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*Identifying paths of SMEs pursuing international buyers, and the influence of third parties:
Cases from Latin American Agri-Food SMEs*

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Identifying paths of SMEs pursuing international buyers, and the influence of third parties: Cases from Latin American Agri-Food SMEs

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ABSTRACT

The present study analyses the processes that a selected sample of agri-food SMEs from Latin America has followed to access the resources and capabilities necessary to link to international markets. Drawing upon theories of resource-based view (Barney 1991) and social networks (Granovetter 1973), five agri-food SMEs in Mexico are compared and contrasted by following a “grounded theory” approach (Eisenhardt 1989). A set of testable propositions suggest that agri-food SMEs in Latin America systematically go through three events that ultimately leverage unique resources and capabilities, namely ‘group of entrepreneurs formed’, ‘alliance formed with non-familiar partners’ and ‘network creation with public and private market development agencies’. These results confirm current related literature because agri-food SMEs attain to establish market channels with international buyers by following a process (path dependence) rather than by mere coincidence (casual ambiguity) (Nelson and Winter 1982) and that the nature of the product they offer plays an important role in this fact (Regmi and Dyck 2001)

Keywords: *agri-food SMEs, capabilities, resource-based view, alliance, network.*

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TABLE OF ACRONYMS

Acronym	Description
ASERCA	Support and services for Agricultural trading
BDSO	Business development service organization
BIOFACH	Biofach organic food congress
BRC	British retail consortium certification
CARLOTA	A honey company
CNOC	coffee organizations national coordinator
DIPROANSA	Company <i>Distribuidora de productos apícolas naturales S.A</i>
FLO	Food labeling organization
FROZAVO	Company <i>Frozavo</i>
GLOBAL GAP	Certification
INMECAFE	National Coffee Institute of Mexico
KINCHILES	Company <i>Kinchiles</i>
LOLTUN	Company <i>Productos Loltun</i>
MDA	Market development agency
NGO	Non-governmental organization
ONA	National Organization of Beekeepers
PASA	Company <i>Panamericana Abarrotera S.A</i>
PROCOMER	Costarican trade promotion initiative
PROMEXICO	Trade and Investment initiative from the Mexican ministry of economy
SAGARPA	Ministry of Agriculture, Livestock, Rural Development, Fisheries and Alimentary
SME	Small and medium enterprise
TOSEPAN	Cooperative <i>Tosepan Titataniske</i>
TPO	Trade promotion organization

MANAGEMENT SUMMARY

The purpose of this study is: 1) to identify which resources and capabilities were necessary and sufficient for agri-food Small and Medium Enterprises (SMEs) from Latin America to become competitive in the international market; 2) to understand how SMEs have obtained their resources and capabilities, and at which point in time during their history; 3) to explore the role of stakeholders outside the supply chain (acting as “third parties” with respect to seller-buyer relationships) that provide resources and capabilities to SMEs (Mikkelsen and Levitsky 2001; Dentoni and Reardon 2010; Sud 2010).

By having a clear picture of the resources and capabilities that are necessary to meet the requirements set by international markets, organizations may overcome the uncertainty that surrounds any attempt of internationalisation due to the lack of information and experience within SMEs (Bessant and Rush 1995; Sud 2010). Moreover, getting to understand how SMEs have obtained such resources and capabilities can bring insight to organizations on the events that are necessary to happen so as to boost their obtaining. Finally, organizations can become more aware of the primary role that stakeholders outside the supply chain are playing in bringing resources and capabilities and on the other hand such stakeholders may get some hints in the identification of organizations that are ready to undertake an international strategy (i.e. exporting).

Despite that some authors have explored the resources and capabilities that drive competitive advantage so as to sustain the exporting activity (Kaleka 2002), most of these studies have been conducted with organizations from developed countries. Moreover these studies have focused more in developing a competitive advantage rather than in just meeting the minimum requirements that organizations need to possess in terms of resources and capabilities. Furthermore, no research has been done on the processes by which organizations have obtained their resources and capabilities. Finally, although some authors have researched on the business development services organizations and the resources and capabilities that they provide to the organizations (Mikkelsen and Levitsky 2001, Belloc and Di Maiob 2011, Sud 2010); there is still a need for understanding when these organizations more effectively can support SMEs.

An inductive theory-building case study approach (Yin 2009) was used as research method. Multiple cases were selected, compared and contrasted (Yin 2009). Five criteria were used in the definition of our unit of analysis 1) organizations displaying sufficient history to assess, 2) organizations with a minimum number of personnel ranging between 1 and 50 employees at the onset, 3) Mexico as geographical scope, 4) A mix of organizations that are currently using certifications, endorsements or pursuing both and 5) organizations that are marketing comparable agri-food products that either fall into the category of commodities or processed fruits and vegetables. Telephone semi-structured interviews (Ritchie and Lewis 2003) were conducted to pre-select the organizations that later would become our cases.

Seven criteria on export activity, type of product, certification, length of engagement in exports, age of the organizations, participation in international events and workforce were used to shape the questions asked to the organizations. Thirdly, data were collected through semi-structured interviews from five organizations in Mexico (Ritchie and Lewis 2003). The cases were selected purposively to understand “discontinuity and disequilibrium” across them (Cooper and Morgan 2008).

Data triangulation was achieved by performing 3 open interviews with experts in different fields, such as SMEs management, Supply chain management, and cooperatives management. Moreover, secondary data concerning the studied cases such as history of the organizations, information on offered products, size, targeted market, sales managers of the organizations, recordings on successful cases supported by Business Development Service Organizations (BDSOs) in Costa Rica, and articles on external factors that boomed the development of SMEs in Latin America were collected from official websites, articles, books and scientific magazines. Additional data concerning more examples of organizations’ processes were collected by these means.

For the analysis of the collected data, a grounded theory approach as well as process study was used (Eisenhardt 1989, Van de Ven 2007). First, by transcribing the interviews recorded during the data collection stage, the main aspects regarding the design and construction of a process study were considered for depicting subsequently the processes. In a first round of rough analysis, the processes belonging to the five studied cases were depicted (Van de Ven 2007). Then, the different events that marked out the development of the different processes were given a name, compared, and then contrasted among the five cases. Later on a second round of analysis and theorization process went on, whereby the expert’s opinions were used to refine and build theory (Van de Ven 2007). As a result of the analysis, testable propositions on the processes that SMEs followed to obtain the appropriate resources and capabilities to establish a channel with international buyers are suggested. The main findings of this study disclose that several resources and capabilities as those suggested by Kaleka (2002) for SMEs from industrial sector, are also necessary for SMEs from the agri-food sector, however, agri-food SMEs also need to develop capabilities on financial resources management, logistics management and workforce motivation that ultimately help them to meet the conditions of an international market (i.e. by investing wisely in their businesses targeting international buyers, by outsourcing the logistics from the production setting to the end buyers, and by encouraging their workforce to perform better). Three events underpin the obtaining of the majority of these resources, namely, ‘group of entrepreneurs formed’, ‘strategic alliance with non-familiar partners’, and ‘networking with marketing development agencies’, although key resources and capabilities such as experience on international markets, geographical proximity to the target market, loans and grants can be obtained mainly both through strategic alliances with non-familiar partners - i.e. an international distributor, an international partner- and through networking with public and private market development agencies -i.e. BDSOs, Trade Promotion Organizations (TPO)-. Finally the nature of the products plays an important role in the readiness by which agri-food SMEs can reach international buyers, as processed products and food products carrying credence attributes encounter lower barriers when entering international markets (Dentoni and Reardon 2010).

PREFACE

Factors leading to the research

Personally I found very interesting conducting research on a topic related to the issues that nowadays agri-food firms are facing in developing countries. Since I also have had the opportunity of being an entrepreneur and dreaming of building a brand, I wanted to understand in a deeper way what factors underpin the sustainability of an enterprise as well as the factors that lead firms to succeed in an increasingly competitive world. Nonetheless, I am also motivated by the fact that by learning about this topic, I am not confined anymore behind the technological aspects of my study field, namely, food technology, but a broader scope of applications opens up before me whereby I get a better understanding of the managerial issues that take place within companies.

The present research was also suggested by Domenico Dentoni, researcher and teacher within the Management Studies Department at Wageningen University, who has worked and published several papers on credence attributes (Dentoni and Reardon 2010; Dentoni et al. 2009)

Given that the credence attributes have had an impact on linking producers with buyers in distant markets (Dentoni and Reardon 2010), it was regarded as important in finding the way in which credence attributes embedded in a certification or an endorsement have been obtained by organizations that on the one hand produce agri-food products and on the other hand are resource-constrained.

Since also some of the papers written by Domenico Dentoni, show examples of organizations in the European market and in a developed-country context, which were producing agri-food products and that could attain distant markets and built social ties with third parties who had an influence on that. The present study was aimed in the beginning by researching in a Latin American context and a developing-country context the above mentioned phenomena.

Another driven factor to perform the present study was the nature of the agri-food products marketed by the studied organizations. As the set of food products that were set up as criteria when selecting the cases include a broad range of food products, the findings are regarded as a source of benchmarking for other organizations to apply in a similar context.

Finally, the student's country of origin was regarded as another key factor for conducting the present paper, as the geographical area where the fieldwork was conducted is well-known by the student and beside that, support from a researcher in Costa Rica was given.

