International Journal of Business, Economics and Management
2014 Vol. 1, No. 11, pp. 343-357
ISSN(e): 2312-0916
ISSN(p): 2312-5772

FACTORS IMPACTING ON SMES INTERNATIONALIZATION: DAIRY INDUSTRY IN ZIMBABWE

Tongesai Mpofu[1]* --- Joyline Sauti[2]

[1,2]*Chinhoyi University of Technology, Department of International Marketing, Chinhoyi, Zimbabwe*

ABSTRACT

The main thrust of the study was to identify and assess the factors that impact on Small to Medium Enterprises (SMEs) internationalization in the Zimbabwean dairy industry. The objectives of the research are to identify the factors that drive or motivate the internationalization of SMEs, analyze most significant barriers to SME internationalization, examine the strategies being adopted by SMEs in their internationalization process and identify and recommend strategies that will assist SMEs in dairy sector internationalization. Companies internationalize because of many factors that include profit motives, costs minimization, diversification of the markets, search for new opportunities and saturated domestic market. The factors considered in internationalization include the knowledge on the market, the availability of resources, the strategies to be used and the market environment. Despite the main motives of companies to internationalize and the advantages involved, there are obstacles that the company must overcome for successful internationalization. The sample for the study was eight SMEs in the dairy industry and simple random sampling was used for selecting respondents. Questionnaires and face to face interviews were used for data collection. The study found that the major drivers for internationalization in the Zimbabwean dairy industry included the drive to gain a large market share, maximize profits, expansion, managerial urge and competitive pressure. The dairy SMES face operational, informational, environmental and marketing challenges. The internationalization strategies used in the dairy sector include importing, exporting, foreign collaborations and subsidiaries. The study recommends that there has to be openness to internationalization, financial incentives and assistance should be given to internationalizing SMEs and there must be provision of business support service.

Keywords: Internationalization, Internationalization strategies, Dairy, Motives, Barriers.

Contribution/ Originality

This study contributes to existing literature on internationalization. This is one of the few studies that have been carried in Zimbabwean dairy sector. It's of paramount importance to the Zimbabwean economy it agriculturally based.

1. BACKGROUND OF THE STUDY

Global economic integration is changing the competitive paradigm in which all businesses operate, requiring an international expansion strategy to positively impact long term growth and survival. The small business sector has become more important as they emerge as a dominant force impacting the growth of national economies. Small to Medium Enterprises (SMEs) presence is important to most economies particularly those in developing world. The internationalization of these firms is no longer an option but indeed necessary for them to follow the wave of globalization (Nummela, 2002). Internationalization is essential in the modern world but is filled with many uncertainties. The internationalization processes are interlinked and a firm that wants to internationalize should always take into account factors like knowledge of the market, the availability of resources, the strategies to be used and the market environment into consideration (Jones and Crick, 2004).

The contribution of SMEs to the broader process of economic development is increasingly being recognized worldwide (Kirby and Kaiser, 2003). SMEs are increasingly being viewed by governments, policy makers and national donors as critical to the development of economies especially in developing countries. The importance of SMEs in industrial and economic development came into light following the success stories of some East Asians and Western countries such as Singapore, Taiwan, North Korea, Germany and Italy (Hallberg, 2001). In India SMEs contribute 45% of overall exports and in Malaysia the sector accounts to 80%. This shows that an economy that shows substantial growth is usually characterized by a strong and growing SMEs sector. Zimbabwe has experienced growth of SMEs but, "what is disheartening though is the fact that although the government has come up with various measures to support SMEs, the results on the ground do not reflect that the sector is growing" (The Zimbawean Herald: March, 2012).

The internationalization of SMEs matters not only in terms of their export activity, but also their imports, foreign investment, international subcontracting and international co-operation (Lu and Beamish, 2001). These activities can be the essence of many SMEs, including those starting up, who market niche products, may be anywhere in the world but recent evidence suggests that SMEs activity in Africa, both existing and planned, have fallen steadily in the past year (The Economist, 2000). SMEs are falling to increase their involvement in international markets despite the support that is being offered by the government and other non-governmental bodies.

