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### Adoption of standards and certification among Tanzanian agribusiness firms for export : demystifying gaps in internationalisation theory

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*Reference:* Elly, Tumsifu (2016). Adoption of standards and certification among Tanzanian agribusiness firms for export : demystifying gaps in internationalisation theory. In: Business management review 19 (1), S. 56 - 71.

This Version is available at:

<http://hdl.handle.net/11159/3058>

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## ADOPTION OF STANDARDS AND CERTIFICATION AMONG TANZANIAN AGRIBUSINESS FIRMS FOR EXPORT: DEMYSTIFYING GAPS IN INTERNATIONALISATION THEORY

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### Abstract

*This paper is based on the thesis that standards and their derivative certification are missing in the rubrics of the internationalisation theory. The paper draws on findings from a study that was carried out to explain the relevance of standards and their attendant certification in explaining internationalisation from the Tanzanian agribusiness context. The study's three specific objectives were to determine the relevancy of standards in explaining export and internationalisation of agribusiness in the Tanzania context; determine the requirements for the adoption of standards for export; and find out the challenges to the adoption of standards among smallholder producers and exporters. Data from in-depth interviews of five cases were subjected to thematic and cross-case analysis prior to explanation building. The study findings show that, the adoption of standards and certification of agro-commodities constitute an important vehicle for internationalisation among smallholders in the context under review as such certification offers a new explanation to agribusiness firms' internationalisation. However, the beneficiaries are those capable of guaranteeing smallholders' vindication and ability to abide by the standards and produce enough quality commodities that meet the requirements and satisfy the demand. The study established that the major constraint defining Tanzania's agribusiness export is related to the land tenure system, which causes diseconomies of scale. In consequence, production is fragmented into small pieces of land over a wide area. Moreover, neither the network nor the born global or international new venture theories perfectly explain export through certification. Additionally, the resource endowment, capability-building and creation of a competitive advantage edge are an integral part of the big picture regard to the requirements for certification. In fact, the latter partially explains export through certification as a firm could enter into any market that promote certified commodities without necessarily following the Uppsala edicts or as promulgated by the internationalisation theory but partially through the network and meeting some of the born global edicts. In short, internationalisation theories cannot wholly provide adequate theoretical foundation that captures the position of certification in the export business.*

**Key words:** Agribusiness Export, Certification, Internationalisation Theory, Standards

### Introduction

Standards and certification are in effect governing international trade particularly in the agro-food sector (Henson & Reardon, 2005). Thus, the adoption of standards among agribusiness firms is vital in fostering trade and accessing the export markets abroad. Indeed, exporting agricultural commodities is no longer defined by production efficiency alone. After all, compliance with standards is ushering in a new way of accessing global markets in the agribusiness. This requirement offers yet a new explanation about an international firm. Despite a number of researches conducted thus far on internationalisation, little emphasis has generally been placed on how firms operating in Africa and Tanzania in particular eventually gain access to export markets abroad through adoption of standards. Given the context under which agribusiness firms in Tanzania operate, their export experience presents a unique explanation of the nature of internationalisation pertaining to this operational environment. Although export activities in Tanzania remain relatively low, it is imperative to capture information on firm internationalisation through certification as doing so has far-reaching implications for the agribusiness prospects of the country and other countries sharing a similar operational environment.

Studies on internationalisation in Tanzania (Anderson, 2011; Rutashobya & Jeansson, 2004) do not go far enough in providing knowledge that could capture the export mechanisms adopted by firms exporting agricultural commodities in this context. Anderson (2011) explores the internationalisation opportunities and challenges small firms face. In fact, the study does not shed light on how firms manage to penetrate and introduce commodities into global markets. In particular, this research did not consider agribusiness firms and

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how the adoption of standards could partially or fully explain an international firm. Similarly, Rutashobya and Jeansson's (2004) exploration of the role of networks for small firm internationalisation does not explain how firms penetrate the global market. As such, the two studies do not consider the complex and dynamic nature export business, which cannot be explained using any single theory (see, for example, Chandra, 2007).

To-date the world business environment has changed dramatically through the globalisation of economies and liberalisation of markets, resulting into a new, furious business setting for firms (Jansson & Sandberg, 2008). The political and economic changes that have occurred since the late 1980s along with the technological revolution and advancements in communications, transportation and information technology have facilitated the removal of trade barriers in what has been dubbed a global village (Griffin & Pustay, 2007; Hill, 2007). As a matter of fact, presently the impulse to conquer foreign markets has been heightened by globalisation and desire to increase exports between and among states. These changes of the world economic order oblige countries to position themselves in the global picture to remain competitive. However, standards continue posing a significant challenge in the competition and export market entry. Standards, which are a means for reducing information asymmetry between buyers and sellers about a commodity, tend to enforce commodity acceptability in the market. In this regard, the paper argues that certifying agricultural commodities mediates the two—suppliers and consumers. As such, standards constitute export tools, which serve as a platform on which any firm any where could gain access to global markets.

Moreover, internationalisation has been related to firms' competitive advantage which, according to the market imperfection theory, is a strategy a firm adapts to capitalise on certain capabilities not shared by competitors in foreign countries (Morgan & Katsikeas, 1997). In other words, there are differences in the adoption and adaptation of standards and subsequently getting certification for commodities. Thus, when considering certification, the ability of a firm or a nation to enforce standards also entails taking into account certain issues of competency, capabilities and eventually comparative and competitive advantage. However, the edicts from these theories do not necessarily wholly explain the phenomenon, hence a need for a study on internationalisation of agribusiness firms cannot be over-emphasised.

