positions after internationalizing. As already noted in this research, research on entrepreneurship is moving from looking at whether gender makes a difference to how it makes a difference. The purpose of this research therefore was to conduct a survey of internationalization of women-owned enterprises in Kenya and in particular try to understand the process from domestic to international market, understand the factors that drove them to internationalize and factors considered in order to achieve that position. In addition, the study sought to explore what factors women enterprises considered while going international. The research shows that the main reasons for enterprises to internationalize are profit, expansion, market opportunity and to achieve growth. Findings also suggest that firms consider domestic market position to be important even if they are in early internationalization. The research also aimed to determine the factors influencing early internationalization of women-owned enterprises in Kenya. Both qualitative and quantitative research methods have been applied in this research. The data was collected by conducting interviews and descriptive statistics was used to analyze it. The research also shows that major reasons for enterprises to internationalize are profit, expansion, market opportunity and to achieve growth. Managerial motivation is also one of the main factors for enterprises to begin thinking about foreign expansion due to the founders experience in the international market. Findings also suggest that firms consider domestic market position to be important even if they are internationalized firms. The enterprises appear to be well established and in a fairly good position in the local market. It is also evident that the firms put significant emphasis on creating and maintaining networks in order to achieve internationalization. From this research, we also realize that already internationalized enterprises and the ones that are not, have a lot in common. First, the reasons to go international are revenue growth, expansion/growth and market opportunity. Second, motivation derived from the founders is one important factor for the firms as the ambition of the founder is what drives the enterprise. Third, local market position seems to be really important for both types of enterprises. A review of some of the theories covered in literature review shows that network theory was proposed after Uppsala model was widely criticized and that the entrepreneurship in a way is the mixture of both of these theories, that is relationships can be part of opportunities that the entrepreneur will take advantage of and carefully commit his/her available resources to achieve growth.

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LIST OF ACRONYMS AND ABBREVIATIONS

GEM	Global Entrepreneurship Monitor
IT	Information Technology
PLC	Product Life Cycle
SME	Small and Medium Sized Enterprises

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

More and more small firms have operations that bridge national borders soon after their founding. Thanks to the Internet and related IT that enable many of them, these new firms began emerging in the 1990s and are dubbed “born-global” because their operations often span the globe early in their existence. International expansion is an especially important decision for SMEs who traditionally have a small financial base, a domestic focus and a limited geographic scope (Barringer& Greening, 1998). The importance of such expansion for SMEs is reflected in their increasingly active role in international markets (Oviatt& McDougall, 1999).

Exporting has been extensively employed by firms as a growth strategy. By selling directly or through sales agents to clients in new geographic markets, a firm broadens its consumer base and can potentially achieve a higher sales volume. In turn, a higher sales volume provides the possibility of a higher production volume and expansion in production capacities to meet the market demands.

Although there are numerous studies on the internationalization of SMEs in the field of entrepreneurship, the focus has been largely on SME export activities such as the antecedents and the process of exporting, and export performance (Shoham, 1998). More recently, entrepreneurship researchers have extended their investigation beyond exporting to other modes of internationalization such as foreign direct investment (Coviello&McAuley, 1999). However, sparse attention has been paid to the performance

implications of either internationalization strategy (McDougall & Oviatt, 1996; Coviello & McAuley, 1999).

Internationalization focuses on the firm's core competences and opportunities in the foreign environment, (Penrose 1959), the process in which firms increase their involvements in international operations (Welch & Luostarinen, 1988) and the process of adapting firms operations (strategy, structure, resource, etc.) to international environments (Calof & Bemish, 1995).

1.1.1. Internationalization and growth of SMEs

Internationalization is a multidimensional construct (Sullivan, 1994). Two of the most prominent avenues of internationalization are exporting and FDI. Previous literature has generally focused on one or the other of these internationalization strategies without considering the differential impacts that these two internationalization activities could have on an SMEs' achievement of its goals, whether it be growth or financial performance.

Export is an especially popular means of firm growth for SMEs. Compared to foreign direct investment, exporting is a relatively easy and fast way to enter foreign markets with low commitment and low risk. In exporting, an SME does not have to make substantial resource commitments to a foreign market as it does when making a foreign investment.

Exporting is also an easier strategy to implement because an SME does not have to deal with the complexities of establishing a foreign subsidiary. Further, exporting also provides a faster access to a foreign market because an SME can use its existing production facilities to serve its foreign markets rather than building a new one in a foreign market. At the same time, exporting is a less risky strategy because an SME can easily withdraw from a foreign market when there is political instability and/or fluctuating market conditions. Finally, exporting provides an SME with more flexibility than FDI. An SME can more easily change its geographic scope by adjusting the export volume in different target foreign markets. Taken together, we expect exporting to have a positive impact on the growth of SMEs. (Lu & Beamish, 2002)

1.1.2. Women-owned enterprises

With the growing interest in entrepreneurship in general (Zimmerer&Scarborough, 2001), there has been a growing interest and research that focused on women's entrepreneurship (e.g. Boyd, 2005; Bruni, 2004; Brush, 2006; Lerner and Pines, 2010; Mulholland, 1996; Pines, 2002; Pines and Schwartz, 2008). This interest is relatively recent. Until the late 1970s, the role of women entrepreneurs was rarely considered (Humbert, 2009). Nowadays, however, as Carter and Shaw(2006) noted, research on entrepreneurship is moving from looking at whether gender makes a difference to how it makes a difference.

Also, in recent years, women's entrepreneurial activity has been recognized as a possible significant component to economic development. According to Global Entrepreneurship Monitor (GEM) research (Allien, 2007; Bosma, 2008), women's

entrepreneurial activity has been the key contributor to economic growth in emerging markets.

1.2. Research Problem

When you think of an entrepreneur one would most likely develop an image of someone doing business in your city or country. Hardly is an entrepreneur ready to do business around the world from the onset. However, entrepreneurs with certain aptitude and drive are increasingly looking to sell their products around the world. This sort of entrepreneur is “born-global” (Karra, Phillips, December 2004). By “born global” we mean a firm that has at least 25 percent international sales within three years of founding and which derives its competitive advantage from the use of resources and the sales of its products or services in multiple countries. In other words, these new ventures both sell internationally and gain some advantage from internationally distributed purchasing, manufacturing or sales. (Karra, Phillips, December 2004)

In contrast to the traditional pattern of businesses that operate in the home country for many years and gradually evolve into international trade, ‘born globals’ begin with a “borderless” view of the world and develop the strategies needed to expand abroad at or soon after the firm’s founding. The focus is on the phenomenon of early internationalization and the approaches that companies leverage for achieving superior performance in international business from the inception of the firm.

Not surprisingly, a number of recent studies have looked at the antecedents and the process of SMEs’ internationalization (such as, Special Issues in Entrepreneurship

Theory and Practice, 1996 and Academy of Management Journal, 2000). These studies have provided a good "mapping" of this phenomenon, but the performance implications of this strategy to SMEs remain under-explored (McDougall & Oviatt, 1996).

In line with the above mentioned, and with the understanding that there is an increase in the number of born global firms, this proposal sought to explore answers to the following question: For women-owned enterprises in Kenya that have internationalized, what factors did they consider while transitioning from domestic firms to early internationalization?

1.3. Research Objectives

The research aimed to determine the factors influencing early internationalization of women-owned enterprises in Kenya.

1.4. Value of the Study

Internationalization and entrepreneurship have positive consequences on economic growth and in addition, there is a positive relationship between them. Furthermore, female entrepreneurship is a key contributor to economic growth, not only by its creation of wealth and employment, but by the diversification of entrepreneurial activity. The increasing importance of SMEs in international markets has led to substantial research on the internationalization of SMEs, especially among entrepreneurship researchers.

For those entrepreneurs with the right combination of interests, skills and market knowledge it opens up exciting new possibilities to create businesses with international scope and difficult to imitate sources of competitive advantage. Identifying potential

partners and then managing the resulting alliance become the critical skills for domestic businesses who want to work with international entrepreneurs.

Achieving gender equality and empowering women in SMEs remain a key consideration in the Vision 2030 where entrepreneurship is identified as one of the key drivers of socio-economic transformation. It's in this respect that the researcher sought to assess the current levels of early internationalization among women entrepreneurs helps determine how existing enterprises in the market identify key factors critical to business success in the internationalization process.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter focuses on major issues relating to International Business as well as born-global firms. It seeks to identify what prior research and theory has an impact on internationalization viewed from an entrepreneurial perspective. It also seeks to understand entrepreneurship as well as gender differences within it.

2.2. Theoretical Framework

The theoretical framework highlights the various theories that have been used to explain firm's international business behavior. These theories also aid in understanding the traditional arguments of international trade, examine alternative viewpoints of which business and economic forces determine trade patterns between countries as well as increase understanding about how government trade policies might affect companies' competitiveness.