Over the past decades ongoing changes in Agrifood questions the ability of Zimbabwean Agricultural SMEs to adapt to new challenges and define new markets strategies to confront stronger competition. Internationalization of production and marketing is one of the main answers to the challenges. Like most sectors in the economy, the diary sector suffered from many years of economic decline witnessed in the decade between 2000 and 2010 (Simpson and Dhlela, 2010). However, since the dollarization in 2009, the economy has been picking up and some sectors especially the food and the beverage sector, have recovered and a number are operating at almost full capacity.

The dairy industry is facing an internationalization process, as world dairy products markets are being liberalized. Zimbabwe had 233 registered dairy operators and an estimated dairy herd of about 26 000 animals, 12 000 of which are milking cows (Mapunga and Dube, 2009). The structure of milk production is characterized by small farmers. These small holders as well as medium sizes enterprises are struggling to expand into the international markets despite the fact that the dairy industry is becoming more and more concentrated; the international dairy market is highly liberalized and giving opportunities to low cost producers. The Zimbabwean milk exports have declined as illustrated by the table below;

Table-1.1. Milk Exports in US Dollar

Year	2006	2007	2008	2009	2010	2011
Total US$	1,846,217	2,659,395	3,063,803	1,123,694	2,201578	736,384

Source: United Nations Commodity Trade Statistics database (2005-2011)

As depicted above milk exports rapidly decreased from 2,210,578 in 2010 to 736,384. Most of milk producers are SMEs and are failing to export and some failing to meet their domestic targets. This clearly shows that there is need for small scale dairy to increase business operations in foreign markets and compete internationally to sustain their foothold in the country.

1.2. Statement of the Problem

The Zimbabwean SMEs industry is failing to increase its enterprise investments in international markets. The sector is facing challenges to penetrate the global market. What strategies can be adopted to overcome the challenges in order for the companies to penetrate and compete effectively in the global market?

1.3. Broad aim of the Study

The study aims to investigate the factors that affect the SMEs dairy sector internationalization.

1.3.1 Specific Research Objectives

The study wanted to achieve the following objectives;

1. To identify the factors that drive or motivate the internationalization of SMEs
2. To analyze the most significant barriers to SME internationalization
3. To examine strategies being adopted by SMEs in the internationalization process

2. LITERATURE REVIEW

2.1. Motivation or Drivers of SMEs Internationalization

There are many possible driving forces behind a firm's internationalization pattern. These factors are generally divided into two categories: proactive and reactive motivating factors (Czinkota and Ronkainen, 1988). The former group consists of management's perceived benefits or opportunities. For instance, increased revenues or profits may motivate the firm to enter the international arena. The second group, the reactive motivators, refers to a set of motivators caused by the firm's response to environmental changes. For example overproduction, declining sales, excess capacity and saturated domestic markets may cause the firm to turn to new markets that is to foreign markets to find new possibilities. Reasons for internationalization differ from company as noted by Woods (2003) that all companies are different, and so the precise reasons for internationalizing will vary across organizations to reflect their individual circumstances.

2.1.1. Growth Opportunities

Growth opportunities associated with international markets were identified as a key driver of firm internationalization in several studies. A study reported that after allowing for the impacts of firm size and sector, Canadian firms whose owners had expressed growth intentions were more than twice as likely the export, than those whose owners did not indicate growth. The possibility of growth in other markets and increased profit opportunities from international expansion were highlighted as key stimuli for exporting among Australian, British, Spanish, Swedish, and US firms investigated in previous studies. Firms' overseas venturing decision also seems to be motivated by the need for business growth, profits, an increased market size, a stronger market position and to reduce dependence on a single or smaller number of markets. Often firm growth is the main goal or motivation of international expansion. In agreement Orser *et al.* (2008) view growth as one main reason for internationalization of the firm. Orser and colleagues assert that, growth is still a core perspective in creating an understanding for why firms internationalize their activities. Growth could be obtained through internationalizing the firm and capturing new market opportunities. Internationalization exposes the company to a large and diversified market. The large market enables the company to manufacture products on a large scale.