The situation is even more daunting for smallholders trying to think big and capture the global market. Indeed, to survive smallholders in agro-food must do it in a hard way as Czinkota *et al.* (1995) caution:

The global imperative is upon us! No longer merely an inspiring exhortation, thinking and acting globally is the key principle for business success. Both the willing and the unwilling are becoming participants in global business affairs. No matter how large or small your business, ready or not, here comes the world (p.1).

The adoption of standards applies to both large and small businesses for them to have a competitive edge and penetrate the global market. It is apparent that standards could spur exports from developing countries by upgrading the production system, modernising the supply chain and improving quality of commodities. Standards in this regard can lead to re-positioning of countries and companies in the global markets (Henson & Jaffee, 2008; Maertens & Swinnen, 2006). Certification has been adopted by many firms particularly in food production as a stamp of international quality regime. This has attracted scholars' attention in many ways. Some studies report on expectations in terms of increased market share and improved product quality due to the implementation of certification programmes. Mann and Kehoe (1994) have noted that certification is associated with improved business performance at the operational level whereas Buttle (1996) suggests that standards tend to improve both the operations and marketing gains. Breka (1994) reports that the greatest gain stemming from certification is the widening of market opportunities rather than improvements in product quality.

The adoption of certification in the global agro-food system is, therefore, important for suppliers. After all, certified commodities gain economic opportunities in the marketplace over non-certified products. For example, certification allows suppliers to demonstrate to other stakeholders within the commodity chain their commitment to more rigorous standards for their products. This commitment might, in turn, may facilitate their access to new, and potentially, more profitable markets (Tanner, 2000). This extent has not received due empirical attention in the context of Tanzania's export agribusiness sector.

To this end, there is evidence of a great deal of a paradigm shift. Apparently, the traditional internationalisation theory appears to have fallen short in the elucidation of the fast-paced internationalisation of some firms and their entry mode. In this regard, the traditional Uppsala model (Johanson & Vahlne, 1977) and other similar stage models are no longer adequate (Cavusgil, 1982) when it comes to explaining the rapid internationalisation of small firms. Madsen and Servais (1997) believe that the existing models are still being followed but there are

firms which just run through certain phases a lot faster and some phases are completely side-stepped due to additional market knowledge. Thus, we argue further that, it is not only the knowledge of the market but rather the requirements for certification which matter in the export of agro-food commodities. To this end, the stage models appear only valid when the founder's experience and internationalisation of the markets is taken into account.

According to Chandra (2007), the rise of the so-called born globals challenges the validity of extant theories of internationalisation, particularly the Uppsala Model. Consequently, the theory of international new ventures (Oviatt & McDougall, 1994) and the field of international entrepreneurship have emerged. However, there are inconsistencies in views on the evolutionary or 'revolutionary' trajectory that firms could follow in their export endeavour. Some maintain the contemporary view that the born globals are in the vogue whereas a number of other scholars have provided arguments and evidence that support the evolutionary nature of firm development (Madsen & Servais, 1997). Yet for Africa and Tanzania in particular ICT and certification could offer an alternative explanation of the much-needed internationalisation process in this increasingly globalised world. Therefore, this study focuses on investigating on how certification could serve as a vehicle for enhanced export market access in addition to explaining the internationalisation of Tanzania's agribusiness firms. In this regard, the paper addresses three issues thusly:

- a) To determine the relevancy of standards in explaining export and internationalisation of agribusiness in the Tanzania context;
- b) To determine the requirements for the adoption of standards as a means towards internationalisation for both the exporters and smallholder producers; and
- c) To identify challenges related to the adoption of standards as a means for internationalisation among agribusiness firms and smallholders in Tanzania.

## **Theoretical Foundation**

### **Introduction**

This paper is premised on the fact that standards and their derivative certification are missing in the rubrics of the internationalisation theory. As Jaffee and Henson (2004), and Henson and Reardon (2005) have acknowledged, standards govern the international trade in the agro-food sector. This review shades some light on the missing link in the theoretical grounding regarding standards and the associated certification. As much as possible, the review expounds on issues that have received critical input and those which have yet received attention in the theory of internationalisation that are central to certification as a means for internationalisation in the agribusiness. Thus, the ensuing sections describe some seminal theory of internationalisation for this purpose.

### **The Uppsala process model**

The Uppsala process model or the stage model describes firms' internationalisation as an incremental, step-by-step process. That is, a firm will start as a low commitment exporter and develop into a committed exporter as it gains foothold, international marketing knowledge and experience and overcomes the psychic distance. In other words, an exporting firm starts with irregular export activities and in the next stage the firm will export via independent representatives or agents (indirect exporting). When it has gained further experience, the exporting firm tends to establish an overseas sales subsidiary (direct exporting) and finally undertakes overseas production/manufacturing (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990). Similarly, the Finnish variant of the stage model reveals that, at the beginning, firms will export to geographically close markets before venturing into distant and culturally different markets. This view is supported by Luostarinen's (1979) large survey of Finnish firms in the 1960s and 1970s and beyond. The major factor influencing an incremental or a gradual process of foreign market entry is uncertainty with distant or culturally different markets, and the fear to invest resources where market knowledge is limited. Psychic distance appears to be a major hindrance and tends to be minimised through experiential learning and commitment in foreign markets. These models have been found wanting for being very deterministic (Johanson & Vahlne 1993), for lacking explanation on the behaviour of firms that leapfrog or are born-global (Fletcher, 2001), for putting emphasis on psychic distance (Melin, 1992), and for lack of emphasis on the role of networks (Holmlund & Kock, 1998).