2.2.1. Interventionists Theories

The first theory developed to explain why nations should engage in international trade is mercantilism. This trade theory states that nations should accumulate financial wealth, usually in the form of gold, by encouraging exports and discouraging imports. It states that other measures of a nation's well-being, such as living standards or human development, are irrelevant. Nation-states in Europe followed this economic philosophy from about 1500 to the late 1700s. The most prominent mercantilist nations included Britain, France, the Netherlands, Portugal and Spain. (Wild, 2010)

This was accomplished through trade surpluses, government intervention and colonization. These three things worked together. Trade surplus was maintained through the colonization of under developed territories for their raw materials. The country would colonize these under developed countries, ship the raw materials needed for export back to the home country and export the finished product around the world. The government intervention occurred when they banned certain imports or imposed a tariff on these imports. At the same time, the government would subsidize their own industries to expand exports. (Daniels, 2011)

Neo-mercantilism is the approach of countries that try to run favorable balances of trade in an attempt to achieve some social or political objective. A country that practices neo-mercantilism attempts to run an export surplus to achieve social or political objective. For instance, a country may try to achieve full employment by setting economic policies that encourage its companies to produce in excess of the demand at home and to send the surplus abroad. Or a country may attempt to maintain political influence in an area by sending more merchandise to the area than it receives from it, such as government granting aid or loans to a foreign government to use for the purchase of the granting country's excess production. (Daniels, 2011)

2.2.2. Free Trade Theories

Free trade theories imply specialization and hold that nations should neither artificially limit imports nor promote exports. The first theory is the theory of absolute advantage. In 1776, Adam Smith questioned the mercantilists' assumptions by stating that the real wealth of a country consists of the goods and services available to its citizens rather than

its holdings of gold. The theory of absolute advantage holds that different countries produce some goods more efficiently than others and questions why the citizens of any country should have to buy domestically produced goods when they can buy them more cheaply from abroad. (Daniels, 2011)

Smith reasoned that if trade were unrestricted, each country would specialize in those products that gave it a competitive advantage. Each country's resources would shift to the efficient industries because the country could not compete in the inefficient ones. Through specialization, countries could increase their efficiency because of three reasons; labor could become more skilled by repeating the same tasks, labor would not lose time in switching from the production of one kind of product to another and long production runs would provide incentives for the development of more effective working methods. A country could then use its excess specialized production to buy more imports than it could have otherwise produced. But in what products should a country specialize? Although Smith believed the marketplace would make the determination, he thought that a country's advantage would be either natural or acquired. Natural advantage considers climate, natural resources and labor force availability while acquired advantage consists of either product or process technology. (Daniels, 2010)

The second theory is the theory of comparative advantage which was developed by David Ricardo. In 1817, David Ricardo examined the question, "What happens when one country can produce all products at an absolute advantage?" and developed the theory of comparative advantage. This theory says that global efficiency gains may still result from trade if a country specialized in those products it can produce more efficiently than other

products regardless of whether other countries can produce those same products more efficiently or not. Gains from trade will occur even in a country that has absolute advantage in all products, because the country must give up less efficient output to produce more efficient output. (Daniels, 2010)

Ricardo's Principles of Political Economy are that free trade should be extended, efficiency of resource utilization leads to more productivity, should import even if a country is more efficient in the products production than country from which it is buying and also that one should look to see how more efficient and if it is only comparatively efficient, then import as it makes better use of resources and also trade is a positive-sum game. Assumptions and limitations of the theory of comparative advantage is that it is driven only by maximization of production and consumption; only two countries engaged in production and consumption of just two goods, it does not consider the transportation costs, the only resource is labor which is non-transferable and it does not provide consideration for learning.

2.2.3. Trade Pattern Theories

These theories help explain trade patterns such as the amount, product composition, or partners a country will have if it follows a free trade policy.

The theory of country size holds that large countries usually depend less on trade than small countries. Countries with large land areas are apt to have varied climates and an assortment of natural resources, making them more self-sufficient than smaller countries. Most large countries import much less of their consumption needs and export much less of their production output than do small countries. Also, distance to foreign markets

affects large and small countries differently. Normally, the farther the distance, the higher the transport costs, the longer the inventory carrying time, and the greater the uncertainty and unreliability of timely product delivery. Bigger countries differ in several ways from smaller countries. They tend to export a smaller portion of output and import a smaller part of consumption and also have higher transport costs for foreign trade. (Daniels, 2010)

Eli Heckscher and Bertil Ohlin developed factor proportions theory, which is based on countries' production factors – land, labor and capital. This theory said that differences in countries' endowments of labor compared to their endowments of land or capital explain differences in the cost of production factors. For instance, if labor were abundant in comparison to land and capital, labor costs would be low relative to land and capital costs. If labor were scarce, labor costs would be high in relation to land and capital costs. These relative factor costs would lead countries to excel in the production and export of products that used their abundant and therefore cheaper production factors. (Daniels, 2010)

The factor proportions theory therefore states that countries import goods where resources to make them are in short supply and export goods where the resources are abundant. The other theories concentrated on the productivity of a specialized good while this theory focuses on the abundance and cheapness of the goods. Using this theory, a country will specialize in labor products if the cost of labor is lower than capital and land and specialize in capital and land if the cost is lower than labor. If a country has a large amount of land and specializes in exporting agriculture products then they will more than

likely import the capital products needed to help in the labor of these exports. According to the factor-proportions theory, factors in relative abundance are cheaper than factors in relative scarcity. A country that is relatively labor abundant (capital abundant) should specialize in the production and export of that product which is relatively labor intensive (capital intensive). (Daniels, 2010)

Leontief's paradox in economics is that the country with the world's highest capital-per worker has a lower capital/labor ratio in exports than in imports. This econometric find was the result of Professor Wassily W. Leontief's attempt to test the Heckscher-Ohlin theory empirically. In 1954, Leontief found that the U.S. (the most capital-abundant country in the world) exported labor-intensive commodities and imported capital-intensive commodities, in contradiction with Heckscher-Ohlin theory ("H-O theory"). The findings were the opposite of what was generally believed to be true.

2.2.4. The statics and dynamics of trade

The following theories help explain how countries develop, maintain and lose their competitive advantages.

The international PLC theory of trade states that the location of production of certain manufactured products shifts as they go through their life cycle, which consists of four stages: introduction, growth, maturity and decline. Figure 1 highlights these stages.

During its life cycle, focus on a product's production and market locations often shifts from industrial to developing markets. The process is accompanied by changes in the competitive factors affecting both production and sales, as well as in the technology used to produce the product. Trade Implications of this theory includes increased emphasis on

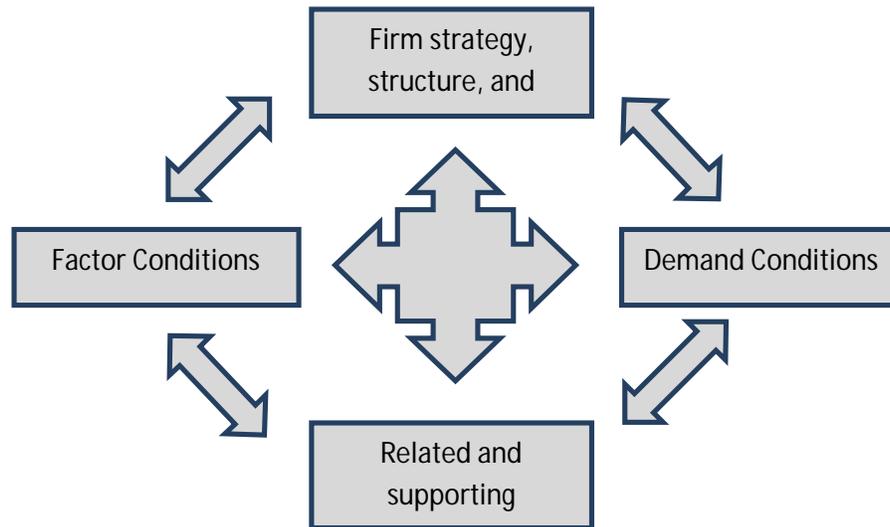
technology's impact on product cost and explained international investment. The limitations include that it is most appropriate for technology based production, some products not easily characterized by stages of maturity and most relevant products produced through mass production. (Daniels, 2010)

	Life Cycle Stage			
	<i>Introduction</i>	<i>Growth</i>	<i>Maturity</i>	<i>Decline</i>
Production location	<ul style="list-style-type: none"> In innovating (usually industrial) country 	<ul style="list-style-type: none"> In innovating and other industrial country 	<ul style="list-style-type: none"> Multiple countries 	<ul style="list-style-type: none"> Mainly developing countries
Market location	<ul style="list-style-type: none"> Mainly in innovating country, with some exports 	<ul style="list-style-type: none"> Mainly in industrial countries Shift in export markets as foreign production replaces exports in some markets 	<ul style="list-style-type: none"> Growth in developing countries Some decrease in industrial countries 	<ul style="list-style-type: none"> Mainly in developing countries Some developing country exports
Competitive factors	Near – monopoly position Sales based on uniqueness rather than price Evolving product characteristics	Fast growing demand Number of competitors increases Some competitors begin price cutting Product becoming more standardized	Overall stabilized demand Number of competitors decreases Price is very important, especially in developing countries	Overall declining demand Prices is key weapon Number of producers continues to decline
Production technology	<ul style="list-style-type: none"> Short production runs Evolving methods to coincide with product evolution High labor input and labor skills relative to capital input 	<ul style="list-style-type: none"> Capital input increases Methods more standardized 	<ul style="list-style-type: none"> Long production runs using high capital inputs Highly standardized Less labor skill needed 	<ul style="list-style-type: none"> Unskilled labor on mechanized long production runs

Source: *International Business, Environments and Operations* (Daniels, 2010)

Figure 1: Stages of Product Life Cycle Theory

The theory of diamond of national advantage (figure 2) is a theory showing four features as important for competitive superiority; demand conditions; factor conditions; related and supporting industries; and firm strategy, structure, and rivalry. (Daniels, 2010)



Source: *International Business, Environments and Operations* (Daniels, 2010)

Figure 2: The Diamond of National Competitiveness

This theory is the national competitive advantage that states a nation's competitiveness in a certain industry depends on the ability of that nation to innovate and upgrade that industry. This theory takes into account the resources of the country and, in addition, the skills of the country and technological abilities. The national competitive advantage concentrates on improvements in technology and worker processes and worker training and development.