2.1.2. Profit Motive

Profit is another motivation behind internationalization and is closely linked to maximizing return and minimizing costs in purchasing, production and sales. Woods (2003) asserts that the search for economies of scale is a reason for internationalization. Many organizations internationalize with the motive of increasing profits of the company and reduce costs. The objective of an organization to internationalize can be realized if the company can access a large market and benefit from economies of scale. The economies will then help the company reduce its costs and increase its revenue (Perkins, 1997). Konomoto (2000) says that a company came make meaningful profit if it adds value of the products. In support of Kanomoto, Kolodko (2003) says that product value can be added by increasing product quality.

2.1.3. Competitive Pressure

According to Shenkar and Lu (2008), competitive pressures on the domestic market may push the SMEs to increase the scale of its operation via exports so as to reduce unit cost. If there are many domestic manufacturers in a country making the domestic market saturated and that becomes too competitive for many companies, therefore, companies internationalize to compete in the foreign market that is less competitive and profitable to protect the local market operations. A good example is the Japanese departmental store who ventured into other markets like the Chinese markets due to saturated market at the local level (Muhlbacher *et al*., 2006).

2.1.4. Opportunity Utilization

Another motive for internationalization is opportunities that may exist in some countries across the world for the growth of firms due to the growing economy. The growth of the economy means that consumers in that country have the ability to gain purchasing power time and the product of the company bought at an increased capacity. A good example is the Chinese market that has realized economic growth with the possibility of the large population acquiring purchasing power with time (Muhlbacher *et al*., 2006).

2.1.5. Band Wagon Effect

This is a condition whereby the company decides to venture into the global market because its competitors in the industry or other industries are doing it. Such kind of internationalization might be good for the company if it uses the opportunity well and maximize potential available. However, care should always be taken not to venture into foreign market blindly (Perkins, 1997).

Knowledge related factors may push and pull SMEs into international markets. The push dimension pertains to the importance of managers' previous international experience and related management capacity factors, as observed in studies among Canadian firms, Spanish firms and Swedish. There are also related findings from a number of OECD countries and non OECD economies like Chile, India and Indonesia.

2.1.6. Global Market and Shifting Cost Priority

Many organizations have become aware of the potential capability of gaining revenue from the world market. Therefore organizations attack their competitors using revenue earned from foreign markets in order to protect the local market that is more competitive (Lindmark, 1996). Companies can also internationalize because of low costs experienced in other international markets apart from local market (Luo, 2002). Network ties and supply chain links and complex international and political environment may drive a company to do international marketing.

2.1.7. Reactive Motivating Factors

International expansion is a significant decision for SMEs who traditionally have a small financial base, a domestic focus and a limited geographic scope (Lu and Beamish, 2001). While some SMEs are born global, most lack the resources to internationalize and traditionally have been reluctant to engage in global business activities (Kirby and Kaiser, 2003).

Improved technology and communication have made it easier for firms of all sizes and in various locations to do business with each other. The globalization of large firms and service providers has provided increased opportunities for SMEs to participate in different parts of the value chain of those companies (OECD, 2004). Better dissemination of management education and business tools has enhanced the competitiveness and quality of businesses across the spectrum. The reduction of language barriers and lower cost of travel have also facilitated internationalization. Shenkar and Lu (2008) add innovativeness, entrepreneurial spirit, lower overhead costs and the ability to move fast and take advantage of new opportunities as all important factors in the global market place that SMEs can take advantage of in internationalization. The other factors leading to a more accelerated internationalization are new market conditions, increased specialization demanding larger markets and quick spread of innovation, technological developments in the areas of production, transportation and communication, and more elaborate capabilities of people, for example more mobile personnel and increased knowledge about foreign cultures and markets. In addition, improvements in transport and logistics, major advances in communication and the lowering of trade barriers are significant factors which have facilitated internationalization.