In the context of standards and certification the market knowledge and cultural differences emphasized by the incremental model collapse to constitute the standards which one has to implement. As such, an international firm does not have to follow the gradual process but should rather learn about the standards and develop the capacity to abide by them in ensuring quality products are produced for the export market.

### **Networks theory**

The networks approach emerged in the late 1980s and was based on the organisational sociology researchers such as Håkansson (1987) and Johanson and Mattson (1988). As Sharma and Blomstermo (2003) suggest, the home country networks constitute a starting point for the firms' international expansion. Permanent competitive advantage is obtained through synergy. When a firm has permanent competitive advantage, its resources and capabilities are durable, hard to identify and realise, imperfectly transferable and hard to copy. Then, this theory emphasises the effect of firm-specific resources and business networks on the international strategy of firms.

According to this theory, a network of inter-organisational and interpersonal relationships that shape the behaviour of firms to internationalise result from business and social networks rather than from the internalisation mechanism of the market (Malhotra *et al.*, 2003). Although the network theory offers a valuable approach to the role of networking in internationalisation, it does not explain the type of networks or what are the criteria or principles for membership. In this regard, we suggest that standards could be one of the strong criteria for networking or joining certain agricultural value/supply chains. And these standards can be specialised or unique type of networks involving producers, aggregators, retailers and consumers. They all share common values pertaining to standards. There is also a growing involvement of both NGOs and governments in this kind of networks.

### **Resource-based view to Resource-advantage theories**

Barney (1991, 1997) believes that firms have a source of competitive advantage caused by their valuable resources such as assets and capabilities. Under this view, firms could compete and achieve their long-term goals if they possess enough resources and use them effectively. The resource-based view (RBV) suggests that a firm's success in the market does not only depend on environmental factors but also on the firm's function and its influence on the environment (Barney, 1991; Ekeledo and Sivakumar, 2004). This theory contends that firms with valuable resources and capabilities favour high control modes, especially when the firm follows a global strategy (Ekeledo & Sivakumar, 2004). Hunt (2002) extended the ideas of RBV in his resource advantage (RA) theory, advancing the view that some firms may gain competitive advantage and superior performance because firm resources are heterogeneous and relatively immobile. Furthermore, the specific mode of operation in foreign markets depends on the type of the resource advantage (Malhotra *et al.*, 2003). Although some researchers believe that the resource-based theory is the best explanation for the international expansion of firms (see, for example, Ekeledo and Sivakumar, 2004), it cannot explain the choice of some entry mode strategies such as licensing vs. joint venture. In addition, measuring some intangible assets appears difficult when applying this theory (Malhotra *et al.*, 2003).

RBV also raises issues related to standards that are born and specific to the firm implanting the standards. In the context of this study, agricultural production is not a consolidated endeavour. Specifically, farmers are fragmented in many ways: through small land lots and through a variety of crops grown. Thus, to bring them together through standards and commodity unification may be specific and a source of heterogeneity.

### **The Born Global theory**

Gabrielsson (2005) argues that the Born Global theory is similar to international new ventures because it emerges due to cutting edge technology and access to a borderless marketplace. Born Global firms tend to start with immediate internationalising, sometimes circumventing domestic operations or working concurrently with domestic operations, or directly after start-up (Luostarinen & Gabrielsson, 2004). The emergence of Born Globals is, in fact, due to the global economy that allows firms to taking advantage of the possibilities of penetrating markets easily and quickly as they can collect relevant information and use ICTs to facilitate the entry. Besides globalisation, issues such as the huge demand for globally customised products, growth of the international value-chain and global networks contributes to the emergence of born global firms. Although, the Born Global firms may have limited resources and little experience in international business, they usually offer niche products targeting global markets and do possess entrepreneurial knowledge-intensive skills which enable them to offer value-added products and services (Gabrielsson & Al-Obaidi, 2004). For Born Globals, standards become a vehicle for fostering entry into export markets. Thus, we suggest though that, the edicts under the Born Globals emphasis is placed on ICT as a means, which in this context involves media of communication necessary for understanding the standards and discovering consumers available outside one's locality in the

wider global market. Under these circumstances certification of products serves as a unique platform for penetrating and entering markets comprising consumers of certified commodities.

In summary, transcending across theories highlighted are variables which in many cases do not converge. This theoretical review reveals that internationalisation is a comprehensive phenomenon. However, throughout the review there is no single mention of standards or certification as part of a theory or as an example. It is apparent that previous studies from the context under review did not consider this aspect, even when considered the variables studied were limited to exploring the opportunities and network aspects in relation to internationalisation. This study, therefore, through its set objectives embraces the phenomenon in a more comprehensive manner considering the complex nature of the internationalisation process.

### **METHODOLOGY OF THE STUDY**

The study adopted an exploratory research design involving research that relies on either secondary research such as literature or qualitative approaches such as interviews or informal discussions. The choice of exploratory research was deemed appropriate as the research problem under study required ground breaking as the existing theory on internationalisation offers limited explanation on the role of standards in internationalisation (Yin, 1994, 2003, 2009). Indeed, this research problem has yet to be clearly defined. Towards this end, the study used interviews in data collection (Kothari, 2004). Interviews were more relevant in collecting data from key informants, who included directors, co-ordinators and programme officers.