Objective of the report

The present report has as objective to show the different sections this research consisted of. Moreover, this report can be used by scholars as a source of theoretical background for

future consultation on the different topics that are embodied in this research. Finally, this report was aimed at meeting the requirements for the elaboration of a final major thesis report set up by the Management department at Wageningen University.

Time frame of the research



Work plan

WORK PLAN	sep-11	oct-2011	nov-11	dec-11	jan-12	feb-12	mar-2012			
Define and design										
Literature review	█	█	█	█						
Research proposal design	█	█	█	█						
Collect and analyze										
Secondary data collection on internet			█	█	█					
Fieldwork (semi-structured interviews)				█	█	█				
semi-structured interviews by internet					█	█				
First step of rough analysis					█	█				
Second step in-depth analysis						█	█			
Theory formulation						█	█			
Conclude										
Final report elaboration							█	█	█	█

Bibliographic searches:

- Resource-based view (Barney 1991)
- Social networks (Granovetter 1973)
- Case Study (Yin 2009)
- Grounded theory (Eisenhardt 1989)
- Credence Attributes
- Cooperatives
- SMEs from Latin America

- Semi-structured interviews design
- Case study (Yin 2009)
- Grounded theory (Eisenhardt 1989)

- Fundamentals of strategy (Johnson et al. 2009)
- Resources and capabilities to export (Kaleka 2002)
- Micro & small enterprises in Latin America (Mikkelsen 2001)
- Process study (Van de ven 2007)

I. INTRODUCTION

1.1 Problem analysis

Nowadays globalization has led many Small and Medium Enterprises (SMEs) to pursue international markets (Kaleka 2002). In order to comply with the conditions set up by international markets, it is necessary for SMEs to keep up with the different regulations embedded in an internationalisation strategy (i.e. exportation) in terms of knowledge, production capacity, product specifications, and trade policies (Luo 2001; Kaleka 2002; Knight and Cavusgil 2004).

However, SMEs have been regarded by several authors as resource constrained organizations (Bijman and Hendrikse 2003, Dentoni and Reardon 2010), where core resources and competences are hardly available and especially when it comes to organizations dealing with less technology-intensive products (i.e. agrifood products). Therefore for SMEs to obtain core resources and competences so as to meet the conditions present in international markets, they need to pursue strategies. One of these strategies can be pooling of resources with other parties both inside and outside the supply chain that ultimately can leverage strategic capabilities (Johnson et al. 2009).

Strategic alliances are regarded as strategies that enable firms pooling resources in order to obtain a more robust set of resources and competences (Johnson et al. 2009); more informal types of alliances (i.e. networking, resource sharing, etc) have been identified among small firms. Moreover, in other instances SMEs have obtained resources and capabilities upon networking with third parties that are outside the supply chain such as organizations or individuals from the public sector -i.e. Business Development Service Organizations (BDSOs), Trade promotion organizations (TPOs) - (Belloc and Di Maiob 2011) and organizations or individuals from the private sector such as chambers of commerce and agriculture organizations (Yusuf 1995). Information on international markets (Belloc and Di Maiob 2011) as well as sources of technical and financial support have been identified as critical resources given to SMEs in order to pursue internationalization strategies (Sud 2010; Belloc and Di Maiob 2011).

Despite that some scholars have conducted research on the resources and capabilities that ultimately become sources of competitive advantage when pursuing international strategies (Kaleka 2002); the majority of these studies have focused on companies from developed countries (Kaleka 2002). Other studies have mostly focused on companies with technology-intensive products (Coviello and Munro 1997). Very rarely small firms from developing countries with labour-intensive products have been researched. Also, neither the processes by which such resources and competences were obtained nor the stage at which more resources and competences were obtained have been addressed by previous studies.

Therefore, in order to understand how these processes have taken place in the context of small firms from developing countries; we research five organizations from Latin America that obtained resources and capabilities over time and which eventually enabled meeting the conditions of international markets. We propose that 1) by identifying the different events within the processes followed by these organizations and 2) by identifying the resources and capabilities obtained in each event; lessons can be learned on the type of

process that agri-food SMEs should follow to ultimately meet the conditions in international markets. We move forward in the next sections by introducing the theoretical background and methodologies that ultimately are utilized in the formulation of the testable propositions presented in the last part of this paper.

1.2 Research question and sub-questions

The main research question to conduct this study is the following:

What are the processes undertaken by small organizations to gain resources and capabilities necessary over time to reach international buyers?

In order to answer to this question, sub-questions are formulated around the main research question:

What resources and capabilities have been present in the processes that agri-Food SMEs have undertaken over time to reach international buyers?

What events need to happen internally for the companies to gain resources and capabilities?

How are stakeholders outside the supply chain becoming important players to link agri-Food SME in Mexico and Latin America with international buyers?

What events need to happen externally for the companies to gain resources and capabilities?

II. METHODOLOGY

2.1 Research framework

The research method that we proposed for this study, is the so-called case study (Yin 2009). The main reasons that we considered according to Yin (2009) for the selection and suitability of this method rather than others in our research, are the following: The fact that our research question was a “how” at the beginning which together with a “why” question are more explanatory ones; These questions deal with operational links needing to be traced over time, rather than mere frequencies or incidence. Also, we took into account the fact that this method allows investigators to retain the holistic and meaningful characteristics of real-life-events such as organizational and managerial processes and the novelty of the topic. For the design of the case study on this topic, we decided to work with a multiple-case approach (Anderson, Burgess et al. 2002), as mostly multiple-case designs are likely to be stronger than single-case designs. Since there is no complete consensus regarding the procedure for conducting case study research (Bromley 1986; Walley and Custance 2010), we opted for using an approach recommended by Yin (2009) which comprises three stages: Define and design, collect and analyse, and conclude. Moreover, for the design of our research we drew upon Eisenhardt’s suggestion (1989) which states that 4-10 cases is a good sample size to work with and that individual cases should be selected deliberately to understand “discontinuity and disequilibrium”(Cooper and Morgan 2008).

2.2 Unit of analysis

First of all, we chose organizations of different ages which were founded by groups of entrepreneurs and eventually showed exportation activity in order to have enough history to observe and analyse in gaining the necessary resources and capabilities so as to meet the requirements of the exporting activity (Ebben and Johnson 2006). Nonetheless, alliance-based organizations (such as farmers’ cooperatives) were regarded as suitable for this research as they may have acquired resources or capabilities by pooling them. Second, organizations that were ranging between 1-50 employees including part-time or informal workers (Peres and Stumpo 2000) were selected in order to stick to the concept of small and medium enterprises in Latin America. Third, the cases were selected in Mexico and were compared and contrasted with data and literature on cases from other Latin American countries, especially Costa Rica. Fourth, the selected cases were a mix of 1) organizations that had obtained third-party certifications and endorsement for at least one of the credence attributes among country-of-origin, organic, fair-trade, and environmentally friendly; 2) organizations that had obtained an endorsement but not a certification 3) vice versa of point 2 and 4) organizations which intended to gain a third-party certification and/or endorsement to enter into an international market. Finally, the selected cases included organizations that are marketing comparable agri-food products – i.e. coffee and cocoa (commodity food products) and processed fruits (strongly related to the country of origin attribute).

2.3 The logic linking the data to the propositions

We followed an inductive, theory building, case-study approach (Eisenhardt 1989; Yin 2009). In particular, the empirical observation from the cases was compared and contrasted with the resource-based view (Barney 1991), and social network theory (Granovetter 1973; Gulati and Gargiulo 1999). We followed a multiple-case approach (Yin 2009) to compare and contrast different processes of obtaining the necessary resources and capabilities to reach out international buyers. Five cases were selected to collect empirical data from them in order to meet the sample size recommendation (Eisenhardt 1989). The cases were selected purposefully to understand the “discontinuity and disequilibrium” across them (Cooper and Morgan 2008).

In an attempt to gain insights in the topic, this study aimed firstly at exploring and analysing the effective and particular processes that small organizations had undertaken when pursuing an international buyer. Therefore, we proposed that by understanding the way these processes unfold over time, we were enabled to determine what events had occurred within the organizations that ultimately led to reach a transaction with an international buyer. Also, some external events that may have played a key role in the developmental progress of internal events, namely, at the organizations level were revealed. These external events take place in the environment of a small organization (i.e. environmental context, political context, social context, etc) (Hoffman and Ocasio 2001).

Secondly, by finding out the resources and the capabilities that were obtained through these processes and based on the resource-based view literature, we were able to determine whether these organizations attained a competitive advantage or whether they simply obtained threshold resources and capabilities that enabled them to meet the minimum requirements of international buyers. We propose that an entry to an international market could be attained either by following a set of events in which threshold resources and capabilities, so as to meet the minimum requirements of an international buyer, were obtained over time, or by obtaining a specific resource or capability in a specific event, which ultimately became a source of competitive advantage (i.e. a contract with a major international distributor).

Finally, we deemed it important to include in our assessment of resources and capabilities obtaining, the role that the social networks in which the organizations are embedded have played. This role could be 1) in facilitating the creation of the events by which resources and capabilities were obtained, an example of this could be when an organization obtained part of its resources and competences by forming a strategic alliance with another actor in the supply chain, 2) in being themselves sources of core resources and capabilities by which the studied organizations were able to reach an international buyer. An example is applied when certain organizations such as BDSOs, TPOs, Non-governmental organizations (NGOs), Fair Trade Labelling Organizations (FLOs), among others were present in the social networks of the studied organizations, and although an alliance was not formed with them, the studied

organizations could obtain unique resources and core competences identified in the literature (Kaleka 2002, Johnson et al. 2009).