2.2. Barriers/ Obstacles to SME Internationalization

Despite the trends in facilitating internationalization, many barriers still exist both internal and external to the firm. External factors affecting the internationalization of SMEs include national and international administrative rules and burdens as well as formal and informal trade barriers. Internal barriers for SMEs trying to internationalize can include cultural differences, lack of information or skills, insufficient networks, and lack of finance (Muhlbacher *et al*., 2006). The European Commission's 2003 survey identified the most cited barrier to be the high cost of the internationalization process. The cost comprise of the cost of conducting international market research, purchasing legal consulting services, translation of documents, product adaptation, travel costs in addition to higher business and financial risk incurred.

Shortage of finance is another barrier for SMEs internationalization. Lack of finances may lead to withdrawal and major losses (Coviello and Munro, 1997). Studies conducted in Canada and Australia reported that lack of finance affected the internationalization process of SMEs (OECD-APEC, 2007).

Limited managerial knowledge is also a barrier to SMEs and this was supported by studies carried in American and Canadian firms (UPS, 2007). Difference in managerial perceptions among American and Indian engineering firms were also found by Smith *et al*. (2006) to account for observed variations in exporting activity. Further research among Korean and Spanish SMEs similarly highlighted the salience of international market knowledge in explaining the internationalization process of SMEs.

Shenkar and Lu (2008) view lack of market power as another key deficiency for smaller firms which often find themselves powerless against trade barriers. Studies by Crick (2007), Barnes *et al.* (2006), Kneller and Pisu (2007) reinforced the lack of market as major barrier. Competing priorities, knowledge, and limited information are other barriers to international marketing. Other barriers include firm size, administrative inertia like documents and payment problems and foreign competition. In support Shenkar and Lu (2008) say that some barriers include integration with country's business culture, lack of information, cost and financing, qualified employees, regulations and tariffs, lack of expertise, transaction cost. Transaction cost of SMEs is usually higher than those of multinational companies which internationalize much of its operations.

2.3. Internationalization Strategies

SMEs internationalization can take many forms including exporting, creating alliances, establishing of operations or offices in other countries. In addition to exporting and importing activity, (OECD, 2005a) asserts that SMEs have increasingly engaged in cross-border strategic alliances, mergers and acquisitions and inter firm networking and collaboration.

Traditionally, internationalization was described as an ongoing sequential process of various identifiable stages. Johanson and Wiedersheim-Paul (1975) found a regular process of gradual change involving the firm moving through four stages which are; intermittent exports, exports via agents, overseas sales via knowledge agreements with local firms, for example by licensing or franchising and foreign direct investment in the overseas market.

Table-2.1. Comparison of internationalization methods

Entry mode	Benefits	Challenges
Exporting	• Relatively easy • Fast • Low investment cost/commitment • Flexible • Lower risk	• Possible lack of alignment with foreign sales agents • Exposure to tariff and non-tariff trade barriers • Cost of transportation of goods
Alliance	• Requires limited resources and market knowledge	• Identifying the right joint venture partners is critical • Structuring effective partnerships can be tricky
FDI	• Increased firm competitiveness and growth • Development of new knowledge and capabilities • Minimizes transaction related risks	• Complex, time consuming • High investment commitment • Least flexible approach • Higher risks

Source: Lu and Beamish (2001)

Lloyd-Reason and Mughan (2004) observed that firms initially move to countries which are culturally similar to their own (a close psychic distance) and in close geographic proximity. Lu and Beamish (2001; 2006) in their studies observed that the older a firm, the more established the routines and practices, and the higher level of organizational inertia and the more resistance to pursuing internationalization. In addition the study showed a learning advantage of newness for SMEs who internationalize at reasonably immature ages. They concluded that the sooner the internationalization, the easier the learning and the faster the firm growth.

2.3.1. Import/ Export

While importing and exporting are the easiest and usually the first steps to internationalization, only a small majority of SMEs are currently doing so. Many SMEs begin by importing goods from foreign suppliers and only start exporting in response to intermittent needs and demand. By selling directly or through sales agents to clients in new geographic markets, a firm broadens its customer base and can potentially attain a higher sales volume which provides the possibility of a higher production volume and expansion in production capacities to meet demand Lu and Beamish (2001). Exporting is rapid, easy and flexible way to enter foreign markets with low commitment and risk. It enables SMEs to respond quickly to changes in various markets, either reducing or expanding activities.