2.2.5. Internationalization Theories

The 'gradualistic' process of internationalization is known as the stages approach. This proposition that firms typically adapt to international marketing via an evolutionary series

of sequential stages has a long and distinguished intellectual history although it is known that businesses do not necessarily internationalize in this manner (Turnbull, 1987; Millington and Bayliss, 1990). The Uppsala model (Johanson and Vahlne, 1990) which sees internationalization as a process whereby firms gradually increase their national involvement as, on the one hand, they develop knowledge of foreign markets and operations, and on the other commit more and more resources to foreign sales. Businesses are said to change their institutional arrangements for foreign operations as they gain knowledge and experience of cross-border trade, moving from passive to active and from indirect to direct exporting and thence to the establishment of foreign branches and other more capital-intensive forms of involvement with markets abroad.

Market knowledge, according to the Uppsala model, derives predominantly from experience of operating in the foreign nation concerned. Experience is said to be country-specific and not easily generalized to other foreign markets. However, the experience gained generates further business opportunities, reduced market uncertainty, and hence an incentive to increase the firm's international operations. The model suggests that the only circumstances in which additional commitment to internationalization will occur other than in small incremental stages is when; (i) firms have very large resources and the consequences of failure are small, (ii) when market conditions are stable, or (iii) when relevant market knowledge can be obtained in ways other than through experience. A number of studies have challenged these propositions (Turnbull, 1987; Millington & Bayliss, 1990). In reality, it is alleged; firms often jump straight into (extensive) foreign operations as a strategic choice, contingent on market conditions. (Bennett, 1999)

Use of the internet in particular is said to enable firms to leapfrog the conventional stages of internationalization, as it removes all geographical constraints, permits the instant establishment of virtual branches throughout the world, and allows direct and immediate foreign market entry to the smallest of businesses. Hamill and Gregory (1997), for example, state that a Net connection can substantially improve communications with existing foreign customers, suppliers, agents and distributors, identify new customers and distributors, and generate a wealth of information on market trends and on the latest technology and research and technical developments.

Maloff (1995) similarly asserts that the internet enables small firms to grow without expanding physically or incurring relocation expenses, and allows them to advertise and promote themselves globally at minimal cost. Customers, according to Maloff, care little about the physical size or remoteness of a supplier, provided high quality products at fair prices are delivered. Such considerations raise the possibility that the availability of the World Wide Web removes 'at a stroke' a number of the organizational and resource constraints supposedly associated with exporting. (Bennett, 1999)

2.3. Understanding Entrepreneurship in the 21st Century

Entrepreneurship is considered the process of doing something new (creative) and something different (innovative) for the purposes of creating wealth for the individual and adding value to society (Drucker 1985). Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control (Barringer, Ireland, 2008).

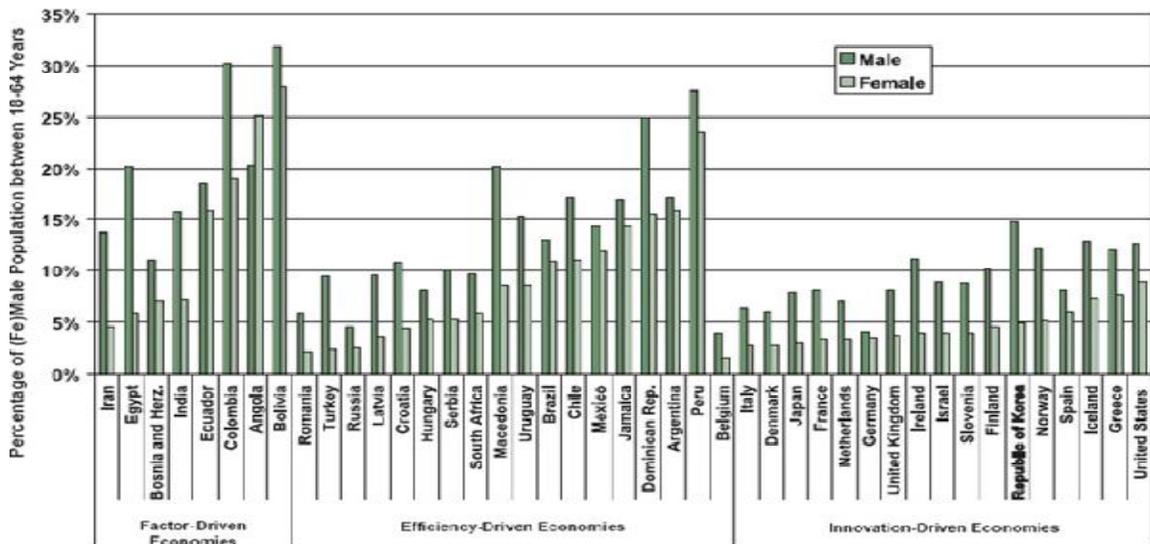
The pace and magnitude of change will continue to accelerate in the 21st Century; having the evolution and transformation of the entrepreneurial firms match this pace will be critical. How to build dynamic capabilities that are differentiated from those of the emerging competitors is the major challenge for growing firms that seek to adapt to the changing landscape. Two ways of building dynamic capabilities are internal (utilization of the creativity and knowledge from employees) and external (the search for external competencies to complement the firm's existing capabilities). The trend toward globalization, the advent of new technology, and the information movement are all examples of forces in the 21st Century that are causing firms to examine their cultures, structures, and systems for flexibility and adaptability. Innovation and entrepreneurial thinking are essential elements in the strategies of growing ventures. (Kuratko, 2009)

It has been noted that entrepreneurs perceive an opportunity, pursue this opportunity and believe that the success of the venture is possible. This belief is often due to the uniqueness of the idea, the strength of the product, or some special knowledge or skill the entrepreneur possesses. These same factors must be translated into the organization itself as the venture grows. (Kuratko, 2009)

2.4. Gender Differences in Entrepreneurship

Until the late 1970s, the role of women entrepreneurs was rarely considered (Humbert, 2009). Nowadays, however, as Carter and Shaw (2006) noted, research on entrepreneurship is moving from looking at whether gender makes a difference to how it makes a difference.

Despite this growing interest, and the fact that the number of women entrepreneurs has accelerated radically in recent years (Weiler and Bernasek, 2001), women’s entrepreneurship potential has only started to materialize. This is clearly evident in the GEM Report on Women and Entrepreneurship (Allen, 2007) that examined the rates of entrepreneurship in 43 countries and showed that in all these countries the rates of women’s entrepreneurship were lower than men’s (see Figure 1).



Source: Figure 14 in Bosma, Acs, Autio & Levie (2009, p. 27)

Figure 3: Early –stage entrepreneurial activity rated by gender (2008)

2.5. Entrepreneurs and Small Businesses as key players in International Business

In this age of globalization, small companies are increasingly active in international trade and investment. Companies are exporting earlier and growing faster, often with help from technology. Whereas traditional distribution channels often gave only large companies access to distant markets, electronic distribution channels is a cheap and effective alternative for small businesses that sell digitized products. Small companies that sell

traditional products also benefit from technology that lowers the cost and difficulties of global communication. (Wild, 2010)

Globalization has given rise to a new international entity, the born global firm, a company that adopts a global perspective and engages in international business from or near its inception. Key characteristics of born global firms are an innovative culture and knowledge-based organizational capabilities. Although these firms first appeared in nations having small domestic markets, today they arise from all major trading nations. Remarkably, many of these companies rise to the status of international competitor in less than three years. (Wild, 2010)

Perhaps the extreme example of a born global firm is one that reaches out to customers around the world solely through the internet. Alessandro Naldi's Weekend a Firenze (Weekend in Florence) web site (www.firenza.waf.it) offer global villagers more authentic Florentine products than they'll find in the scores of overpriced tourist shops in downtown Florence. A Florentine himself, Naldi established his site to sell high-quality, authentic Italian merchandise made only in the small factories of Tuscany. Weekend a Firenze averages 20,000 visitors each month, with 40% coming from Japan, 30% from the US, and remainder from Greece, Australia, Canada, Mexico, Saudi Arabia, and Italy. (Wild, 2010)

Logitech (<http://www.logitech.com>) the computer peripherals company, is perhaps one of the best early examples of a successful born-global firm. Focusing first on the PC mouse, the company was founded by two Italians and a Swiss. The company's operations and research and development were initially split between California and Switzerland, and