2.4 Data collection methods

In an attempt to screen the likely set of organizations that later would become cases. We first performed brief telephone semi-structured interviews to small and medium organizations in Mexico that seemed to fit the unit of analysis we were pursuing. Organizations were asked whether they exported or had ever exported, what kind of product they exported, whether they had certification, how long they had been engaged in the export activity, the age of the organization, whether they had attended international fairs and the number of employees. These semi-structured interviews were designed by making use of the criteria set up for the unit of analysis. Afterwards collection of empirical data was performed by means of semi-structured interviews (Ritchie and Lewis 2003), as they allow exploring in depth the background and perceptions of the interviewee on the topics addressed by the interviewer (Jarratt 1996; Ritchie and Lewis 2003)

By making use of the guidelines and hints for the elaboration of semi-structured interviews (Ritchie and Lewis 2003), we proceeded to elaborate a questionnaire which included the main topics the interview unfolds around. Such topics were on the history of organizations, the organizational map of the organizations, the market segments the organizations targeted, the internal and external environment of the organizations, the challenges encountered by the organizations along their existence, certifications and endorsements gained during their existence, the industrial processes and technology adopted by the organizations, vertical integration in the supply chain of their offered products, marketing strategies undertaken by the organizations and the use of labelling on their offered products. We proposed that by addressing these topics the determinative events that could have forged the processes followed by the cases selected would be disclosed.

To triangulate the data collected from the interviews at the organizations, semi-structure interviews with experts in different topics such as, BDSOs, certifications, and SMEs consultancy were performed in order to get a second wave of primary data. Insights in the processes followed by Latin American SMEs so as to meet the conditions set by international markets (i.e. transact with an international buyer).

Secondary data of the organizations were collected from the internet through their official websites and through other websites from agricultural organizations, second level cooperatives, overseas distributors, BDSOs, TPOs, NGOs, certifiers, and specialty food retailers overseas.

2.5 Data analysis methods

In order to interpret the data drew from the fieldwork, we set up groups of criteria that allowed us to follow the recommendations made by Yin (2009), as data collected from case studies are to be triangulated (Yin 2009). Firstly, data collected from the organizations were analysed individually case by case 1) by drawing upon the transcription of the conducted interviews and 2) by elaborating a thorough analysis depicted in the form of a diagram. From this first rough interpretation, we proceeded to start the first steps in the theorization process. Furthermore, taking into account the suggestions made by Van de Ven (2007) in the

process study design, we tried to either 1) link elements (i.e. a resource or a capability) found in one process to elements found in another process 2) link external events (i.e. a change of policy in the exportation process) that had repercussions in the development of certain processes to one or more cases. Moreover, we assessed the intensity of the social ties that were present in the execution of each event 1) by means of the testimonial evidence from the interviews (i.e. the interviewee claimed how close or distant the relationships were with the people they had formed alliances or networked) 2) by means of evidence collected from the interviews with the experts (i.e. Luis Flores) and from the websites of the organizations the studied cases formed an alliance or networked with.

After completion of this first step, we continued by conducting a set of interviews with different experts in the topic area in order to get approval of the findings as well as gain insights in other external issues that might have affected the development of the processes followed by SMEs in Latin America. This step involved an iterative process in which the propositions and theories created in the interpretation of the results were constantly compared, contrasted and refined with the theoretical framework used for this research. A final step in the interpretation of the findings included the search of evidence like data, records, testimonies, that enabled us the triangulation (Yin 2009).

Finally, an exhaustive search of evidence from different sources (i.e. websites, books and articles) was conducted in order to draw data belonging to 1) the organizations that became cases 2) the third parties that were identified in the processes followed by them 3) examples of other organizations agri-food SMEs in Latin America that have reached out international buyers.

III THEORETICAL FRAMEWORK

3.1 The resource-based view

The resource-based view perceives the firm as a unique bundle of idiosyncratic resources and capabilities where the primary task of management is to maximize value through the optimal deployment of existing resources and capabilities, while developing the firm's resource base for the future (Grant 1996). In turn, resources and capabilities can be viewed as bundles of tangible and intangible assets, including an organization's management skills, its organizational processes and routines, and the information and knowledge it controls (Barney 1991). Nevertheless according to Eisenhardt (2003), attributes such as valuable, rare, inimitable and non-substitutable (VRIN attributes) that are embedded in one or more resources and capabilities, determine the competitive advantage and superior performance of an organization. Some examples of resources that deliver such attributes as to become a competitive advantage are for example, a powerful brand, or a technological patent (Johnson et al. 2009).

Overall, it is more likely that capabilities may be found as the sources of distinctiveness within a small organization (Johnson et al. 2009). Even more when it comes to non-high-technological small organizations (i.e. Agri-Food SMEs) (Ellram and Ogden 2007), as these types of organizations need to cope with the downsides of competing against non-differentiated products' huge competitors (Ellram and Ogden 2007), whose resources and capabilities are far more developed (Johnson et al. 2009). In an attempt to balance these issues, some of the approaches used by small organizations in the quest to reach competitive advantage have included organizing themselves in larger organizations with variable levels of governance (Bijman, Ton et al. 2007), whereby more resources and capabilities could be pooled though independency was limited (Anderson and Gatignon 1986).

Another approach, has been viewed as an art called 'bootstrapping' (Ebben and Johnson 2006), whereby small organizations squeeze the resources and capabilities they have at hand in order to reach a competitive advantage (Timmons and Spinelli 1994). Such resources and capabilities may be externally requested and borrowed by small organizations (Timmons and Spinelli 1994) and yet, not undermine their independency. Nonetheless, Nelson and Winter (1982) highlight that for organizations to eventually obtain unique resources and/or capabilities that may deliver competitive advantage, routines and processes embedded in an organization need to take place over a long period time (path dependence) to finally result in the procurement of a unique resource or capability (i.e a dense marketing network, a global brand).

3.1.1 Processes

In management studies, processes have been seen and defined from different approaches. According to Van de Ven (2007) a process is often used to explain change. Depending on which approach we think of a process three definitions arise. When a process is thought of as a developmental sequence we can draw upon the definition that a process is a narrative of how things change over time (Van de Ven 2007). The latter definition is also enforced by the process theory definition (Tsoukas 1989) which states that a process is an explanation of an observed progression of change events. Nonetheless Van de Ven (2007) also states that two other definitions of process are as well namely, process seen as a logic that explains a causal relationship, and two, a category of concepts or variables. In the context of this research we decided to include process within our theoretical framework. This was done, in order to understand what processes were followed by SMEs to gather their resources and capabilities which ultimately enabled them meeting the requirements set by international buyers.

3.1.2 Small and Medium Enterprises

There is no a specific definition of SMEs found in the literature of economics and management. However, there are some authors that point out the key parameters that are helpful in defining a SME in terms of size (Bruce, Cooper et al. 1999; Peres and Stumpo 2000). Some of the parameters that can be measured to define the size of an organization are: size, number of employees and the turnover (Bruce, Cooper et al. 1999). If we look at organizations in Latin American countries, it is noticeable that there are also wide distinctions on what accounts for a small or medium enterprise in each Latin American country. Yet, in all of them they mention the parameters that are key to define the size of the organization (Peres and Stumpo 2000).

3.1.3 Resources

In the management literature we find several definitions for resources. Perhaps one of the clearest and most concise definitions is that made by Kaleka (2002), which states that resources represent assets controlled by a firm that are used as inputs to organizational processes. Johnson et al. (2009) takes further the definition of resources by explaining that there are two types or resources tangible and intangible. Tangible resources are thought of as physical assets and financial assets, while intangible assets encompass information, knowledge, and reputation. Finally, Johnson et al. (2009) suggests that companies have unique resources, which in turn, may underpin competitive advantage for them.

3.1.4 Capabilities

A capability is defined by some authors as the ability a firm has to combine, develop, and use its resources in order to create competitive advantage (Kaleka 2002). Again, Johnson et al. (2009) goes further by suggesting that there are threshold capabilities which are needed for an organization to meet the minimum requirements to compete in a given market. Yet, those capabilities that deliver a competitive advantage according to some authors (Kaleka 2002; Johnson et al. 2009) are skills and abilities by which resources are deployed in a way that is difficult to be imitated by others.

3.2 Social networks

According to Ahuja (2000) a way in which knowledge can be transferred and resources can be pooled across organizations is by building networks. These social networks are defined as 'sets of nodes' (i.e. organizations, people) linked by a set of different types of relationships (i.e. friendship, fund transfers, overlapping membership) (Laumann, Galaskiewicz et al. 1978; Dentoni and Reardon 2010). Nevertheless, weak social ties are regarded as important ties in the context of small organizations (Dentoni and Reardon 2010), since they bring new knowledge into organizations (Granovetter 1973).

Several organizations and individuals with which organizations can form these social ties have been identified by several authors (Dentoni and Reardon 2010, Belloc and Di Maiob 2010, Mikkelsen and Letvisky 2001, Ahuja 2000). These include among others NGOs, BDSOs, experts in a particular industry sector, etc. Some organizations especially SMEs have found especially attractive obtaining knowledge and resources by networking with this type of organizations (Ahuja 2000); as this strategy involves a lesser level of commitment on their resources and enables more flexibility on the managerial processes performed within SMEs (Mikkelsen and Letvisky 2001).