On the other hand, exporting has its own drawbacks that an organization experience. To begin with, it may turn out to be expensive for the exporting company to manufacture its products in its home town if there are other manufacturing centers in the country of destination that are cheaper. In addition to that, transportation costs can make exportation uneconomical especially when transportation costs between the two or more countries are high. High tariffs in the country of destination may also contribute to high cost of exportation. Studies by Lloyd-Reason and Mughan (2004) concur with the above sentiments.

2.3.2. Strategic Alliances and Joint Ventures

Another way for firms to internationalize is through strategic alliances and joint ventures. Benefits of these alliances include access to financial resources, pooled research efforts, product development and wider distribution channels. Alliances are becoming increasingly important as international competition drives specialization and the trend for large companies to increasingly outsource activities (OECD, 2005a).

Joint ventures permit SMEs with limited productive resources or market knowledge to enter international markets. Alliances and networks can take many forms including joint research and development, manufacturing, marketing, sourcing of inputs, or co-operation on distribution.

However, research conducted by Kirby and Kaiser (2003) reveals that initiatives appear to have been successful but, have their problems and in many ways the experiences of SMEs involved seem alike to those of large multi-national enterprises. They argue that the key to success appears to be on the choice of the joint venture partner and concludes that, given the limited resources of small firms, assistance is required to help them locate and select appropriate partners (Kirby and Kaiser, 2003).

2.3.4. Clusters and Networks

For SMEs to acquire resources, experience, skills and knowledge which they lack, one technique they can use is cooperation (Nummela, 2002). Through cooperating with other internationalizing SMEs the partners could use their resources more efficiently, divide costs and risks related to foreign markets, obtain information and learn new skills which are needed in the foreign markets. Clusters and other networks aid in developing and securing international alliances by increasing productivity, innovativeness and competitive performance of local firms, creating a more efficient division of labour between enterprises and facilitating joint development and marketing initiatives. These networks include vertical supply chain relationships and horizontal clustering, link with entrepreneurs who have sources of financing, human skills and partnerships with suppliers of information have enormous potential. Some of the benefits of networking include; enabling skills transfer, technology and quality, ensures that foreign direct investment has positive spillover effects, bringing companies into the formal sector, opening markets and improving SMEs ability to get finance.

2.3.5. Foreign Direct Investment (FDI)

FDI can be a better way to achieve firm growth, although for most countries, only a small fraction of SMEs have established subsidiaries abroad (OECD, 2005a). Outward FDI, or the establishment of a subsidiary or branch abroad, allows a deeper penetration of the foreign markets which can result not only in an increase in sales but also gaining of knowledge and technical expertise which might be possible from the firm's home base.

Inward FDI provide opportunities for SMEs by serving as a vehicle for SMEs to access international markets by joining value chain of multinationals as well as providing a well-organised method to diffuse technology and better methods for SMEs to enhance their international competitiveness. Outward FDI by SMEs generally occurs after successful experience gained in exporting or forming alliances.

The study by ENSR (2003) revealed that only 3% of SMEs in Europe have subsidiaries, branches or joint ventures in other countries (countries in the survey ranged from 0.5% to 10%). High growth born global firms normally have this integrated in their strategy from the beginning. A firm can build a subsidiary from scratch or acquisition. FDI can lead to sustainable growth of the firm including contributions to the development of new knowledge and capabilities by providing access to a range of location-based advantages.

2.3.6. Licensing

A license arrangement is a business arrangement where a licensor using its monopoly position gives the licensee the right such as a patent, a trade mark, a design or a copyright. The licensee has exclusive right which prevents others from exploiting the idea, design, name or logo commercially. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance.