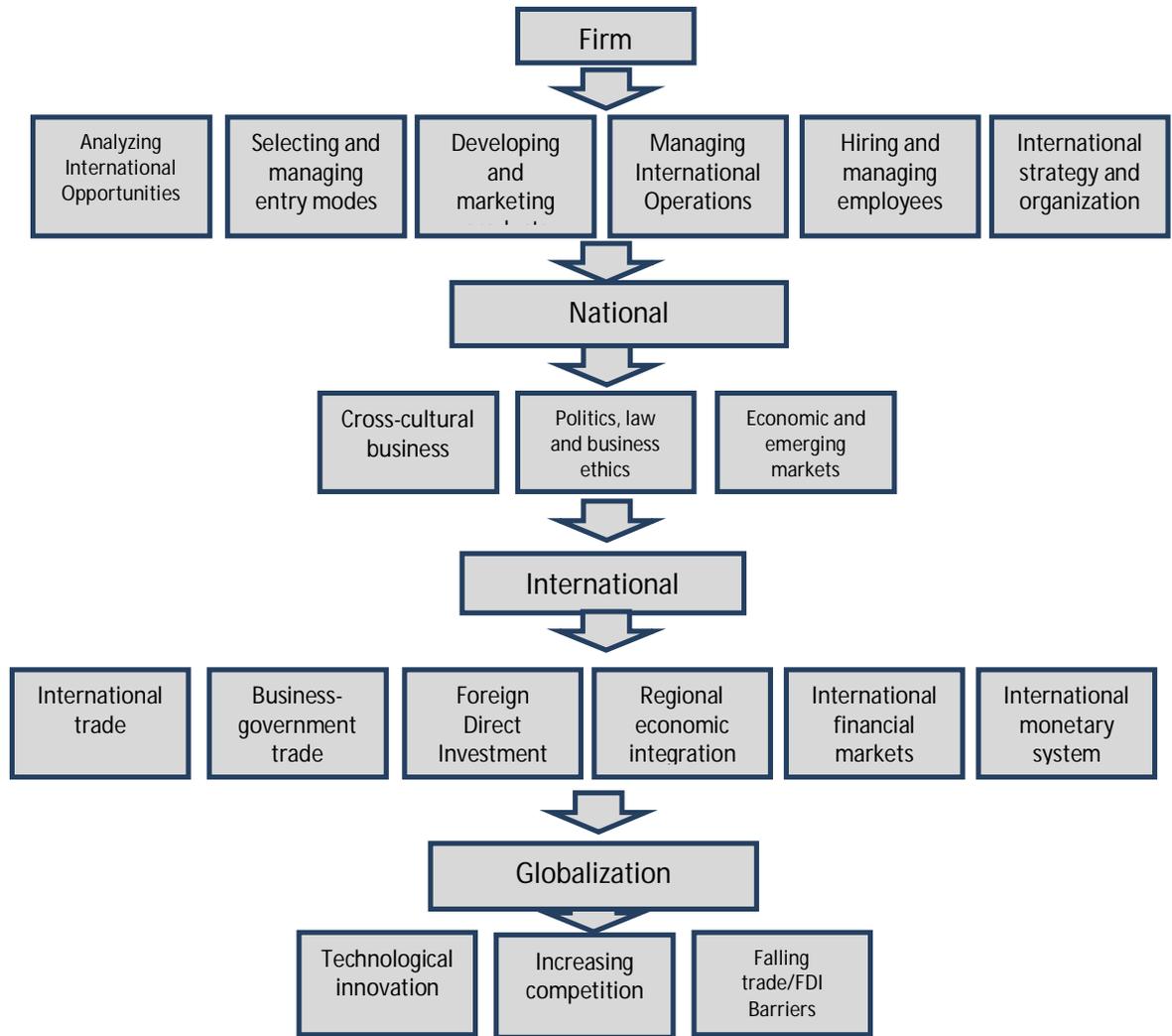
then it expanded rapidly with production in Ireland and Taiwan. With its stylish and ergonomic products, Logitech captured 30 percent of the global computer mouse business by 1989, garnering the start-up a healthy \$140 million in revenues. Logitech is currently an industry leader in the design and manufacture of computer peripheral devices; has manufacturing facilities in Asia and offices in major cities in North America, Europe, and the Asia-Pacific region; and directly employs more than 6,000 people worldwide. (Section 11.4 from the book *Challenges and Opportunities in International Business*, v. 1.0)

Skype Limited is a more recent born-global firm. You may already have its software on your laptop or desktop computer to take advantage of this free Internet phone technology, called voice-over Internet protocol, or VoIP. (<http://www.skype.com>). At any point in time, there are millions of users logged in on Skype; the program and service has made such a strong impression that the term “Skype me” has replaced “call me” in some circles. Niklas Zennstrom and Janus Friis, the same two entrepreneurs who invented KaZaA (one of the most popular Internet file-sharing software programs in the world) also developed Skype. Initially founded in Sweden as Tele2, Skype is now headquartered in Luxembourg and has offices in Europe, the United States, and Asia. Skype has received significant funding from some of the largest venture-capital firms in the world. (*Challenges and Opportunities in International Business*, v 1.0). Both Logitech and Skype share certain characteristics ripe conditions for global start-ups, what it takes to build them, and what it takes to make them succeed.

2.6. Global Business Environment

International business is special because it occurs within a dynamic, integrated system that weaves together four distinct elements; the forces of globalization, many national business environments, the international business environment and international firm management. Globalization is a potent force transforming our societies and commercial activities in countless ways. Globalization, and the pressures it creates, forces its way into each element. In this way, the drivers of globalization influence every aspect of the global business environment. (Wild, 2010)

Each national business environment is composed of unique cultural, political, legal and economic characteristics that define business activity within that nation's borders. This set of national characteristics can differ greatly from country to country. But as nations open up and embrace globalization, their business environments are being transformed. The international business environment influences how firms conduct their operations in both subtle and not-so-subtle ways. No business is entirely immune to events in the international business environment, as evidenced by the long-term trend toward more porous national borders. International firm management is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. (Wild, 2010)



Source: *International Business, The Challenges of Globalization* (Wild, 2010)

Figure 4: Global Business Environment

Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment. (Wild, 2010)

2.7. Summary of Literature review

This chapter has discussed international trade and internationalization theories so far in terms of how they influence international trade and the internationalization behavior of firms. At this stage, based upon the above literature review, knowledge about foreign markets, business networks and entrepreneurial abilities and activities of individuals and firms appear to be significant variables to have an impact upon the internationalization process of firms.

While early internationalization is not a new concept in the global platform, little has been done to document the factors that affect it in Kenya. This research thus bridges an evident research gap as there is no document to the best of my knowledge that reports any study on early internationalization of women-owned enterprises in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter discussed the research design of the study and provided a description of the population and a description of the selected population. The sampling procedures, the research tools, data collection techniques and data analysis procedures were also highlighted.

3.2. Research Design

Descriptive research was used in this study. According to Saunders, Lewis and Thornhill (2003) survey strategy is a deductive approach popular in business research. The main advantage of this research design is the ability to collect large amounts of data from sizeable population in a highly economical way. It was used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to factors affecting early internationalization in women-owned enterprises.

3.3. Population

Population is defined as a full set of cases from which a sample is taken, (Saunders, Lewis and Thornhill, 2003). The study population consists of women-owned enterprises in Kenya. Women-owned businesses in Kenya are making a significant contribution to the Kenyan economy as their businesses account for about one-half (48 percent) of all MSMEs (International Finance Corporation & World Bank Report, 2008). The data from the NSSF is the closest to the actual employment numbers in the formal sector because

retirement savings in Kenya are a requirement for every employer either in the formal or informal sector. Data from the public pension fund (NSSF) indicates that the number of employers in the formal sector stood at 152,289, at the end of 2012. From these statistics, acquired from reliable institutions we can therefore approximate the population of women-owned enterprises at 73,099 (48%).

3.4. Sample Design

According to Sekaran (1992), sampling is the process of selecting a sufficient number of elements from the population so that by studying the sample, and understanding the properties or the characteristics of the sample subjects, we will be able to generalize the properties or characteristics to the population elements. This essentially means that a sample is considered to be a subset of the population. There are many sampling techniques available for a researcher. The study adopted convenience sampling. According to Sekaran (1992), convenience sampling involves collecting information from members of the population who are conveniently available to provide it. As for collecting data through interviews, the criteria for sample selection involved women-owned enterprises that have internationalized and those that were planning to internationalize in the near future.

3.5. Data Collection

The study largely relied on primary data collected through the use of questionnaires. The respondents were key decision makers in the women-owned enterprises. The questionnaires covered the following sections; General information, factors affecting decision to internalize, and internationalization process.

3.6. Data Analysis

The data which was collected was analyzed using descriptive statistics. Findings were presented using charts and graphs. Factor analysis was also used to establish factors affecting early internationalization.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

The research aimed to determine the factors influencing early internationalization of women-owned enterprises in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. For convenience, clarity and the purpose of comparison, analysis of the 'internationalized' and 'planning to internationalize' women-owned enterprises has been carried out separately. The findings are presented in charts and graphs, as well as mean and standard deviation tables, and lastly factor analysis will be performed on the results.