Moreover, Dentoni and Reardon (2010) highlight the key role that plays the position in a dense network of such organizations or individuals with which small organizations build social ties, as their market status plays a crucial role as a signal of quality (Podolny 1993). As result of the latter, some small firms have been capable of positioning their labelled products into differentiated market channels (Holtz-Eakin 2005).

3.2.1 Social tie

From a social sciences approach, a social tie is considered as any type of relationship (i.e. friendship, transfer of funds, overlapping membership). Granovetter (1973) makes the distinction among three varieties of social ties: strong, weak or absent. He also argues that the weak social ties are responsible for the majority of the embeddedness and structure of social networks in society. Moreover some authors (Ahuja 2000) argues that these weak social ties "indirect ties" are the ones that bring the most benefit into the organizations in terms of novel knowledge and information. When it comes to organizations entering

international markets some authors (Gould 1994; Ellis 2000) have highlighted the importance that social ties acquired by bridging different social clusters in which information and knowledge flow.

3.2.2 Third party

A third party is defined as an individual that is involved in a transaction, although having less interest in it (Cambridge English Dictionary). In the context of SMEs, organizations such as NGOs, chambers of commerce, TPOs, among others, have been regarded as third parties by some scholars (Yusuf 1995; Reynolds, Murray et al. 2004; Dentoni and Reardon 2010, Dentoni et al. 2009; Sud 2010; Belloc and Di Maiob 2011). These third parties have been found to promote SMEs' products (McEvily and Marcus 2005), and to provide a number of services in guiding SMEs towards transactions with international buyers (Sud 2010; Belloc and Di Maiob 2011).

3.2.3 Strategic alliance

As defined by Johnson et al. (2009) a strategic alliance is where two or more organizations share resources and activities to pursue a strategy in their developing process. Due to the fact that organizations in many instances cannot cope with the increasingly complex environments internationally; organizations opt to undertake these actions to obtain resources and competences. Johnson et al. (2009) also highlights that there are different motives that lead organizations to pursue a strategic alliance; such as the need for critical mass, co-specialisation, and learning. Moreover, Johnson et al. (2009) identifies that these alliances can comprise loose arrangements of cooperation and informal networking between organizations, without involving a loss of independency. In this perspective, networks have been identified as a less formal type of alliance by which organizations can gain mutual advantage in terms of resources and competences procurement. However, alliances that involve sharing ownership also are cited in the literature (Johnson et al. 2009).

IV KEY BACKGROUND DATA FROM THE STUDY CASES

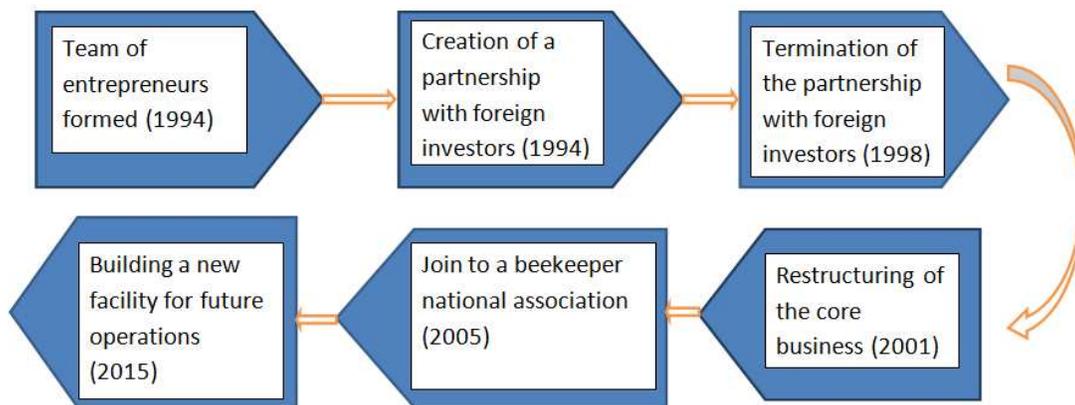
Upon concluding the data analysis step, we proceeded to interpret the results and findings drawn from the five organizations interviewed in Mexico, plus the interviews performed to experts in different fields concerning this study. Below is displayed a detailed description of the results interpreted upon assessing each case study.

4.1 Case Study: DIPROANSA

DIPROANSA was founded in 1994 in Cuernavaca, Morelos, Mexico. It is one of the most important queen bee breeding companies in Mexico (Sagarpa 2010). Owned by three former employees of CARLOTA, which is one of the most important honey companies in Mexico (Infoaserca 2010). Currently the company has revenues of 0.25 million USD a year and 60 employees. It produces honey, royal jelly, propolis, among other products (Solorzano 2011). DIPROANSA has its main core business in queen bee breeding, and has some time exported honey to some European countries in the late 90's.

An on-site semi-structured interview was performed on December 7th 2011 to the accountancy manager of Diproansa Mr. Enrique Carrillo, who has been working for the organization since the company was founded in 1994.

Below the process that DIPROANSA followed to obtain its resources and capabilities is depicted:



The events that underpin the process above depicted are describe as follows according to an own definition:

Team of entrepreneurs formed

It is an event in which a group of people with accrued experiences in the honey industry decided to pull their resources and capabilities in order to create a new venture.

Creation of a partnership with foreign investors

It is an event in which an already set-up organization called DIPROANSA starts transacting with a group of German investors, with the outcome being the pooling of resources and capabilities from both parties.

Termination of the partnership with foreign investors

It is an event marked with the stopping of the joint operations previously undertaken by DIPROANSA and the German investors.

Restructuring of the core business

It is an event that breaks up in a critic moment when DIPROANSA had to stop with the honey exportation at once, and redirect its core business in queen bee breeding.

Join to a beekeeper national association

It is an event marked up with the year in which DIPROANSA joined the Mexican Organization of Beekeepers (ONA) and started drawing benefits from it.

Detailed description of the process followed by DIPROANSA

According to the criteria used for the selection of the cases for this study, DIPROANSA was found to be a distinctive case among the five cases selected for this research, due to the fact that this organization is the only one that currently is not engaged in any exportation activity. As suggested by Hollenstein (2005) small and medium organizations encounter hurdles in the internationalisation process i.e. - international barriers and regulations set by foreign governments- which at a certain extent can undermine the performance of SMEs. From the latter, certainly DIPROANSA encountered this type of obstacle when in the late 90's the European Union issued new regulations around the quality requirements and food safety guidelines for honey importation in Europe. As a result, DIPROANSA could not go on with the honey exportation, though they manifested that they will export again within the next five years as soon as they have built their new facility for honey processing.

If we start analysing each event that was identified in the process followed by DIPROANSA to reach an international client, we see that this company started its process with the event '*group of entrepreneurs formed*', which had remarkable features, as each one of its members had worked for several years in the honey industry. Hence, from the beginning, important resources and capabilities such as firm's experience, informational capability and customer relationship building capability are visible at this point (Kaleka 2002), Nevertheless, it is important to highlight the impact that had two external events on the creation of this internal event (Van de Ven 2007). Firstly, the driving force that led this group of entrepreneurs to pull their resources was acknowledged by the interviewee to be the takeover of the former company (Solorzano 2011). As these entrepreneurs vision no longer

matched the vision of the new company that took over their former company, they made the decision to go on with the vision adopted by their former company. Second, there was a more external event that had repercussions on the creation of the latter, namely, the plague of the African Bee (Winston 1992). This event affected not only CARLOTA the former company of DIPROANSA's entrepreneurs but also had an impact on the honey industry in Mexico (Sagarpa 2010).

Going on to analyse the second event '*creation of a partnership with foreign investors*' in the process that DIPROANSA followed, we see that in this event the group of entrepreneurs that had the initiative to found the company, created a partnership with a group of German entrepreneurs. As remarkable from the latter, we found that some resources and capabilities deemed as key to develop competitive advantage internationally were again present (Luo 2001; Kaleka 2002; Knight and Cavusgil 2004). Thus, this partnership creation can be regarded as the source of competitive advantage that at that time DIPROANSA had to reach an international market in a very early stage. This partnership relied on a friendship and mutual agreement to undertake the honey exportation activities (Ellis 2000), though it still involved the resources and capabilities being shared between both parties. One of the main constraints that could be overcome by this valuable source of competitive advantage was doubtlessly the transaction cost (Bijman, Ton et al. 2007). Since the interviewee pointed out that when they were involved in this flourishing activity, the German partners invested up to fifty percent in the exportation activities, and they were receiving payments in advance for their honey.

The third event identified in the process as '*termination of the partnership with the foreign investors*' was affected by two idiosyncrasies embedded in the visions of both parties. On the one hand DIPROANSA members, as the interviewee claimed, were committed to the vision adopted by CARLOTA, their former company, whereby they saw themselves in the future having as core business the queen bee's breeding, while the German partners wanted them to remain in the exportation business. The latter led to a bifurcation, leaving DIPROANSA alone in pursuing this vision, but nonetheless with a set of resources and capabilities valuable for their future development in that direction, so as to mention the customer relationship capability, the informational capability, the financial assets and physical assets.