2.3.7. Franchising

This is similar to licensing only that it is for a longer period of time while licensing is only for a shorter period of time. Masum and Fernandez (2008) say franchising is the right that a firm acquires from another company that allows the two companies to do particular business activities like selling of goods and services under a given specific name. The company that sells the franchise usually receives royalties' payment that is related to the revenue of the franchise. The cost and risks of operating in the host country are some of the reasons for selling the franchise by the company that owns it,

3. RESEARCH METHODOLOGY

Data was collected from both primary and secondly sources. The primary data was collected through a survey by a questionnaire which was administered to small diary companies in Harare in order to solicit information. Personal interviews with top management were done and they gave room to ask more questions which were not planned but which proved important during the conversation. Secondary data was obtained through document review of books and peer reviewed journals. Out of the 40 questionnaires distributed, thirty three questionnaires were retrieved, representing 82.5% response rate. Simple random sampling was employed in selecting the sample size to ensure that all companies had a chance of being selected for the study to avoid bias. Statistical methods used for the research analysis were mainly descriptive statistics.

4. RESULTS AND ANALYSIS

Table-4.1. Response rate

Respondents	Interviews intended	Interview administered	Interview response rate%	Questionnaire administered	Questionnaire Returned	Questionnaire response %
Management	16	15	93.5	40	40	82.5

Out of the forty questionnaires distributed, thirty three were returned giving an 82.5% response rate. The response rate is good enough to render the research results valid. The high response rate could be due to the fact that the research generated lots of interest to the respondents in the area of study. Respondents indicated that the major drive for internationalization in the dairy industry included the drive to gain a large market share, maximize profits, expansion, managerial urge and competitive pressure.

Table-4.2. Factors that drive or motivate SMEs internationalization

Motive	Frequency	Percentage frequency
Profit and growth	28	84%
Economies of scale	23	70%
Managerial urge	11	33%
Foreign market opportunities	19	58%
Competitive pressures	9	27%
Total	33	100%

The profit seeking motive of SMEs is supported by the International Entrepreneurship Theory of Internationalization which urges that the behavior and motive of a firm to entrepreneur is the basis of the ability of the firm to enter into new markets (Mitgwe, 2006). The entrepreneurial behavior of an organization can be in form of exploiting new innovative ventures in new markets and using new opportunities as the organizations competitive advantage to enter into the market (McDougall and Oviatt, 2005).

4.3. Internationalization Speed

The respondents were also asked the speed of internationalization. Sixty-seven percent (67%) of the respondents who are involved in the internationalization ventures indicated that the process was slow given the pace which their companies were picking up businesses.

4.4. Barriers to SMEs Internationalization

Table-4.3. Grouping of barriers

Group number	Barriers	Frequency	Percentage Frequency
Factor 1	Informational	16	48%
Factor 2	Operational	24	73%
Factor 3	Marketing	20	61%
Factor 4	Environmental	8	24%
	Total	33	100%

The barriers were grouped into four factors which are informational, operational, environmental and marketing factors. The factor analysis was used to reduce the two identified barriers to a smaller number of factors that represent the essential characteristics of the set of barriers to internationalization. Factor one was labeled as informational and comprised of lack of reliable market data, difficulty to access data, lack of information on contact person and lack of information on how to establish contact. These are related to ease of access of information on foreign markets and accounted for 48% of the total variance.

The variables in factor two which are aligned to the operational dimension included limited production capacity, lack of staff with experience in internationalization, lack of time for the owner- manager to deal with exports, shortage of funds to finance export operations had a 75% of the variance.

Factor three had market related issues which had variable like inability to develop high quality new products, inability to meet packaging standards, unfamiliar distribution channels overseas, high transport, insurance and warehousing costs and difficulty in managing advertising and promotion that explains 61% of the total variance.

The environmental barriers labeled factor four accounted for 24% of the total variance. The seven variables included language barriers, poor support from home country government, tariff and non-tariff barriers, cultural difference in business practices, corrupt bureaucratic practices in the home country, lack of advanced technology and lack of low interest finance in the home market.

4.5. Strategies for Internationalization

While exporting and /or exporting are the easier and usually the first steps to internationalization, only a small majority of SMEs are currently doing so. Many SMEs start importing goods from foreign suppliers and only start exporting in response to intermittent needs and demand as shown in the table below. Many firms start exporting reactively based on the needs of existing customers rather than proactively.