4.2. General Information

Among the 23 enterprises that were interviewed, 12 were internationalized enterprises and 11 are planning to internationalize in the near future. The questions were answered either by key decisions makers in the firms such as the Founders or CEOs. Most of the enterprises were founded not very long ago; between 1995 and 2008; except 3 firms, 1 was founded in 1978, another in 1985 and the other in 1987. Some of the firms internationalized as soon as they were founded; including 7 enterprises that were international from inception. As for the non-internationalized SMEs, they all are planning to go abroad by 2015. This basically gives us a picture of SMEs that went/will go through the internationalization process within a few years of foundation. The number of employees in these firms range between 5 and 6000. The sample enterprises are engaged in a variety of businesses such as, manufacturing, marketing, consulting, providing indoor

adventure, security services, education, beauty education, software development, food products, advertising, green material among others.

4.3. Internationalized women-owned enterprises

The interview questions were designed to investigate how SMEs went international. Different questions were asked to understand their process and results are presented below:

4.3.1. Position in the local market



Figure 5: Position in the local market

Three enterprises went international from inception showing that 25% were international new ventures. Those with a good position in the local market amounted to 34% while those growing were 25%. The remaining 16% were divided in half between new firms and local market leaders. This shows that position in the local market is significant as they also went global.

4.3.2. Local market significance for internationalization

The study further asked the enterprises if their position in the domestic markets was important for the internationalization process. As shown in the figure below, 25% considered it not important while the rest considered it important. These findings agree with the first question above.

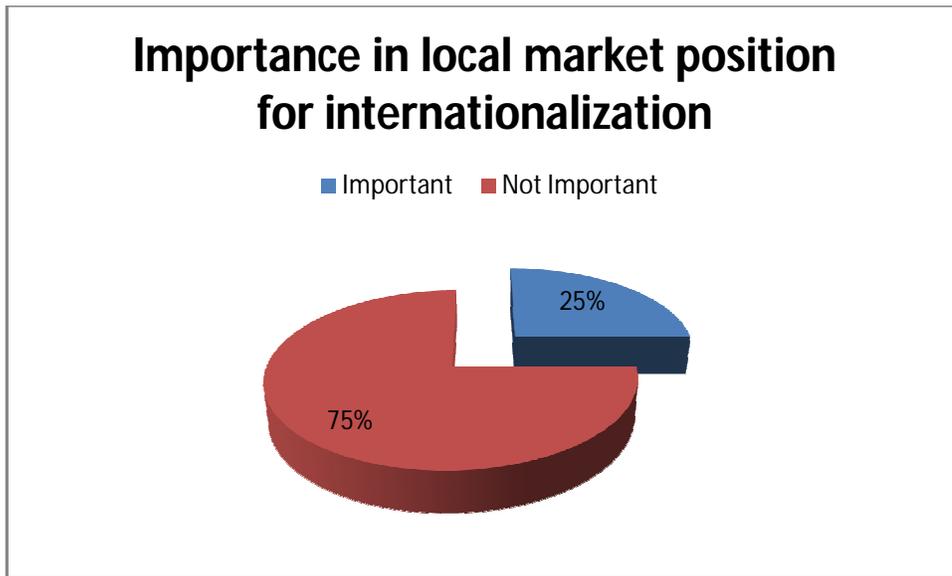


Figure 6: Local market significance for internationalization

4.3.3. Reasons for Internationalization

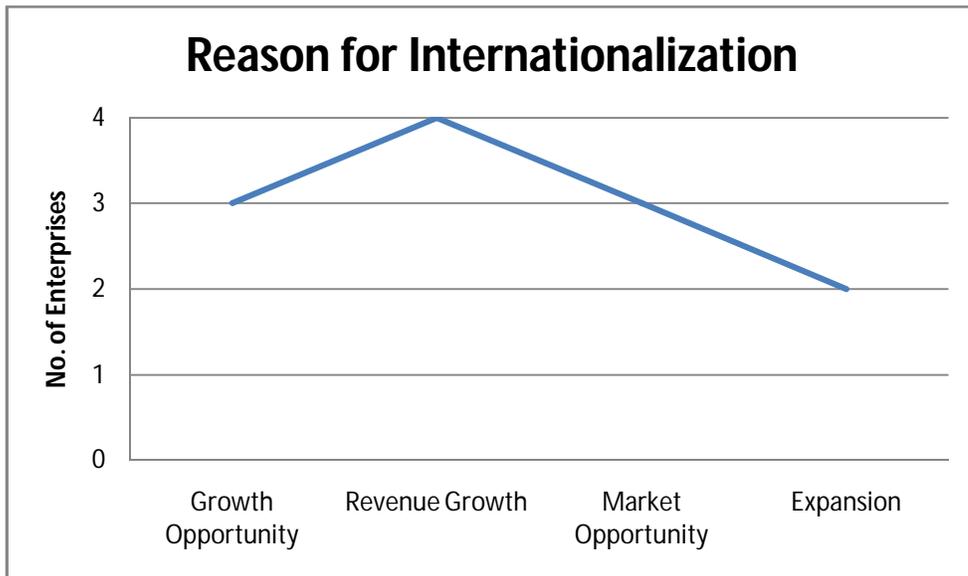


Figure 7: Reasons for Internationalization

The figure above shows that most of the enterprises went international because of growth opportunity, revenue growth, market opportunity and expansion.

4.3.4. Founder's experience of International business

As shown in the chart below, most of the enterprises had founders who had high or very high experience in international business.

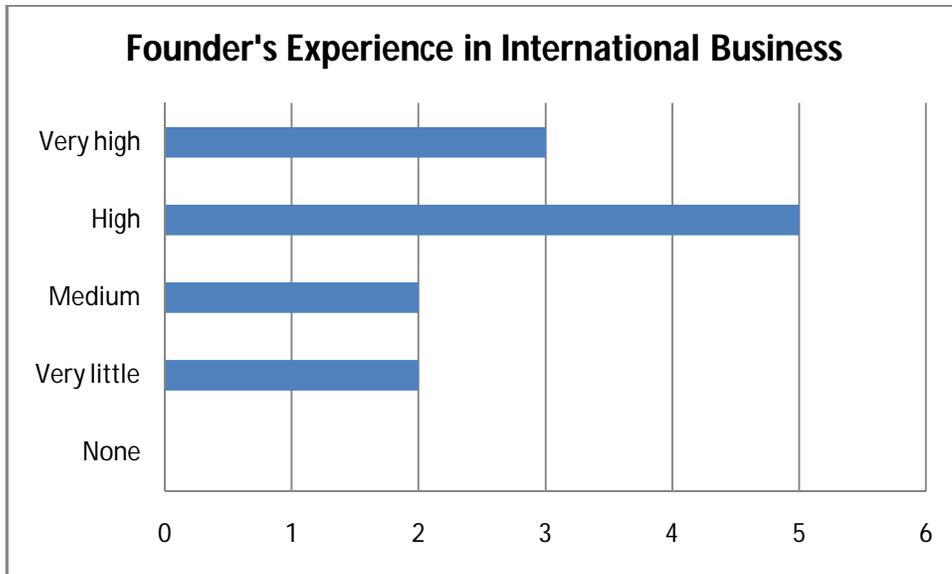


Figure 8: Founder's experience of International business

From the above, we can derive that previous experience of international business plays a significant part in the internationalization process. According to McDougall and Oviatt (1997), it requires internationally experienced Entrepreneurs to be born global.

4.3.5. Speed of internationalization

The speed of internationalization that the firms had experienced is as shown in the bar chart below. They either considered to have experienced medium speed or high speed.

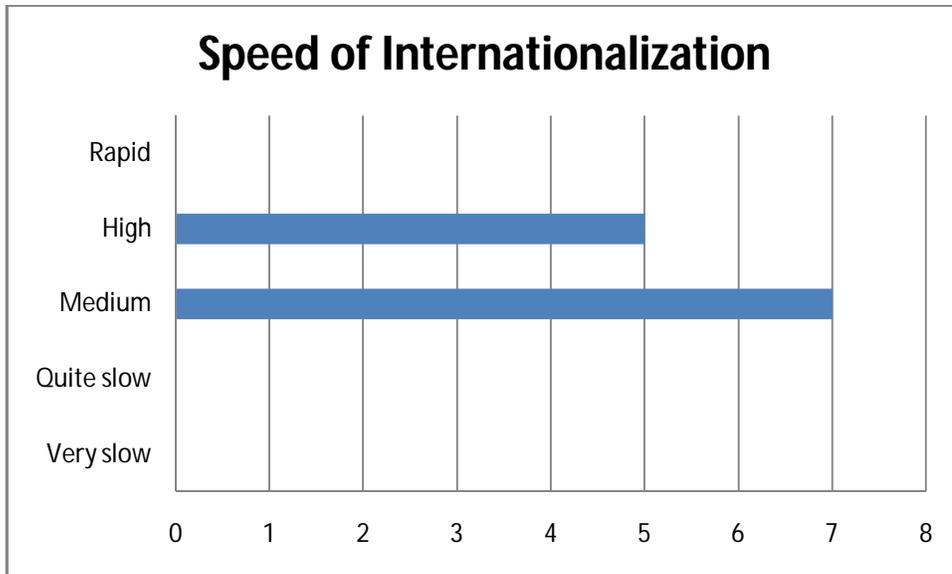


Figure 9: Speed of Internationalization

This suggests that the internationalization of women-owned enterprises in Kenya shows that they are likely to grow and perform well globally.