The study findings have largely been organised to answer research questions developed to realise the attendant research objectives. Explanation building constitutes the major data analysis and presentation. To generate the explanations, the study used thematic analysis in accordance with the study objectives (Yin, 2009). In this case, three themes based on the research objectives have been identified. Then, the themes are compared between the five cases. In particular, the study used cross-case analysis to validate responses across the five cases.

The data are grouped thematically within the cases and meaning drawn from between the cases thematically to form the basis for discussion and conclusion. As much as possible, the discussion and conclusion drawn and themes identified are appropriate patterns drawn from across data set that describe the phenomenon under review and are, thus, associated with the specific research objectives (Yin, 2009). In this study, five cases were involved as described in the ensuing section.

#### **Case Firms and Individuals involved in interviews**

<b>Name of the firm</b>	Home Veg Tanzania Ltd	UWAMWI MA	KNCU(1984) Ltd	AfriCert Limited	Rainforest Alliance
<b>Position</b>	Director	Project coordinator	Assistant Export Manager	Lead Auditor (certificates)	Consultant- Sustainable Agriculture Division, Country coordinator
<b>Office</b>	Kilimanjaro	Zanzibar-Unguja	Kilimanjaro	Nairobi/Kilimanjaro	Morogoro

Source: Field Data (2015)

### **FINDINGS AND DISCUSSION**

The study findings presented under this section covers the firms involved in this study. The main findings have been organised thematically and case-wise to allow for within case and cross-case analyses.

#### **Information about the Cases**

**Case # 1: Home Veg Tanzania Ltd**—This is a fresh vegetable and fruit exporting company. It works with smallholders mainly operating in Arusha and Kilimanjaro regions. The company exports fresh vegetables/fruits such as Peas Fine Beans, Babycorn, Chillies and Passion fruits. The company started its export activities in September 2009 and set to follow market first model in endeavours to assure the smallholder farmers of the

export market for their produce. The firm is engaged in export business only and has established business relationship with buyers abroad in countries such as the Netherlands, Belgium and the UK.

**Case # 2: UWAMWIMA**—Umoja wa Wakulima Wa Mboga Mboga na Matunda [an Association of Fruit and Vegetable Growers] in Zanzibar came to existence in 2004 but officially in 2005. The association has to-date registered members who are engaged in growing assorted fruits and vegetables. The members implement the GAP—good agricultural practices—standards using organic fertilisers and pesticides. Additionally, they harvest the crops at a required period to maintain the nutrient contents as well as keep pesticides at minimum levels to abide by the Maximum Residue Limits (MRL).

**Case # 3: KNCU (1984) Limited** (Kilimanjaro Native Co-operative Union 1984 Ltd.)—KNCU is the oldest co-operative union in the country and is one of the earliest to be formed in sub-Saharan Africa. The co-operative stated exporting certified coffee in 1991. The firm exports coffee green beans and instant coffee powder “Spray dried”. Export through standards came about following one volunteer from Maxhavelaar Netherlands, who visited KCU in 1989 soon after the collapse of the International Coffee Organisation—ICO. The volunteer espoused the possibilities of exploring exports through the fair-trade movement. Since then the firm has been exporting organic coffee, which is mainly certified by IMO- Standards.

**Case # 4: AfriceCert Limited**—The firm offers certification services across the region. In particular, it provides certification for GLOBALG.A.P (Fruits and Vegetables), AlbertHeijn protocol for Residues, Utz Certified for Coffee, Tea, Cocoa and Rooibos, LEAF Marque, and Rainforest Alliance (SAN). Additionally, the company verifies the following standards: Ethical Tea Partnership (ETP), Cotton Made in Africa (CMiA) and Common Code for the Coffee Community (4C). The company is headquartered in Nairobi with representatives in Tanzania.

**Case # 5: The Rainforest Alliance**—This organisation works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour. Rainforest Alliance, which was established in 1987, has 35,000 members and several global offices. The firm is engaged in training and certification in a bid to promote healthy ecosystems and communities in some of the world’s most vulnerable ecosystems.

## Major Findings

### Theme # one: The relevancy of standards/certification in export and internationalisation of Tanzania’s agribusiness firms

The study intended to determine whether certification is a relevant vehicle for the internationalisation of the agri-commodities produced by smallholders. The following are the findings based on in-depth interviews conducted with key informants from the five cases. The emphasis indicates the possible entry mode:

In the case of Home Veg Tanzania Limited, it was reported that certification plays a vital role in export business thusly:

- *Standards are a route and vehicle for the export business particularly for the food items... and without following the standards and getting certified one cannot sell in some markets in Europe and some other parts of the world.*
- *Certified commodities help you penetrate market niche consisting of consumers, who consider certified products ... so for us standards are a way of breaking a shield that covers certain communities of consumers from non-certified commodities. The community is growing in numbers across the globe [network of consumers and buyers].*
- *As such, the selection of who sells to the communities that share and adhere to the values of certified commodities is based on how well the standards have been followed and implemented or adopted not otherwise WITHOUT GLOBAL G.A.P certification, one should not bother, looking for the commodity markets from such communities... That is to say, certification guarantees your business partner—the consumer, your supplies are SAFE. (Competency and capability which may give rise to comparative advantage or resource advantage).*

In the case of UWAMWIMA, it was reported certification has the following relevancy:

- *Implementing GAP standards paves a way to both local and foreign markets.*
- *To a great extent farmers were not able even to access and supply to the local touristic hotels in Zanzibar before adopting the standards but now the agricultural products are in high demand not only for the local markets but also beyond the borders.*
- *Through this initiative we have managed to indirectly and directly improve the quality and quantities of the vegetables and fruits produced (capabilities).*
- *We have secured a reliable market within the country—supplying to the tourist hotels and beyond and we also have demand from outside the country.*