In the fourth event '*Restructuring of the core business*', we found that DIPROANSA finally switched at this point its core business from honey exportation to queen bee's breeding, which was driven mainly by the threat in the international environment of the honey exportation (Wiig and Kolstad 2005). As claimed by the interviewee, the company went almost bankrupt and therefore they had to put all their endeavours into developing their vision. They drew upon an old house and squeeze their financial resources in order to rebound (Timmons and Spinelli 1994)

The fifth event identified as *'join to a beekeeper national association'*, displays the joining of DIPROANSA to ONA. Many small and medium organizations have joint national agricultural organizations (Luetchford 2006); this has enabled them to obtain incentives from governmental parties, other organizations in the supply chain, and flow of information on international markets (Cavatassi, Gonzalez et al. 2009). For the case of DIPROANSA, ONA has played a key role by allocating resources for international fairs' participation, networking with suppliers in the honey industry, and signaling DIPROANSA's brand domestically.

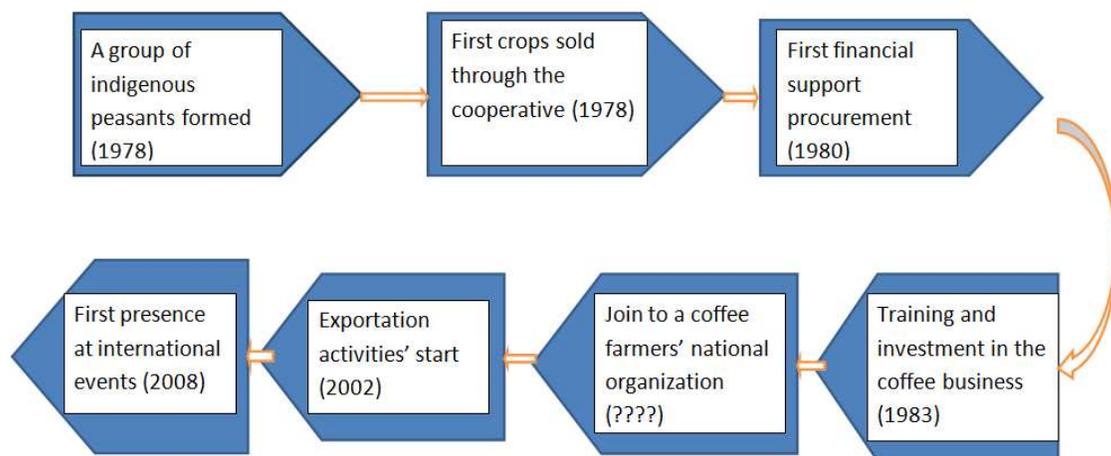
A new event may arise in the near future for DIPROANSA; *'building a new facility for future operations'*. As explained by the interviewee, the execution of this event will be aimed at retaking the exportation activity by increasing the scale of operation, upgrading the process for honey packaging and finding a strategic localization to be closer to the main international buyer, namely, Europe.

4.2 Case study: TOSEPAN

TOSEPAN is a cooperative that was founded in 1978, in Cuetzalan, Puebla, Mexico. It is one of the main coffee and pepper producers and exporters in central Mexico (Macía Barco 1998). The cooperative is formed by 2,500 partners, and has a turnover of around 0.25 and 0.5 million USD a year (Promexico 2012). Its main products are coffee and pepper, and they are exporting to several countries in Europe and also to Japan.

An on-site semi-structured interview was performed on December 8th 2011 to the collection center manager of Tosepan Mr. Emiliano Salazar, who has been working for the organization since the onset of the cooperative in 1978.

Below the process that TOSEPAN followed to obtain its resources and capabilities is depicted:



The events that underpin the process above depicted are described as follows according to its own definition:

A group of indigenous peasants formed

It is an event in which a group of indigenous peasants joined together to pool their resources and started selling sugar locally.

First crops sold through the cooperative

It is an event that was marked by the first sale of pepper offered by the cooperative members.

First financial support procurement

It is an event in which TOSEPAN was registered officially before the Mexican Economy Ministry allowing the first procurement of financial supports by third parties.

Training and investment in the coffee business

This event was marked by the deployed intensive action by which TOSEPAN trained its members and bet on the coffee business.

Join to a coffee farmers' national organization

This event was marked by the incorporation of TOSEPAN to the 'Coffee organizations national coordinator' (CNOC).

Exportation activities' start:

In this event TOSEPAN started its first exportations upon gaining its organic certification for the first time.

First presence at international events:

TOSEPAN attends an international event for the first time, having a closer interaction with its international clients.

Detailed description of the process followed by TOSEPAN

Cooperatives have been regarded as a solution to lower transaction costs (Bijman, Ton et al. 2007). In a Latin American context, cooperatives have often been promoted among groups of indigenous people (Davis and Partridge 1994). We assumed that a cooperative fits the SME concept (Granadaempresa 2011), as it has to be officially registered before the Ministry of Economy (Promexico 2012), and displays figures for turnover and number of workers (Promexico 2012). From the latter, TOSEPAN matched the criteria set up for this study and the process it followed was analyzed in depth in the following paragraphs.

The first event '*group of indigenous peasants formed*' was contrasted by two external events that were the driving forces for the creation of such event. First, the raise in the sugar price in the region motivated the concern among the indigenous peasants for obtaining the

precious commodity (Tosepan 2011). Secondly, there was a public initiative undertaken by the Mexican government to help smallholders and indigenous peasants to increase their yields (Tosepan 2011). Both external events converged in the creation of such a group that ultimately brought up a cooperative-like model.

Thereafter the second event identified in the process was *'First crops sold through the cooperative'*. Some key resources and capabilities were already visible from this point onwards, such as the leadership and trust built between one of the cooperative representative and its members. Leadership and decision-making capability has been mentioned by some scholars (Flores 2012) and they have been regarded as milestones in the entrepreneurial process (Timmons and Spinelli 1994). Moreover, by pooling their crops and selling them jointly, the production volume constraint was overcome (Bijman, Ton et al. 2007)

TOSEPAN moved into a new gradual growing process when it attained its official registration as cooperative before the Mexican Ministry of Economy, which in turn, brought up the third event *'First financial support procurement'*. By displaying a legal name and accountability TOSEPAN could obtain its first financial resources from development projects (Tosepan 2011). Development projects have been increasingly undertaken and promoted by public and private organizations (Davis and Partridge 1994). In Latin America, development projects have become part of the services that BDSOs and TPOs offer to SME (Mikkelsen 2001). Indigenous people receive financial support more often via development projects both from domestic and international organizations (Davis and Partridge 1994).

The fourth event *'training and investment in the coffee business'* set up the infrastructure and training that TOSEPAN would need as a milestone to develop its coffee business. This event was characterized by the effective results that years back an initiative undertaken by the Mexican government had had. On the one hand, as the guidance, training, and endowment of physical and financial assets by SAGARPA and INMECAFE strengthened the coffee business for TOSEPAN, and the coffee acquired a better price in international markets (Macía Barco 1998).

The next event called *'join to a coffee farmers' national organization'*, brought as a result the procurement of a vast set of resources and capabilities, such as the flow of information on prices, buyers, and required certifications for international markets as well as supply chain stakeholders recommendations (i.e. transferring a client to another cooperative). Coffee cooperatives in Latin America have been found to join second level cooperatives (Mendez 2002; Luetchford 2006). These second level cooperatives have as main functions; facilitating the marketing of coffee for the coffee stakeholders and communicating the information on the coffee prices (Mendez 2002). Moreover, sometimes second level cooperatives make contracts with international buyers (Mendez 2002), and invite their members to market their coffee through these contracts (Mendez 2002). According to the interviewee of TOSEPAN,

upon joining CNOC, TOSEPAN received much information on international coffee prices, international clients, and coffee certifications.

'The exportation activities' start was identified as the sixth event in the process followed by TOSEPAN. This event had as a precursor the acquisition of the organic certification for coffee. Resources and capabilities such as trade advisors, people who speak English, scale of operation and customer building relationship capability, were found. Nonetheless, it is important to mention that the second level cooperative in which TOSEPAN was embedded from the former event had repercussions on this event. As through CNOC international clients could have been also contacted and were transferred to TOSEPAN.

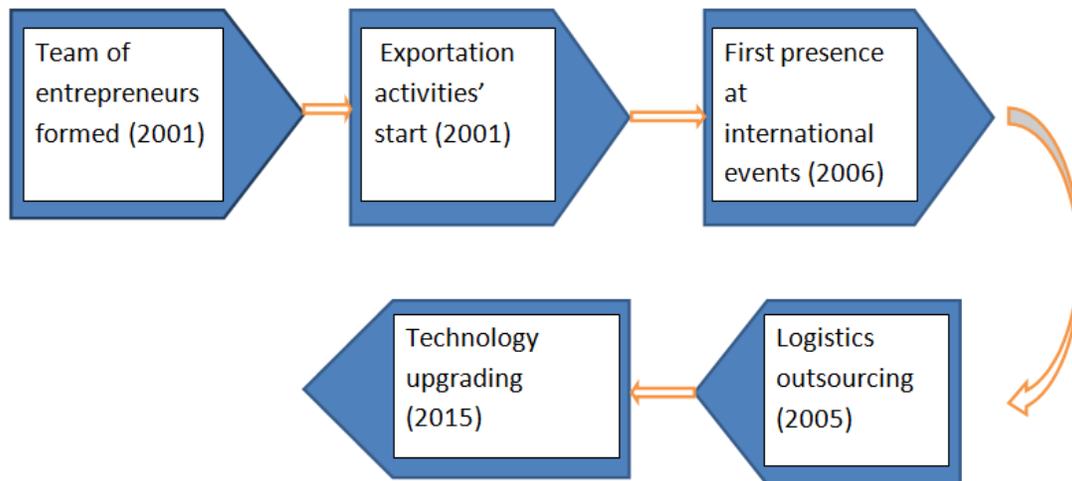
Finally, we suggested a final event that is present in the process followed by TOSEPAN, namely, *'First presence at international events'*. Through the creation of this event, it is suggested that TOSEPAN could have reached international buyers by attending its first international event –i.e. an international fair, symposium, etc-. Resources and capabilities such as financial assets, a brand, scale of operation, English knowledge, word-of-mouth, informational capability, and customer building relationship were deployed in this event in order to start transactions with an international buyer (Kaleka 2002).