4.3.6. Degree of resource commitment

Most firms tend to invest less where there is high uncertainty. As the results below show, more than half of the firms, that is 58% seemed to have good knowledge of the international markets.

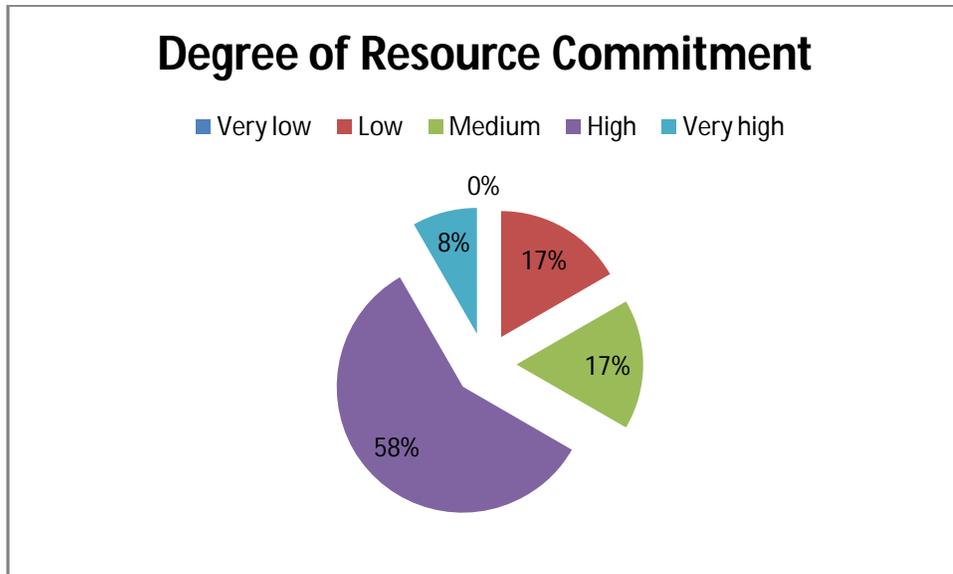


Figure 10: Degree of Resource Commitment

This indicates that there is abundant knowledge available to the firms. The more knowledge the higher the firm will commit its resources to the new market.

4.3.7. Significance of formulating strategies for internationalization

When asked about the importance of formulating strategy for internationalization, a large number of firms considered it to be important or very important. This shows that women enterprises in Kenya take formulating strategies as key while in the process of internationalization.

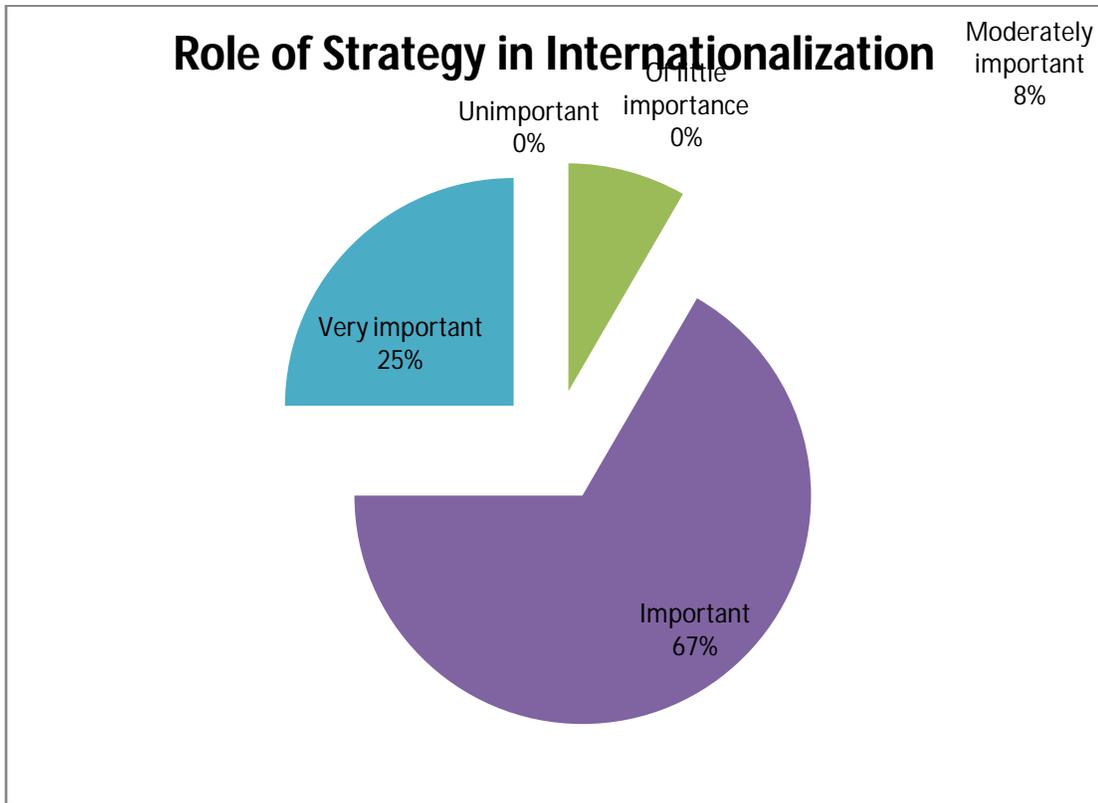


Figure 11: Role of Strategy in internationalization

4.3.8. Factors affecting internationalization

The respondents were then asked which factors helped their enterprise's internationalization process. From the figure below, most of the firms believed that market knowledge and cultural awareness played a key role.

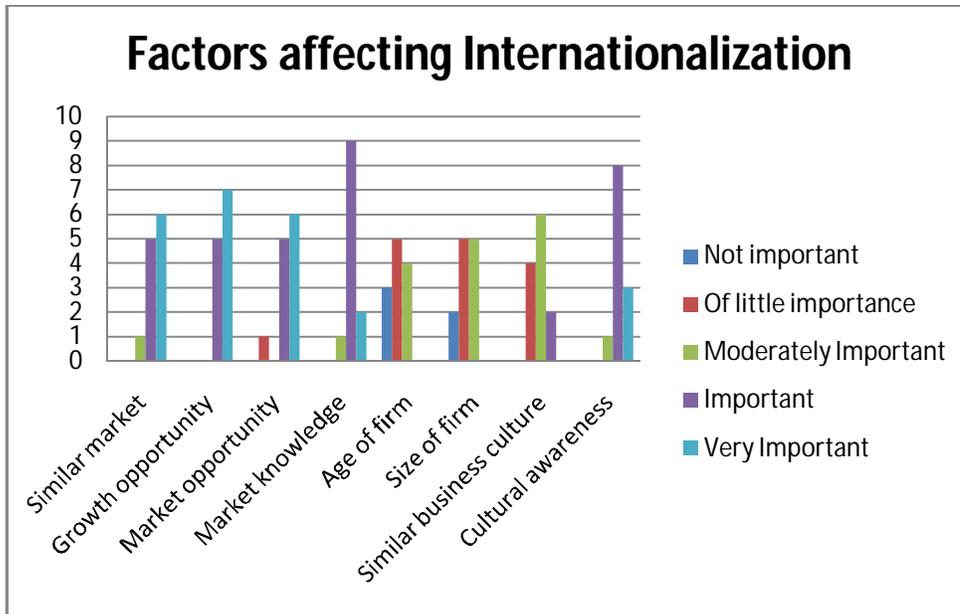


Figure 12: Factors affecting Internationalization

Similar market, growth opportunity and market opportunity showed quite some significance while age of firm and size of firm did not seem to matter much to these women entrepreneurs.

4.3.9. Importance of networks and entrepreneurial activity

The women entrepreneurs were also asked to rate the importance of business network and entrepreneurial activity to their firms.

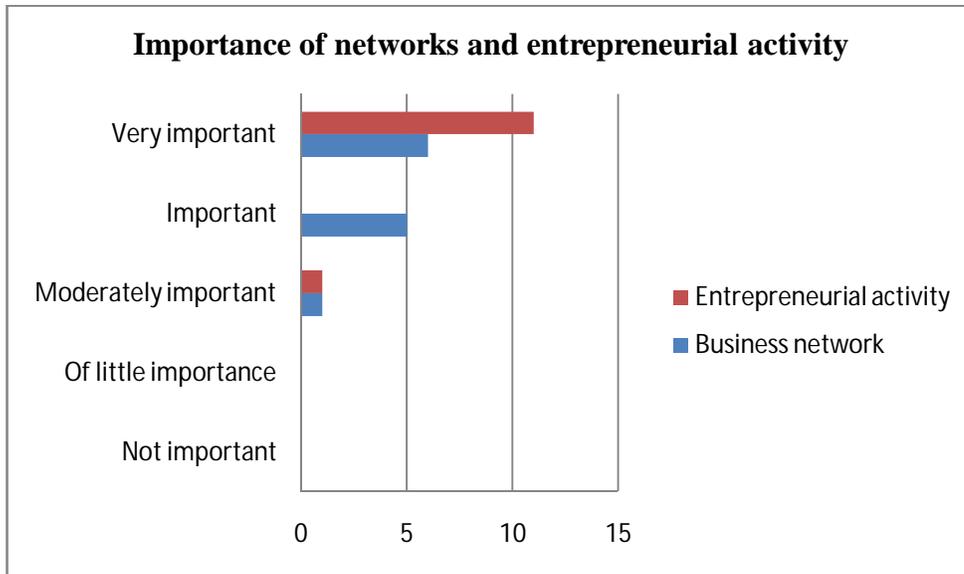


Figure 13: Importance of networks and entrepreneurial Activity

From the above, the results show that majority of the women entrepreneurs strongly believed that business network and entrepreneurial activity are key for firms that aim to go global.