Case of KNCU (1984) Ltd reported that certification is vital as it has the following relevancy in agribusiness exports:

- *The certification system is like a family system (nearest-dearest); so exporters and importers are well-recognised by the system, and thus it is easy to trade with each other – trust! [network].*
- *Certification explore seller-buyer beware/also food safety is assured.*
- *As indicated earlier, certification is a family unit; so after joining the certification movement, we were then linked to the world of this community.*
- *Through certification it is easy to sell to different customers abroad, even without a prior connection.*
- *For us organic coffee is in high demand, but the coffee has to be IMO-certified ( possible to access market through IMO code- born global, entrepreneurial new venture)*
- *Producer is easily hooks the customer by knowing his consumption behaviour and requirement [network].*
- *Selling conventional coffee fetches a very low price, thus organic coffee has more demand and fetches a premium price.*

AfriCert Limited revealed that, the adoption of standards offers a lot of advantages in the export business and that the advantages are more pronounced than the drawbacks:

- *Standards/certification has an element of value addition for the export commodity—meaning that certified commodities have more value in terms of price and preferences.*
- *Compared to conventional crops, certified crops are bought faster and hence stay for a relatively short period on the shelves than the former.*
- *Even when the cost of producing certified crops is higher than that of conventional crops, the premium price paid by the consumer and the fact that the products stay for a short time on shelves make the products more attractive for business.*
- *Standards are consumer based—these consumers are willing to pay a premium price from whoever supplies the required quality standards.*
- *On the other hand, sellers prefer certified crops for their high turn-over to the conventional crops.*
- *Many sellers adopt certification due to the challenges they face in market—low prices, and rejection of crops as some markets-outlets do not allow non-certified commodities.*
- *Owners of the standards also play role of marketing their codes as they promote them among consumers; this alone generates potential markets for the certified commodities [network].*

For Rainforest Alliance, the role of certification revolves around the following:

- *Complying with standards is in one way or another of ensuring the sustainability of the entire supply/value chain. This is because all actors from farmers, sellers, and consumers are tied together in adhering to the set standards.*
- *Compliance tends to increase productivity/ efficiency, through adopting good agricultural practices—GAP.*
- *The adoption process involves capacity-building for the participating farmers, who gain a strategic advantage by adhering to global standards, which are acceptable anywhere in the world.*
- *Through standards local producers or farmers, small or big, are linked directly to the global markets.*
- *Certification allows for a closer relationship with buyers through the elimination of mediators.*
- *Through standards producers are included and become active players in the supply chain*
- *Standards are assurance of markets for participating actors; this is more important for the less developed countries wishing to export their agricultural products.*



- *Whereas standards ensure a position in the supply/value chain, it has advantage of building brand(s) through consumer guaranteed product from environmental, social and economic considerations.*
- *It is important to note that some markets have already set time a limit from when they will not purchase non-certified or conventional products. This gives more room for the firms that export certified commodities to occupy this market niche.*

The interviews reveal nearly similar findings which suggest that, standards/certification serve as a vehicle through which smallholders can cultivate a niche in the global markets. What emerged in the study is the fact that the adoption of standards coupled with certification fosters elements of *value addition, improved quality, increased productivity*, on the one hand, and create conditions for certified commodities to attract consumers who share values linked with quality standards, on the other hand. Indeed, they make those buying the commodities the immediate and readily available market (*termed as family dear and close, community sharing similar values*). In fact, the standards-certification levels the market ground since qualifications that allow a vendor to sell the commodity is “certification”. This is not undermining other requirements such as quality and quality of the commodities.

Secondly, as certified crops are bought fast they stay for a relatively shorter time on the shelves than the conventional commodity. Most of the outlets thus, prefer certified produces than otherwise. This increases market opportunities and demand for certified commodities across supply/value chain. Thus, standards serve as a route and vehicle for export business particularly for the food items. In fact, this trend was reported to be on the upswing. Some outlets and nations have set a timeline to halt the distribution or importation of non-certified food items. Notably, crops such as tea and cocoa and others have increasingly attracted consumers who only prefer certified commodities. Without certification, non-certified agro-products might be barred from crossing some of the borders. As such, the selection of who sells and shall sell to this community will need to have certification. Therefore, the adoption of standards and, thus, certification of agro-products (certification system) pave a way to a family (nearest dearest); so exporters and importers are well-recognised by the system, and thus find it easy to trade with each other— they have trust as a common bond.

Making references to the theory of internationalisation, writers have had contraposition on the way firms, particularly small ones, internationalise. And yet, most of the edicts of the proposed theories have remained conjectures without empirical evidence. On the ground changes have continued unfolding since these theories were propounded to-date. The recent and what seems to be relevant theory is the Born Global or international new venture-INV (Oviatt & McDougall, 1994). The Born Globals are essentially the young, entrepreneurial firms which enter the foreign markets without going through the traditional entry steps or having acquired adequate experience and networks that other theories promulgate. The INVs tend to start international encounters without a weighty resource base and without having experiential knowledge on international markets. Considering these edicts, certification falls out of the scope of the INV as a process and serves as a means through which firms eventually internationalise. The fact is: certification needs experience or knowledge about standards as well as resources to implement the system. On the other hand, Johanson and Mattsson, 1988; Johanson Weidersheim-Paul (1975) propose that firms internationalise following a series of chains or steps which are incremental as under the Uppsala Model. To this end, critical a critical question revolves around whether the adoption of standards will require one to follow steps or not. Simply put, certification appears to be more on resources and knowledge and information sharing. Thus, the assertions under the Uppsala model are far from being relevant in explaining the pragmatic truth about certifications and standards inherent in the internationalisation process.