Table-4.4. SMEs internationalization strategies

Frequency of different types of internationalization	Percentage of total SMEs
Importing (foreign suppliers)	49%
Exporting	12%
Foreign collaborations	3%
Foreign subsidiaries	2%

From the table above it can be noted that the four major internationalization strategies by firms in the dairy industry were importing which had forty-nine percent, exporting accounts for 12%, foreign collaborations three percent and foreign subsidiaries two percent respectively. The exports markets in the SADC region include South Africa, Mozambique, Malawi, Zambia and Namibia.

4.6. Best Strategy for Internationalization

The responses were diverse with 61% of the respondents indicating exporting as the best strategy, twenty-seven (27%) indicated that foreign subsidiaries were the best strategy to adopt, nine percent favored foreign branches while three percent indicated the best strategy depends on the opportunity. The findings are contradictory to those by Lu and Beamish (2001) in their research 'the internationalization and growth of Japanese SMEs. Their findings revealed that FDI was a more effective growth strategy for SMEs than exporting. The contrasting findings between the two studies are important because they actually reveal the contrary effects that the same strategy could have on different markets. It confirms that the best strategy for the firm depends on the political and economic conditions of a country. Developed countries attract FDI than developing countries.

5. CONCLUSION AND RECOMMENDATIONS

The study analyzed the factors influencing internationalization of Zimbabwean dairy SMEs. Results of the study showed that the main motives for internationalization in the sector were profit and growth, economies of scale, managerial urge, foreign market opportunities and competitive pressure. On the other hand, barriers to internationalization noted were shortage of working capital, limited information to analyze markets, inability to contact potential overseas customers, lack of time, skills and knowledge. The main entry strategies included exporting, collaborations and FDI.

The study made the following recommendations:

For some companies that failed in internationalization there is need to re-evaluate their internationalization strategy and see whether it is the best given the firm's position.

A firm needs to gather enough information on the market in question, plan, and collect resources before venturing into international marketing. This is in line with the Uppsala model. However, given the level of technology and the dynamic nature of the market, it is possible for a company to make use of the network theory and the International Entrepreneurship theories in the process.

The study also recommends that there is need to reform education through competitiveness and productivity training, upgrading of production equipment. Education plays a key role, as the dairy SMEs need both technical and managerial training. This was supported by the World Employment Report (ILO, 2001) which highlights the increasing importance of a variety of foundation skills, such as the ability to learn, to communicate and to analyze and solve problems. Building of networks (cross border sector), providing financial incentives reinforcing legal frameworks are other recommendations.

REFERENCES

Barnes, B.R., R. Chakrabarti and D. Palihawadana, 2006. Investing the export marketing activity of SMEs in international healthcare markets. Journal of Medical Marketing, 6(3): 209-221.

Coviello, N. and H. Munro, 1997. Network relationships and the internationalization process of small software firms. International Business Review, 6(4): 361-386.

Crick, D., 2007. SMEs' barriers towards internationalisation and assistance requirements in the UK. Journal of Small Business and Entreprenuership, 20(3): 233-244.

Czinkota, M.R. and I.A. Ronkainen, 1988. International marketing. Chicago: The Dryden Press.

ENSR, 2003. Observation of European SMEs: Internationalisation os SMEs, No.4, Enterprise Publications.

Hallberg, K., 2001. A market-oriented strategy for small and medium-scale enterprises. International Finance Corporation Discussion Paper No. 40.

ILO, 2001. World employment report, 11 June. Available from http:www.ilp.org.

Johanson, J. and F. Wiedersheim-Paul, 1975. The internationalization of the firm- four Swedish cases. The Journal of Management Studies: 305-322.

Jones, M.V. and D. Crick, 2004. Internationationalisation of high- technology-based UK firmf information gathering activities, Journal of Small Business and Enterprise Development, 11(1): 84-94.

Kirby, D.A. and S. Kaiser, 2003. Joint ventures as an internationalisation startegy for SMEs. Small Business Economics. Springer Netherlands, 21(3): 229-242.