4.3.10. Summary of the findings

To summarize the analysis of data gathered from the women enterprises mentioned and discussed above, we can say that, these SMEs possess the characteristics of born-global firms. Most of the founders had high previous experience of international business activities which enabled them to internationalize with a reasonably good speed and significant amount of resource commitments during the initial stages of internationalization.

4.4. Women-owned enterprises planning to internationalize in the near future

This study managed to interview 11 women-owned enterprises that are planning to internationalize by 2015. The questions asked are quite similar to asked from the internationalized women enterprises and the results are presented below.

4.4.1. Position in local market

When asked how they would describe their company's position in the local market, the women entrepreneurs majority showed that they were in a good position, a substantial number (27%) were growing and the remainder were new and leaders at 18% each.

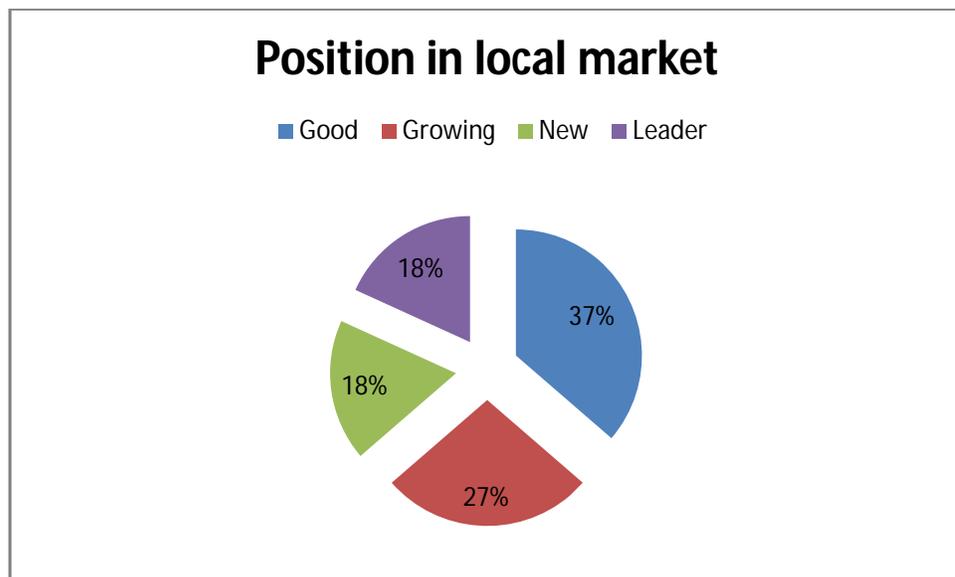


Figure 14: Position in Local market

In addition to the above, when asked how important the position in local market is to the women entrepreneurs, the results showed that 82% believed that the local position was important.

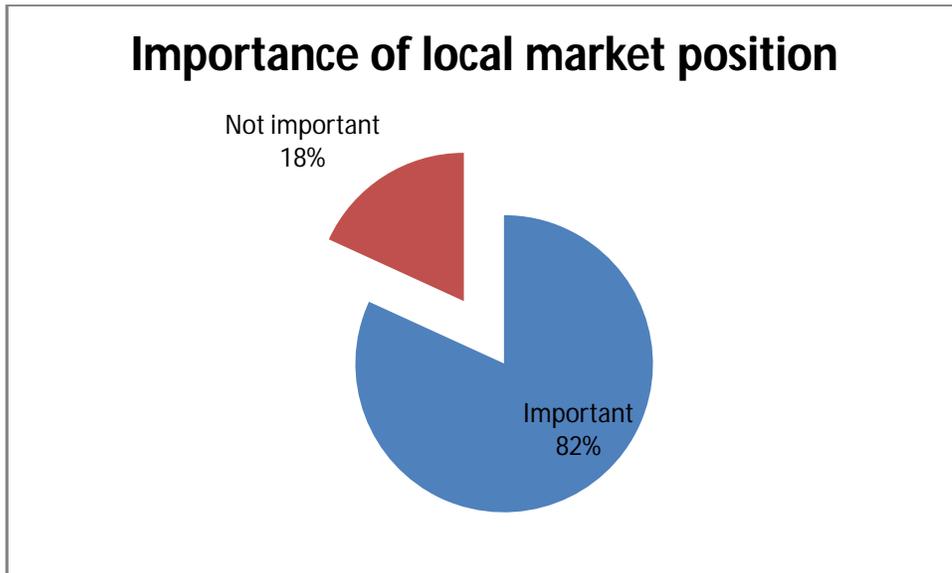


Figure 15: Importance of Local market position

One reason for most of the SMEs in this research to consider domestic market position to be important could be that it helps build up relationships and business networks.

4.4.2. Reason for planning to go international

Firms always endeavor to achieve growth and make more revenues. This can be done by expanding the market for their products or services by going into international markets.

The reasons for planning to internationalize is similar for all enterprises studied that is revenue growth, opportunity growth, expansion and market opportunity.

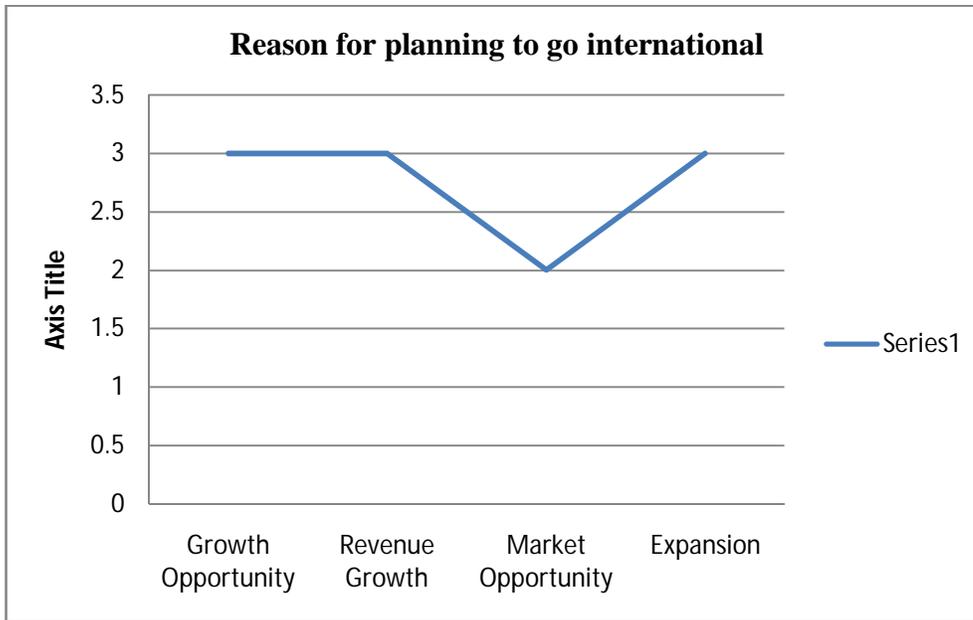


Figure 16: Reason for planning to go international

4.4.3. Importance of various factors

Below an analysis of importance of factors that the women enterprises think will influence their internationalization process has been provided. Growth opportunity and cultural awareness seem to be the most important, although market opportunity and similar market follow closely.

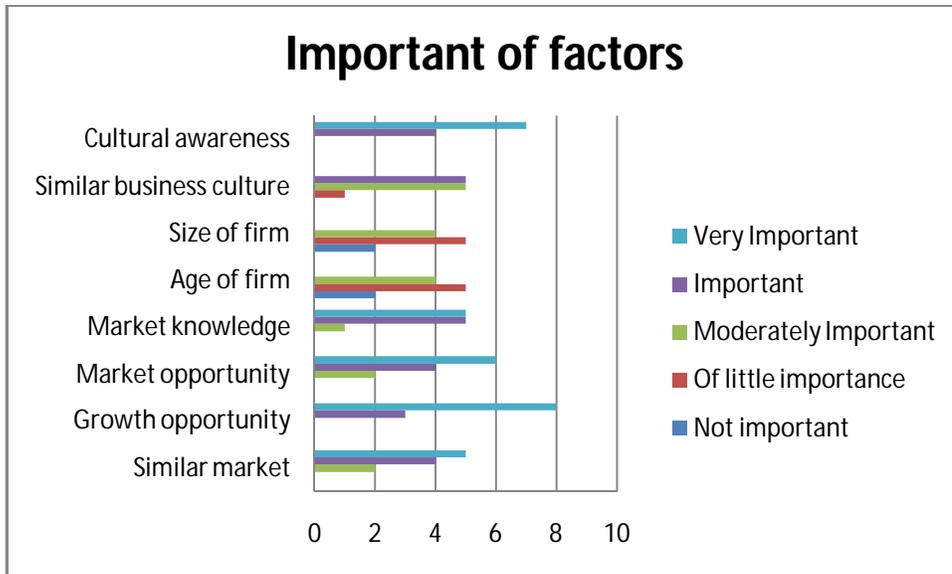


Figure 17: Importance of Factors

4.4.4. Importance of business network and entrepreneurial activity

When asked to rate the importance of business network and entrepreneurial activity, the women entrepreneurs were largely of the same view that they are important or very important with one firm stating entrepreneurial activity being important on a moderate basis.