Hitherto, we look at the network theory and compare with the pragmatic facts related to the adoption of standards. To a great extent, the tenets of the networks proponents would be applicable if, say, the outlets believing in and advocating for certified products are seen as actors fostering the relationship with suppliers and producers alike (Hosseini & Dadfar, 2012). However, these outlets are loose actors of the relationship; as such, the network theory falls short in explaining the phenomenon of standards as a vehicle for internationalisation.

Thus, we suggest that exporting through standards and certified commodities is like joining a family or selling to a community that shares similar values such as environmental protection, social protection and welfare and economic welfare. This is more of a community market or a family market.

**Theme # Two: The requirements for the adoption of standards as means for internationalisation for both the exporters and smallholder producers**

The study also sought to determine the requirements that a smallholder or implementers of standards have to meet as they deploy certification as a conduit for internationalisation. Findings from in-depth interviews are presented in the following section.

HomeVeg Ltd reported that the requirements for adopting standards are many. These are more relevant than simply knowing the codes themselves. The minimum “valid and important requirements for our small growers” were reported by the firm as follows:

- *Convincing farmers to join the world of growing crops following pre-determined standards is the first step.*
- *The second requirement is about making sure that farmers who accept joining the certification programme understand the standards and translate them into real life farming practices.*
- *The other requirement concerns handling the farmers throughout the process and keeping appropriate records for traceability purpose.*
- *One is also required to control the inputs used by farmers. I mean we are the sole suppliers of the approved, fertilisers and pesticides (this is important because not all types of fertilisers and pesticides are acceptable) we also supply our farmers with appropriate seeds.*
- *Training of the farmers and overseeing their practices is also very vital for better results*
- *Appropriate packaging and having cold facilities—cold chain—is imperative. You cannot go without them.*
- *We have employed a good number of agronomists who work directly with farmers.*

Findings from the interview with the project co-ordinator of **UWAMWIMA** revealed that the preconditions for the adoption of standards include:

- *The first thing is to ensure farmers actually adopt the standards. As farmers are used to the traditional and conventional ways of farming, it is challenging to change their attitudes and ways of farming.*
- *Additionally, farmers’ adoption of the standards has to be in a manner that you convince enough producers to collect enough to meet the demand. This is about meeting the quantity required by the buyers.*
- *Equally important is matching the demand with the available crops taking into account seasonal production. This is about sustainability in production and supply throughout the year. This also adds to the requirement of having enough farmers producing enough to meet the demand as well as carrying out irrigation schemes.*
- *We have 45 staff/agronomists who work directly with the farmers in ensuring standards are being upheld and quality products obtained.*

**According to the KNCU (1984) Limited, there are a number of requirements, which include:**

- *Ensuring that farmers are convinced to abide by the standards.*
- *Meeting the certification fee as well as annual audit expenses; therefore, the costs related to compliance are high. Thus one may require assistance in the transitional period as the initial costs could be very high.*
- *If 50 percent of the farmers could join the wagon, they could create a burgeoning power on the one hand and produce enough to meet the demand. , it is only 22 percent of our farmers who have adopted the standards. It has taken a long time to convince them since 2000 when the project started.*
- *Complying with the standards taking into account the farmers’ level of understanding, which is also another challenge.*
- *Producing quality products such as coffee which meet the requirements of the buyers.*
- *Exporting enough in terms of tonnage to break even, but also to satisfy the demand. This is very challenging as production is based on smallholders who own small pieces of land*
- *Packaging and storage are also very important. This starts right from collecting coffee from the farmers and thereafter sorting, grading and packaging ready for export.*

**Whereas AfriCert Ltd. reveals that:**

- *Requirements are based on three pillars, environmental, social and economic aspects. All certification programmes should consider these issues. Thus the implementers have to be conversant with all these requirements. The hard part is to do with the farmers as they are at the bottom of the pyramid in abiding by the standards but also they might face challenges in meeting them.*

- *Adoption of standards and thereafter certification must follow the statutory requirements. This is another secondary requirement which must be interpreted and implemented correctly.*
- *Record-keeping to allow for traceability which enables verification through history. This requirement is all about documentation. In African culture, particularly farming practices does not prioritise keeping of records.*

**The Rainforest Alliance reveals the following:**

- *Training on the standards for the implementers—the firms and farmers. Unless the participants understand the standards, it is difficult to meet the set conditions—farmers are to be trained and coached on how to adapt of the standards and follow procedures and steps*
- *Collecting and maintaining records for auditing purposes.*
- *Securing markets for the certified commodities is yet another requirement. The suppliers have to make sure that they are hooked to the market to be able to sell the commodities.*
- *Ensuring that the implementers are current with the standards being used as there are changes that one has to keep track of; otherwise one will be off the track.*

**d) Theme # Three: Challenges related to the adoption of standards as means for internationalisation among agribusiness firms and smallholders in Tanzania**

The study also sought to establish challenges related to the adoption of standards among smallholders. In this regard, the respondents revealed the following as significant impediments to the successful adoption of standards in the context of Tanzania's agricultural settings:

**From HomeVeg Ltd, the challenges were reported as follows:**

- *We face serious problems with packaging. Most of the packing materials are imported mainly from Nairobi [Kenya]. This is a bit expensive—it takes time to procure the required materials.*
- *Politics could also hamper our activities down to the farmers. For example some farmers from Machame were once our members but they were influenced otherwise and we could not continue with them. This was purely about politics particularly forcing the farmers back to their conventional activities.*
- *The adoption of standards is expensive—auditing requirements are cumbersome and expensive, recording-keeping and maintaining and following the acceptable routines among farmers could even be more challenging .*
- *The cost of certification is a challenge. You need to update your certificate every year and it is costly.*
- *It is a challenge too to ensure that your growers always abide by the standards particularly on safe use of pesticides.*
- *Certified products must as well meet the required quality and specifications. Note that Certification is not involved with the quality of products but rather with how the commodity has been grown i.e. documentation. Therefore, you may have a certificate and yet lose the market due to the quality of the commodity.*

**UWAMWIMA similarly reported several challenges:**

- *It has always been difficult to match the demand and supply, both in terms of the amount and being able to supply consistently throughout the year.*
- *Transferring GAP skills to all participating farmers has been a problem with us. It takes a lot of time to train farmers, who in most cases require hands-on for the first two or three growing seasons.*
- *Extension services are lacking when considering the normal government services. Thus we provide our own in-house extension services. This adds on the costs of implementing standards. Meeting all the costs by farmers must correspond with the willingness of the buyers to pay.*
- *Standards are modern and new farming techniques among farmers; they have to see value before they can adopt them.*
- *Packaging is yet another issue of concern. In most cases packaging materials add to the costs of production as all packaging materials are bought at a cost from Dar es Salaam.*
- *To maintain quality we also provide for cold storages. With electrical problems and bills. Then this particular farming system is more expensive than the conventional ways.*

- *This being an association of growers, who in most cases own small land lots, you need to recruit enough members to meet the required quantities. This is challenging as it also adds to the costs for extension services, and the entire management of the farming practices.*

**KNCU (1989) Ltd mentioned the following challenges:**

- *We have been experiencing difficulties in complying with standards among farmers.*
- *Costs of compliance are high, audit and verification are all very expensive.*
- *There are many certification codes. These could confuse farmers.*
- *Traceability system—collection, processing, storage and handling—require implementers to be accurate and maintain records properly.*
- *Initial costs of certification are high and difficult to foot before one starts selling.*
- *We are unable to set our price due to lack of own market and poor bargaining power.*
- *In our context coffee is produced in Mbinga, Bukoba, Musoma, Njombe, Kigoma and Kilimanjaro to mention but a few places, and we are collecting from all these sites to export via the Tanga or Dar es Salaam ports. This is very expensive. Yet as production takes place in rural areas where there are poor roads therefore the cost of transportation is very high. This all go to the farmers' account.*
- *There is a 5% tax for the local government which tends to add the cost of production.*

**AfriCert Ltd provided the following responses on challenges:**

- *The challenges are many but for smallholders it might be very expensive to keep up with certification, taking into account the nature of the inputs required, the initial costs and thereafter the annual certification.*
- *Sustainability of the certification among practitioners particularly the farmers is very challenging, dropouts are many and to-date only a few have adopted this eccentric way of production.*
- *The majority of the farmers and sellers alike who would wish to go for certification lack knowledge of the standards and all that certification requires.*
- *Additionally, there are problems related to the sources of information on the standards and relevancy of the sources and contents. In some instances, farmers and entrepreneurs have been misled about the standards and certification.*
- *We lack experts in the local setting and, thus, depend on experts from Kenya and other parts of the world. This adds to the cost of auditing.*
- *There is a big challenge related to recording and documentation. Farmers are not used to record keeping; therefore, documentation is very difficult. But this is a pillar in the certification process.*

For the **Rainforest Alliance**, there are also a number of issues considered as challenges:

- *Lack of resources to enforce standards among smallholders might be the first problem*
- *Adoption of standards requires a lot of interventions for the sustainability of the production system. This calls for medium to long term plans which most of our producers and sellers lack.*
- *Adoption depends on the type of standards used; some standards give room for improvements, for example, fair trade, organic, rainforest but others not. Therefore, we have to choose the appropriate ones.*

A closer look at both the requirements and challenges related to the establishment and actualisation of a certification system brings to the fore many salient issues. The requirements such as those of acquiring the necessary knowledge and skills on particular codes, and being able to disseminate and share with farmers are all related to the capability or competence of an individual or a firm (*the edicts of the resource based view*). Moreover, the requirement to ensure that farmers are convinced to abide by the standards and being able to supply certified commodities continuously pertains to continuity and building competence but more of a long lasting *competitive advantage* (see Prahalad & Hamel, 1990). To enforce standards one has to be able to meet all the costs required to purchase inputs, cover auditing expenses, and meet other indirect costs, which allude to the resource requirements or the *resource endowment* aspect. Together these aspects of resources, capabilities and capacity borrow from the resource-based tenets (see, Barney, 1991; Prahalad & Hamel, 1990).

Moreover, claims by respondents that, the adoption of standards require proper co-ordination and appropriate means of transportation to facilitate the collection of crops from different production sites that requires not only infrastructural support and appropriate policy but also proper co-ordination of the entire supply chain. These a macro issues imply that a firm that will use standards as a means for penetrating markets abroad will very much depend on the policy environment as well as the extent of the development of the supporting infrastructure, such as roads, cooling systems and transportation in general. After all, this is about dealing with smallholders who own small pieces of land and operate in isolation. Thus for them to collect enough produce or products to fill a consignment demands a lot of co-ordination, movement of the crops and highly integrated cooling or storage facilities. Together the firm specific resource, competency and capability requirements and the macro level policy, infrastructural necessities for smooth export entails embracing the edicts from the resource advantage theory.