Kneller, R. and M. Pisu, 2007. Export barriers: What are they and who do they matter to? University of Nottingham Working Paper No. 2007/12. Available from http:ssm.com/abstract=968428.

Kolodko, G., 2003. Emerging market economies. Ashgate Publishing Ltd.

Konomoto, S., 2000. Problems of Japanese companies in East and Southern Asia. Nomura Research Institute Papers, No.18. Tokyo: Nomura Research Institute.

Lindmark, L., 1996. Småföretagens internationalisering (The Internationalization of Small-Sized Firms). In Företag, Företagare, Företagssamhet (The Enterprise, the Entrepreneur, and Entrepreneurship) edited by B. Johannisson and L. Lindmark. Lund: Studentlitteratur. pp: 122-150.

Lloyd-Reason, L. and Mughan, 2004. Internationalization process, SMEs and transitional economies a four-country perspective. International Journal of Entrepreneurship and Innovation Management, Inderscience Publishers, 5(3-4).

Lu, J.W. and P.W. Beamish, 2001. The internationalization and performance of SMEs. Strategic Management Journal, 22(6-7): 565-586.

Lu, J.W. and P.W. Beamish, 2006. The internationalization and performance: Rowth and profitability. Journal of International Entreprenuership, 4(1): 27-28.

Luo, Y., 2002. Capability exploitation and building in a foreign market: Implications for multinational enterprise. Organisation Science, 13(1): 48-63.

Mapunga, E.G. and D.M.J. Dube, 2009. Further of livestock in East and Southern, FAO. Available from http://fao.org.

Masum, M. and A. Fernandez, 2008. Internationalization process of SMEs: Strategies and methods, Vesteras, Sweden. Available from http://mdh.diva-portal.org/smash/record.jsf?pid=diva2:121500 [Accessed May 5, 2010].

McDougall, P. and B. Oviatt, 2005. Defining international entrepreneurship and modeling the speed of internationalization. Entrepreneurship Theory and Practice, 29(5): 537-554.

Mitgwe, B., 2006. Theoretical milestones in international business: The journey to international entreprenuership theory. Journal of International Entreprenuership, 4: 5-25.

Muhlbacher, H., H. Leihs and l. Dahringer, 2006. International marketing: A global perspective. 3rd Edn.: Centage Learning EMEA.

Nummela, N., 2002. Change in SME internationalization: A network perspective. Paper Presented at the 28th EIBA Conference, Turku School of Economics and Business Administration, Athens, 8-12 December.

OECD-APEC, 2007. Removing barriers to SME access to international markets Paris, organisation for economic cooperation and development: (OECD) Publishing.

OECD, 2004. Promoting entrepreneurship and innovative SMEs in global economy performance: A follow-up study. Journal of Business Venturing, 11(1).

OECD, 2005a. Measuring globalisation: OECD globalisationindicators, Paris, organisation for economic co-operation and development: (OECD) Publishing.

Orser, B., M. Spence, R. Riding and C. Carrington, 2008. Canadian SME exporter, Tefler school of management, University of Otawwa and Small Business Policy Branch of Industry of Canada, Government of Canada.

Perkins, S., 1997. Internationalization: A people's dimension: Human resource strategies for global expansion, Kogan page.

Shenkar, O. and Y. Lu, 2008. International business. 2nd Edn.: Sage Publications.

Simpson and Dhlela, 2010. Zimbabwe SMEs key to employment creation, quoted in financial gazette on 12 August 2012.

Smith, D.P. Gregoire and M. Lu, 2006. Manager's perceptions of export barriers: A cross cultural perspective of service firms. Journal of Transnational Management, 12(1): 51-68.

The Economist, 2000. Understanding the economics: A survey of the new economy, 23rd September.

The Zimbawean Herald: March, 2012. Zimbabwe SMEs key to employment creation.

UPS, 2007. Survey: American business missing global opportunities. UPS Business Monitor. Available from www.pressroom.ups.com/pressrelease/current.

Woods, M., 2003. International business. 2nd Edn.: Houndmills.