4.3 Case study: FROZAVO

FROZAVO is a company that was founded in 2001, in Tingüindin, Michoacan, Mexico. It is a company mainly engaged in the exportation of frozen avocados. The company was founded by six partners, and currently has between 50 and 100 employees and a turnover of 0.25 million USD a year (Promexico 2012). Its main products are frozen avocados in different presentations, and it is commercializing its products in Europe, Middle East and North America.

An on-site semi-structured interview was performed on December 15th 2011 to one of the managers of Frozavo Mr. Juan Carlos Ramirez, who has been working for the organization nearly since the organization was founded in 2001.

Below the process that FROZAVO followed to obtain its resources and capabilities is depicted:



The events that underpin the process above depicted are describe as follows according to an own definition:

Team of entrepreneurs formed:

This event was marked by the joint endeavour undertaken by six partners to found FROZAVO by pooling their resources and experience in the avocado business.

Exportation activities' start:

This event was marked by the first exportation that FROZAVO performed towards the European market, just after the company was officially founded.

First presence at international events:

FROZAVO attended for the first time an international event in 2006 with the aim of finding and international distributor.

Logistics outsourcing:

This event was marked by the first agreement FROZAVO attained to outsource its logistics internationally through a distributor.

Detailed description of the process followed by FROZAVO

The process followed by FROZAVO to reach out to international buyers was regarded as one of the most insightful examples in this study. Since the sort of product that FROZAVO offers can be seen as a product strongly related to the country of origin (Galicia-Cabrera 2007). We proceeded to observe whether this credence attribute could have played a key role in the studied process and whether ultimately this attribute facilitated the transactions with an international buyer.

Firstly an event called *'group of entrepreneurs formed'* was found in the process followed by FROZAVO. In this event resources such as financial assets, the firm's experience, and scale of operation were found (Kaleka 2002). Moreover, capabilities such as supply chain, and customer building relationships were found (Kaleka 2002). The interviewee claimed that the group of entrepreneurs was already engaged in the avocado exportation activity, and there was a need for them to take advantage of the lower quality product. We believe that business opportunity idea identification was a driving force for the creation of this event; as it has been mentioned as one of the elements that is to be present in the entrepreneurial process (Timmons and Spinelli 1994).

'Exportation activities' start was identified as the second event that took place in the process followed by FROZAVO. In this event, resources such as the firm's experience, financial assets, and a certified facility for avocado processing were identified. While capabilities such as the ones present in the former event were also present, plus a product development capability. However, this event had as a driving force an unusual external event, where by chance the client of the former company that owned the facility acquired by FROZAVO wished to remain as a client with FROZAVO.

'First presence at international events' was identified as the third event that took place in the process that FROZAVO followed. In this event, resources such as those identified in the previous two events were also identified; while an informational capability was already visible at this stage. This informational capability had as result the supportive action of two TPOs.

'Logistics outsourcing' was identified as the fourth event in the process followed by FROZAVO. In this event, a particularly special resource that played a key role was the contact person, whereby trust between FROZAVO and the outsourcer could be built (Tian, Lai et al. 2008). Moreover, a special capability that FROZAVO was keen to develop was the supply chain capability. Long-term-payment policies are used by many retailer chains (Ng, Smith et al. 1999); and this type of policy rises the transaction costs for smallholders.

Finally, another event called *'technology upgrading'* was envisaged by the interviewee to happen in the near future. He explained that by investing in upgrading the production facilities, which would signify in other words to buy a start-of-the-art high-pressure-sterilization technology; FROZAVO would be able to reach more international buyers and offer a product with a longer shelf life and a better quality.

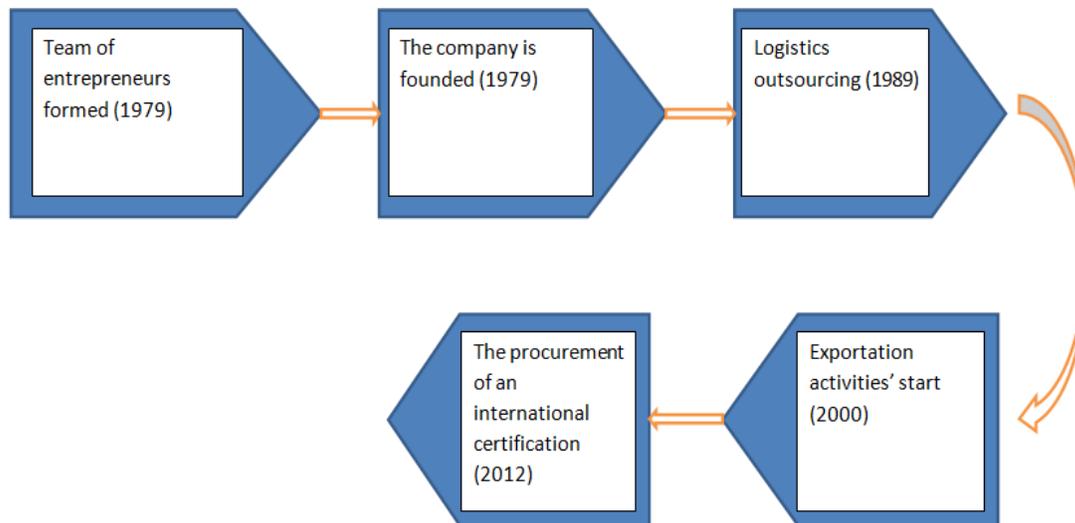
4.4 Case study: LOLTUN

LOLTUN is a company that was founded in 1979, in Mexico City, Mexico. It is a company engaged in the domestic and international commercialization of typical Mexican food products (Alimentaria 2012). The company was founded by three partners, and has currently 80 employees and a turnover in the range of 2.5 to 5 million USD a year (Promexico 2012).

Its main exported products are habanero chilli sauce, and annatto. Currently it is exporting to Europe, and North America.

An on-site semi-structured interview was performed on December 21st 2011 to the operations manager of Loltun Mr. Jahziel Ugalde, who has been working for the organization since 2002.

Below the process that LOLTUN followed to obtain its resources and capabilities is depicted:



The events that underpin the process above depicted are describe as follows according to an own definition:

Team of entrepreneurs formed:

This event was marked by a joint collaboration among three colleagues to start promoting a portfolio of typical products in Mexico City.

The company is founded:

LOLTUN is registered officially as LOLTUN before the Mexican Ministry of Economy.

Logistics outsourcing:

LOLTUN attained an agreement with a partner '*Panamericana Abarrotera*' (PASA) in order to outsource its logistics and enter the main retailer chains in Mexico.

Exportation activities' start:

This event was marked by the first exportation LOLTUN performed towards the European market.

The procurement of an international certification:

This is regarded as a meaningful event, as LOLTUN claimed that in 2012 they will pursue a British retail consortium certification (BCR) certification in order to enter the British and Swedish markets.

Detailed description of the process followed by LOLTUN

In an attempt to have a more robust sample of cases displaying similarities; the process that the company LOLTUN followed so as to commercialize habanero chili sauce in Europe, sheds light on other process that may be influenced from a product strongly related to its country of origin.

The first event identified in the process followed by LOLTUN '*Team of entrepreneurs formed*' is contrasted by two important factors that may also be seen as driving forces for this event to take place. First, the accumulation of experience in the field of fruits and vegetables technology developed by one of the founders; accounted for the acquisition of a product development capability regarded at first sight. Second, the novelty of the portfolio of products that this group of entrepreneurs wanted to offer may have drawn the interest of each shareholder to pool his resources. Nevertheless, it is important to mention, that this product was especially novel in the region where LOLTUN was founded; having a competitive advantage at hand from the onset.

A second event taking place at LOLTUN's process was called '*the company is founded*' and may overlap a bit with the former event. However, this event is characterized by the literal start of operations of the company. As driving force for the creation of this event, we can highlight the resources such as a manufacturing facility, technology, financial assets, and a registered brand. Also, capabilities such as supply chain, and product development were important in this event. Bootstrapping techniques were also found around this event, as the small group of entrepreneurs made use of techniques regarded as bootstrapping in the literature (Timmons and Spinelli 1994).

The third event '*Logistics outsourcing*' identified in the process followed by LOLTUN, was driven by a good friendship that the company built with a distributor called PASA. According to the interviewee at this stage, both companies were growing at the same pace, resulting in a sort of a symbiosis process, whereby they could both benefit from each other. However, a set of resources were identified around this event, which included financial assets, a scale of operation and a portfolio of clients. Furthermore, capabilities such as supply chain capability, informational capability and customer relationship building capability were also identified.