The study findings show that standards are an important vehicle for internationalisation in the agribusiness sector. They facilitate smallholders' joining of a community, a family, and believers of certified commodities. Although one can still sell abroad without adopting standards sell abroad in some markets albeit at a very low price, uncertified commodities could in relative terms stay longer on the shelves unsold than the certified ones. This alone is an incentive for the sellers who are increasingly shifting towards certification of their produce for sale to the export markets. In fact, there is an increasing demand for the certified products. As the market for certified products is determined first by the codes—standards the suppliers have to abide by, then certification sort of levels the market ground, which becomes open and available for whoever fulfils the set rules governing the standards in place.

The most challenging but relevant requirement for a smooth adoption of a certification system is ensuring that farmers are convinced and can adopt the standards. Moreover, supplying reliably to the markets abroad has to be smooth and continuous in terms of the amount and quality of the commodities. And yet, the land tenure system in Tanzania appear incongruent with this thrust. As a result, it lends to diseconomies of scale as dealing with smallholders who are fragmented requires a lot of sensitisation, control and management which inevitably raise the transactional cost. More significant is the need to be able to maintain the niche that one occupies through certification by supplying consistently quality agro-produce. This is only possible when a firm has recruited a critical mass of producers (smallholders) capable of supplying enough quality consignments. With regard to the adage that *“if 50% of farmers could adopt the standards, we could have created a critical mass that could supply consistently to the global markets”*, resources endowment, capability-building and creating a competitive advantage are an integral part of the big picture.

Moreover, there is the requirement for the firm to have knowledge of the standards coupled with ability to pass on such knowledge to smallholders under its wings while demonstrating an aspect of sustainable competitive advantage. Here tenet under the resource-based view and market-based view come into play. That is, a firm has to understand what are the market needs—the external perspective—and develop the necessary capabilities and competencies to compete favourably (Spanous & Lioukas, 2001). The combination of the firm-specific competencies, infrastructural requirements and the local business environment would make smallholders in any nation with favourable operational environment stand a better chance of conquering markets through certification than others without such a conducive context..

## **Conclusion**

The study findings, though indicative, point to a new explanation on how firms can eventually internationalise. In this regard, the theory of resource advantage or resource based view partially explain internationalisation of agribusiness through certification. Reference is made to the requirements and challenges required to offset impediments to smooth exportation by adopting quality standards. In other words, there is a need to build resources, acquire skills and experience and develop the capacity to transfer these skills to farmers. This is a very high level of resource configuration that can explain the differences between exporters and non-exporters of certified commodities. This is apparent among smallholders in developing economies and tends to favour the resource-advantaged firms or nations.

On the whole, to export one has to understand and join a community that adheres to and accepts particular standards. This is also partially explained by the network theory of internationalisation. But the most intriguing question surrounds the myth that even a new entrant could export instantly without necessarily first having networks. This is because certification weakens entry barriers and, therefore, new and even inexperienced exporters could penetrate the market and gain a niche by embracing and enforcing standards. This levels the ground for the players.

Selling through standards entails joining a community of believers of certain principles. Once part of this community one becomes close and valued. In this regard, standards glue together the suppliers by implanting particular standards and the buyers mostly consumers. One could also take advantage of this community links to profile one's commodities and brand the farm commodities from smallholders. African countries could export through certification, but under favourable policy and infrastructural conditions. The findings also appear to suggest that export through certification hangs around and between several theoretical stances and thus no single theory can fully explain this phenomenon.

At the beginning of this we raised a question on whether firms follow evolutionary or revolutionary trajectory in internationalisation. The unfolding facts stemming from this study are indicative of new knowledge that challenges even the edicts under the Born Global theory. The fact that certain standards could facilitate firms' participation in the global market suggest that even a new entrant can embrace and adopt the standards and become a Born Global agribusiness (in the case of this study) firm. As such the process through this vehicle could include appropriate management and monitoring of the production process to meet the requirements and cost leadership in addition to becoming more innovative as the firms gain experience and foothold in the export market.

On the whole, the study findings suggest that a firm could join global supply chain and markets by adhering to acceptable standards. As most of these standards are stringent and particularly daunting for firms from developing countries, cost reduction and quality assurance are preeminent prerequisites for such export strategy to work and allow the smallholders in the agribusiness to reap tangible benefits on a sustainable basis. On the other hand, adopting standards does not necessarily require having networks abroad nor gradual growth and experience as other internationalisation theories suggest. In fact, the former are the vehicle possible to move a local even a new firm to the international markets.

### **Study Implications**

- Apart from other factors, standards, to a large extent, govern the world's agro-food trade.
- For an agribusiness firm to participate in the global markets for agro-food commodities adoption of standards is not an option but should be an integral part of the business acumen.
- Standards and the attendant certification thus constitute a vehicle for export and internationalisation.
- To participate in the global trade a critical mass of producers must be recruited in this system.
- Practically, actors in our local settings should avail this necessary information to farmers and exporters for them to take advantage of the platform.

### **Acknowledgements**

I wish to acknowledge Mr. Edward Mwaluko for his contribution to this work, particularly during data collection and identification of relevant firms.

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