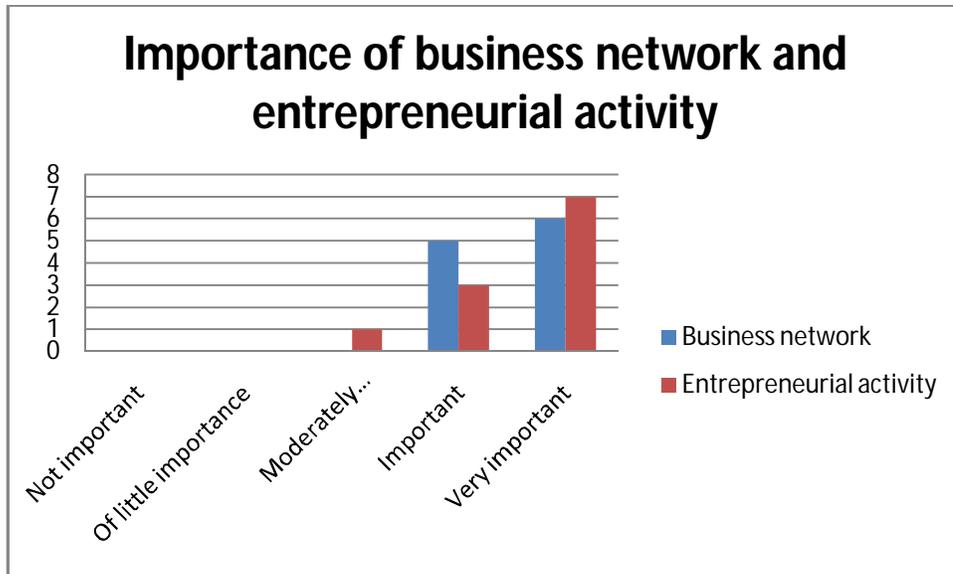


Figure 18: Importance of business network and entrepreneurial activity

4.4.5. Summary of the findings and limitations of collection of data

From the above findings, the enterprises appear to be well established and in a fairly good position in the local market. It is also evident that the firms put significant emphasis on creating and maintaining networks in order to achieve internationalization.

There were limitations in terms of time while carrying out the research. The researcher was only able to interview 12 internationalized women enterprises and 11 women enterprises that are planning to internationalize. With this the researcher cannot state that it is true for all industries. Despite this, the researcher believes this study can provide other readers with an idea of the internationalization of women enterprises in Kenya and can be used as a base for further research.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presents a summary of the key findings of the study as well as the conclusions, limitations of the study, and recommendations for further research.

5.2. Summary

The study sought to explore what factors women enterprises considered while going international. The research shows that the main reasons for SMEs to internationalize are profit, expansion, market opportunity and to achieve growth. Managerial motivation is one of the main factors for the firms to begin thinking about foreign expansion due to the founders experience in the international market. Findings also suggest that firms consider domestic market position to be important even if they are in early internationalization.

From this research, we realize that internationalized firms and those planning to internationalize have a lot in common. First, the reasons to go international are profit, expansion/growth and market opportunity. Second, motivation is one important factor for the firms, with no motivation there is no action. Third, domestic position seems to be really important for both types of SMEs.

5.3. Conclusion

A review of the theories covered in literature review, we can see that network theory was proposed after the Uppsala model was widely criticized and that entrepreneurship in a way is the mixture of both of them. That is relationships can be the source of opportunities

that the entrepreneur will take advantage of and carefully commit his available resources to achieve growth.

The research also shows that major reasons for enterprises to internationalize are profit, expansion, market opportunity and to achieve growth. Managerial motivation is also one of the main factors for enterprises to begin thinking about foreign expansion among others. Findings also suggest that firms consider domestic market position to be important even if they are internationalized firms.

From this research, we realize that those already internationalized and those that are not have a lot in common. First, the reasons to go international are profit, expansion/growth and market opportunity. Second, motivation derived from the founders is one important factor for the firms, with no motivation there is no action. Third, local market position seems to be really important for both types of enterprises.

5.4. Limitation of the study

This is a descriptive study to seeking to understand the level of internationalization women enterprises in Kenya, therefore the findings do not necessarily apply to all women entrepreneurs in Kenya. In addition, the sample is not a representation of the entire population in Kenya; therefore, the results cannot be generalized to enterprises that were not part of this study. Future research should collect data on a longitudinal basis in order to help to draw causal inferences and validate the findings of this study.

5.5. Recommendations

This study can generate many possibilities for further research. In particular, it would be interesting to investigate the internationalization process of women-owned enterprises in different industries separately. In this study, the researcher has interviewed a mixture of different types of enterprises due to the lack of time and resources. But it would be a good idea to categorize enterprises and then study their internationalization process to see if there can be a better understanding of the early internationalization process in Kenya.

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APPENDICES



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 11TH OCTOBER 2011

TO WHOM IT MAY CONCERN

The bearer of this letter PURITY WANJIRU KARIUKI

Registration No. SG1/64024/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix I: Interview Questionnaire – Internationalized Women-Owned Enterprises

The objective of this questionnaire is to collect information from key decision makers in women-owned enterprises regarding the factors that cause early internationalization.

Note: The information collected will be confidential and will only be used for the purpose of this study.

Section A: General Information

Name of the company:	
Position of the Respondent:	
Year of Foundation:	
Number of Employees:	
Products/Services/Field of business:	
Website/email/contact	

Section B: Status of the Company before Internationalization

1. How would you describe your company’s position in domestic market right before going international? Was it significant for internationalization?
2. What was the basis or main reason why your company went international?

Please indicate below how strongly you rate your answers to the following in relation to the internationalization of your organization.

	1	2	3	4	5
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3. Did the founder/owner of the firm or its management have any previous experience in internationalization or international business activities? 1= None; 2= Very little; 3= Medium; 4= High; 5= Very high					
	1	2	3	4	5
4. How would you describe the speed of your firm's internationalization process? 1= Very slow; 2= Quite Slow; 3=Medium; 4= High; 5=Rapid					
	1	2	3	4	5
5. How would you rate the degree of resource commitment during the initial stage of internationalization? 1=Very low; 2=Low; 3=Medium; 4=High; 5=Very High					
Please state a percentage:					
	1	2	3	4	5
6. What was the role of formulating strategy and methods for internationalization? 1=Unimportant; 2= Of little importance; 3=Moderately important; 4=Important; 5=Very important					

7. Which of the following factors helped your company's internationalization process?
Please rate them according to importance. 1=not important; 2=of little importance;

3=Moderately important; 4=Important; 5=Very important.					
	1	2	3	4	5
Similar market:					
Growth opportunity:					
Market Opportunity:					
Market Knowledge:					
Age of firm:					
Size of firm:					
Similar business culture:					
Cultural awareness:					
8. Please rate the importance of the following in your firm. 1=not important; 2=of little importance; 3=moderately important; 4=Important; 5=Very important.					
	1	2	3	4	5
Business network:					
Entrepreneurial activity:					

Further Comments:

Appendix II: Interview Questionnaire –Planning to Internationalize in the near future

The objective of this questionnaire is to collect information from key decision makers in women-owned enterprises regarding the factors that cause early internationalization.

Note: The information collected will be confidential and will only be used for the purpose of this study.

Section A: General Information

Name of the company:	
Position of the Respondent:	
Year of Foundation:	
Year of Internationalization:	
Number of Employees:	
Products/Services/Field of business:	
Website/email/contact	

Section B: Current status of the Company

9. How would you describe your company's position in domestic market right now? Is it important? Why?
10. What was the basis or main reason why your company wants to go international?

Please indicate below how strongly you rate your answers to the following in relation to the planned internationalization process of your organization.

<p>11. Which of the following factors do you think will help your company's internationalization process? Please rate them according to importance. 1=not important; 2=of little importance; 3=Moderately important; 4=Important; 5=Very important.</p>					
	1	2	3	4	5
Similar market:					
Growth opportunity:					
Market Opportunity:					
Market Knowledge:					
Age of firm:					
Size of firm:					
Similar business culture:					
Cultural awareness:					
<p>12. Please rate the importance of the following in your firm. 1=not important; 2=of little importance; 3=moderately important; 4=Important; 5=Very important.</p>					
	1	2	3	4	5
Business network:					
Entrepreneurial activity:					
<p>Further Comments:</p>					