'Exportation activities' start was found as the fourth event taking place in the process carried out by LOLTUN. Although the interviewee argued, that LOLTUN had exported in its early years to United States; afterwards he mentioned that LOLTUN started exporting roughly in the year 2000. As driving forces for the creation of this event, he argued that

there were two external factors drawing the company towards exportation. First, the localization of the company made it much easier and convenient for any type of transaction with its international buyers. Second, the booming fame that Mexican food was gaining through the American companies that manufacture and commercialize the so called tex-mex food worldwide (Leung 2010). However, a set of resources such as scale of operation, financial assets, localization, certifications, and a portfolio of supplier was found to be important at this stage. Also, capabilities such as customer relationship building capability, supply chain capability and informational capability were determinant.

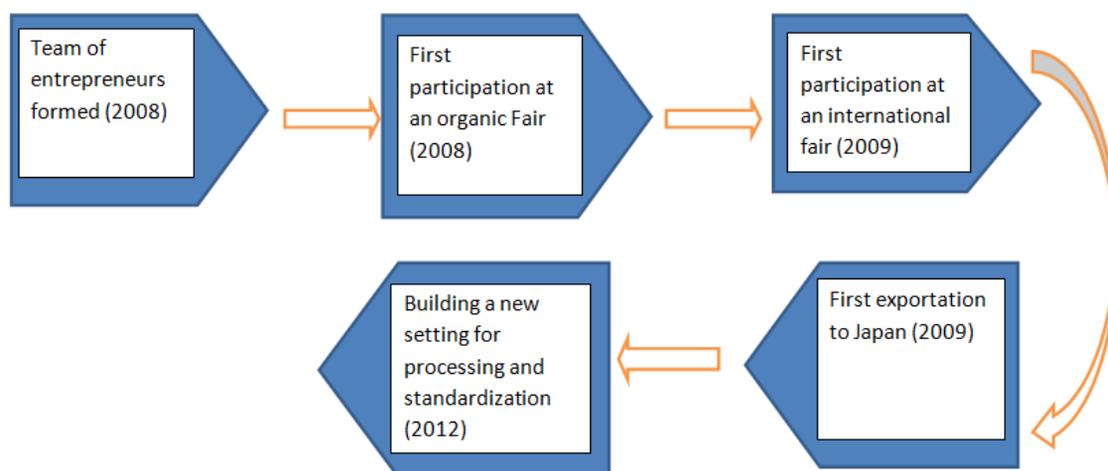
Finally, in an attempt to foresee the process undertaken by LOLTUN in its search for international buyers; another event raises in the horizon for this company '*the procurement of an international certification*'. As the interviewee argued, that the execution of such event can be rewarded with the entry to new markets in Europe, such as the British and the Nordic markets. Nonetheless, for this to happen, resources such as financial assets and training are necessary. Furthermore, capabilities such as an informational capability and customer building relationship capability will be still required.

4.5 Case study: KINCHILES

KINCHILES is a company that was founded in 2008, in Kinchil, Mexico. It is a company mainly engaged in the international commercialization of organic Habanero chilli. The company was founded by three partners, and has currently 15 employees and a turnover in the range of 0.1 million USD a year (Promexico 2012). Its main exported products are dried habanero chilli powder and smashed habanero chilli paste sauce. Currently it is exporting to Japan, and Germany.

An on-skype semi-structured interview was performed on February 24th 2012 to the marketing manager of Kinchiles Mr. Luis Montoya, who has been working for the organization since it was founded in 2008.

Below the process that KINCHILES followed to obtain its resources and capabilities is depicted:



The events that underpin the process above depicted are describe as follows according to an own definition:

Team of entrepreneurs formed: This event was marked up by the joint collaboration among three friends with the aim at producing Habanero chilli in an organic manner.

First participation at an organic fair: This event was marked by the first invitation that KINCHILES received from the ‘Ministry of Agriculture, Livestock, Rural Development, Fisheries and Alimentary’ (SAGARPA) to participate in a national organic fair held annually in Mexico.

First participation at an international fair: This event was marked up by the first invitation that KINCHILES received from the ‘Support and services for Agricultural trading’ (ASERCA) to participate in an international organic fair BIOFACH in Germany.

First exportation to Japan: This event was marked up by the first time when KINCHILES was engaged in the exportation activity and this was achieved through a Japanese client they made in Germany.

Building a new setting for processing and standardization: This event will be marked up by the foundation of a new setting which will allow KINCHILES to serve more international clients.

Detailed description of the process followed by KINCHILES

KINCHILES accounted for the last case chosen for the conduction of this study. Since the organization was only founded in 2008 and it has already shown exportation activity; we deemed that it was insightful, in terms of understanding, how this small firm could reach its international buyers in a rapid way and moreover what resources and capabilities were necessary to attain it.

The first event found in the process followed by KINCHILES 'team of entrepreneurs formed', two important external factors drove a group of entrepreneurs to form a new venture. Driven by the adoption of an environmentally friendly production policy in order to produce habanero chilli organically as well as by the accrued experience in the production of habanero chilli; the company could quickly drive upon resources such as savings, stock, lands, knowledge on the production process, preferential access to unique sources of supply and a brand at this point. Moreover capabilities such as product development, technological and supply chain capabilities were also noticeable. However, perhaps the resource that could have leveraged more benefits for this young company at that early stage was its localization; since this company had access to the knowledge, techniques and supply of raw materials employed in a region that by excellence is well-known for the production of habanero chilli.

The second event 'First participation at an organic fair' was prompted by the threat the company encountered as they tried to market the organic chilli in the local market. Despite that, the market for habanero chilli is quite well developed in the south-eastern region of Mexico, the culture of organic food products is still incipient and therefore no premium prices are paid for such products. As a way to counteract this issue, KINCHILES sought to market its production at a better price and then ran across with a Mexican BDSO called ASERCA. In this first interaction, KINCHILES received an invitation to participate at an organic fair, which later on would result in an invitation by the same organization to promote the organic chilli internationally. In this event the resources that were obtained by KINCHILES were information of loans and grants to participate in international events, a geographical proximity to the target customers, and access to information on target markets for organic food products, as well as the expertise on exportation of stakeholders such as ASERCA. Moreover, perhaps the main capabilities that KINCHILES obtained through this participation were informational and customer building relationship capabilities; as the company began to practice its ability to deal with international clients demands.

The next event called 'First participation at an international event' was no more and no less than the result of the previous event. Here KINCHILES attended an international organic fair called BIOFACH by which the first international client was sought out. At this point the company deployed its resources and capabilities obtained mostly in the previous event, and could then meet its first international client. However, this event drew new resources into KINCHILES, such as the obtaining of an organic certification and an increase in its scale of operation by the acquisition of more lands for organic agriculture. Also at this point, the organization started developing its technological capabilities due to a demand of a dried end product by the Japanese client.

KINCHILES was able to perform its first exportation one year after its foundation. The event called 'First exportation to Japan' marked the opportunity for KINCHILES to develop further its product development capability as well as its customer relationship building capability.

One key factor for the creation of this event was identified as the special fee that a Mexican airline offered to the company for the air-shipping service, whereby KINCHILES could attain a proximity to the geographical target market.

Finally, KINCHILES is expecting to reach more international clients through the event ‘Building a new setting for processing and standardization’. Moreover, this event will enable the company to obtain a certification known as GLOBAL G.A.P. and as explained by the interviewee, with this certification KINCHILES will be able to export fresh organic habanero chilli.

4.6 Key background data analysis

The results drawn from the five organizations used as study cases were analysed in the tables below which contain a detailed assessment of the resources and capabilities that the organizations obtained over time (Kaleka, 2002). Each table accounts for an overall event that was identified in each specific case study process, though sometimes it took place either earlier or later in the process (Table 4). The letters ‘x’ with which some cells are marked mean that that specific resource or capability was present at the organization after the event took place.

Table 1: Resources and capabilities available in the first overall event “Group of entrepreneurs formed”

	DIPROANSA	TOSEPAN	FROZAVO	LOLTUN	KINCHILES
RESOURCES					
FINANCIAL ASSETS					
Stock	X		X	X	X
Bond	X			X	
Bank deposit (savings)	X	X	X	X	X
Loans		X			
Grants					
PHYSICAL ASSETS					
Technology			X		
Knowledge on the production process	X		X	X	X
Preferential access to unique sources of supply	X	X	X		X
Geographical proximity to the export target market			X		
Production capacity availability			X		
Brand			X	X	X
Fleet		X			
Facility			X	X	
Certification					
Lands		X	X		X
SCALE OF OPERATION					
Annual turnover					
Number of full-time personnel					
Personnel engaged in the export activity	X	X (externally)	X		
FIRMS EXPERIENCE					
Length of time exporting	X		X		

Number of ongoing exporting ventures					
Market knowledge	X		X		
Past performance in export markets	X		X		
CAPABILITIES					
INFORMATIONAL CAPABILITY					
Ability to make contacts in export markets	X	X			
Ability to identify prospective customers overseas		X	X		
Monitoring competitive products in export markets					
Ability to capture important foreign market information	X		X		
CUSTOMER RELATIONSHIP BUILDING CAPABILITY					
Exporter's ability to understand the requirements of overseas customers and establish and maintain close export business relationships	X		X		
PRODUCT DEVELOPMENT CAPABILITY					
Development of new products for export markets			X		
Improvement and modification of existing products					X
TECHNOLOGICAL INNOVATION CAPABILITY					
Adoption of new methods and ideas in the production/manufacturing process					X
SUPPLY CHAIN CAPABILITY					
Ability to identify attractive sources of supply and establishment	X		X	X	X
Ability to develop and establish strong relationship with suppliers	X		X		
TOTAL OF RESOURCES AND CAPABILITIES AVAILABLE IN THE FIRST EVENT	14 out of 32	8 out of 32	20 out of 32	7 out of 32	9 out of 32

By assessing the table above we see that organizations that were formed by a group of entrepreneurs that had a previous experience at organizations that ever exported, gained unique resources and capabilities that were already available in the first event that took place in the organizations. Overall, we see that financial assets, physical assets and firm's experience were the resources that were available when organizations had previous experience in the export activity, as the group of entrepreneurs who formed them pool their resources. Moreover, capabilities such as informational, customer relationship building, and supply chain were also available from the beginning of those organizations due to the same

reason as described above. Nonetheless, we propose that the only way in which organizations could meet the conditions of an international market at this stage and therefore could undertake an internationalization strategy (i.e. exportation) was through an extraordinary event, as in the example of FROZAVO, who was able to export from the creation of the first event ‘group of entrepreneurs formed’ since the client of the former owner of the processing facility they acquired was willing to remain as client of FROZAVO.

Table 2: Resources and capabilities available in the second overall event “Strategic alliance formation”

	DIPROANSA	TOSEPAN	FROZAVO	LOLTUN	KINCHILES (N.A)
RESOURCES					
FINANCIAL ASSETS					
Stock	X	α	X	X	X
Bond	X		α	X	
Bank deposit (savings)	X	X	X	X	X
Loans	α	X			
Grants					
PHYSICAL ASSETS					
Technology	X		X		
Knowledge on the production process	X	X	X	X	X
Preferential access to unique sources of supply	X	X	X	α	X
Geographical proximity to the export target market	α	α	X		
Production capacity availability	α	α	X	X	
Brand			X	X	X
Fleet	α	X	α	α	
Facility	α		X	X	
Certification	α	α	α		
Lands	α	X	X		X
SCALE OF OPERATION					
Annual turnover	α	α	α	α	
Number of full-time personnel	α	α	α	α	
Personnel engaged in the export activity	X	X (externally)	X		
FIRMS EXPERIENCE					
Length of time exporting	X		X		
Number of ongoing exporting ventures	α				
Market knowledge	X	α	X	α	
Past performance in export markets	X	α	X		
CAPABILITIES					
INFORMATIONAL CAPABILITY					
Ability to make contacts in export markets	X	X	α		
Ability to identify prospective customers overseas	α	X	X		
Monitoring competitive products in export markets	α		α		
Ability to capture important foreign market information	X	α	X		
CUSTOMER RELATIONSHIP BUILDING CAPABILITY					

Exporter's ability to understand the requirements of overseas customers and establish and maintain close export business relationships	X		X		
PRODUCT DEVELOPMENT CAPABILITY					
Development of new products for export markets			X		
Improvement and modification of existing products			α	α	X
TECHNOLOGICAL INNOVATION CAPABILITY					
Adoption of new methods and ideas in the production/manufacturing process			α		X
SUPPLY CHAIN CAPABILITY					
Ability to identify attractive sources of supply and establishment	X	α	X	X	X
Ability to develop and establish strong relationship with suppliers	X	α	X	α	
TOTAL OF RESOURCES AND CAPABILITIES AVAILABLE IN THE FIRST EVENT	12 out of 32	11 out of 32	9 out of 32	7 out of 32	0 out of 32

After assessing the second event that took place in the studied organizations we found that this event had significant impact on the obtaining of certain resources and capabilities marked with an α. Especially those organizations which formed an alliance with an organization within the supply chain but with which they had weaker social ties, it was found that the procurement of resources and capabilities was greater, and overall the scale of operation resources were increased as well as the financial and physical assets. However, it seems that for those organizations that had previous experience in exporting activities, this event played a major role as well, as the organizations they formed the alliance with brought more financial resources and physical resources into the organizations and also enhanced the informational capability that these organizations had. In this way these organizations could meet the conditions that an international market demands, such as product volume and product specifications, among others. Therefore we propose on the one hand that the organizations that were formed by a group of entrepreneurs, who had previous experience in the exportation activity, should pursue a strategic alliance with an organization within the same supply chain but with whom they may have weaker social ties in order to draw more unique and novel resources into the organizations. On the other hand organizations which possess a poor basis of firm's experience and other resources and competences related to it should pursue this type of strategies of forming alliances with actors with whom they may have weaker ties.

Table 3: Resources and capabilities available in the third overall event “Network creation with public and private market development agencies”

	DIPROANSA	TOSEPAN	FROZAVO	LOLTUN	KINCHILES (N.A)
RESOURCES					
FINANCIAL ASSETS					
Stock	X	X	X	X	X
Bond	X		X	X	
Bank deposit (savings)	X	X	X	X	X
Loans	X	X	Ω	Ω	Ω
Grants	Ω	Ω	Ω	Ω	Ω
PHYSICAL ASSETS					
Technology	X	Ω	X		
Knowledge on the production process	X	Ω	X	X	X
Preferential access to unique sources of supply	X	X	X	X	X
Geographical proximity to the export target market	X	X	X		Ω
Production capacity availability	X	X	X	X	
Brand	Ω	Ω	X	X	X
Fleet	X	X	X	X	
Facility	X	Ω	X	X	
Certification	X	X	X		
Lands	X	X	X		X
SCALE OF OPERATION					
Annual turnover	X	X	X	X	
Number of full-time personnel	X	X	X	X	
Personnel engaged in the export activity	X	Ω (externally)	X		Ω
FIRMS EXPERIENCE					
Length of time exporting	X	Ω	X	Ω	Ω
Number of ongoing exporting ventures	X	Ω	Ω	Ω	
Market knowledge	X	X	X	X	Ω
Past performance in export markets	X	X	X	Ω	
CAPABILITIES					
INFORMATIONAL CAPABILITY					
Ability to make contacts in export markets	X	X	X	Ω	Ω
Ability to identify prospective customers overseas	X	X	X	Ω	Ω
Monitoring competitive products in export markets	X		X	Ω	Ω
Ability to capture important foreign market information	X	X	X	Ω	Ω
CUSTOMER RELATIONSHIP BUILDING CAPABILITY					
Exporter’s ability to understand the requirements of overseas customers and establish and maintain close export business relationships	X	Ω	X		Ω
PRODUCT DEVELOPMENT CAPABILITY					
Development of new products for export markets	Ω	Ω	X		
Improvement and		Ω	X	X	X

modification of existing products					
TECHNOLOGICAL INNOVATION CAPABILITY					
Adoption of new methods and ideas in the production/manufacturing process	Ω	Ω	X		X
SUPPLY CHAIN CAPABILITY					
Ability to identify attractive sources of supply and establishment	X	X	X	X	X
Ability to develop and establish strong relationship with suppliers	X	X	X	X	Ω
TOTAL OF RESOURCES AND CAPABILITIES AVAILABLE IN THE FIRST EVENT	4 out of 32	12 out of 32	3 out of 32	9 out of 32	12 out of 32

The table above displays with a Ω the resources and capabilities that were obtained by the studied organizations upon networking with public and private market development organizations. It can be seen that organizations that did not possess any type of experience on international markets were the ones that benefited the most when they networked with these types of institutions. Resources such as financial assets (i.e. grants for attending international fairs, loans for projects aim at developing the exporting activity), physical assets and the firm's experience on international markets were obtained. Moreover, capabilities such as informational capabilities and customer building relationship building were acquired by the least experience organizations, as they attended training programmes, workshops, and other activities offered by some of these market development organizations. Upon networking with these organizations, three studied organizations were capable to export.

4.6.1 The overall processes undertaken by the five studied cases

By drawing upon the suggested resources and capabilities that bring a competitive advantage in export markets (Kaleka 2002); we proceeded to assess the 3 events described in tables 1 to 3 which were also clearly identified and marked with a start within the five study cases for this research (Table 4). Arranged in two main sets; one for resources and one for capabilities which in turn are sub-arranged in sub-sets of resources and capabilities shown in tables 1 to 3, we assumed that once an organization had obtained the majority of the resources and capabilities they were ready to engage actively and permanently in exporting activities. The numbers shown between brackets (Table 4) are given to each resource and capability that was obtained through each specific event, in some events, it can be seen that no resource or capability was obtained, while in other events as those suggested in tables 1 to 3 a large number of resources and capabilities were obtained.

PROCESS	1		2		3		4		5		6	
ORGANIZATION												
DIPROANSA	Group of entrepreneurs formed (1994) GROUP OF ENTREPRENEURS	Resources Financial Assets (3), Physical assets (2), Scale of operation (1), Firm's experience (3) Capabilities Informational (2), customer relationship building (1), supply chain (2)	Setup of the venture along with German partners (1994) STRATEGIC ALLIANCE	Resources Financial Assets (1), Physical assets (6), Scale of operation (2), Firm's experience (1) Capabilities Informational (2)	Independency from German partners (1998)	Resources Capabilities Physical assets (1)	Restructuring of the core business (2001)	Resources Capabilities Resource management (1)	ONA* is restructured and Diproansa becomes one of its active members (2005) NETWORK CREATION	Resources Financial Assets (1), Physical assets (1) Capabilities Product development capability (1), Technological Innovation (1)	Setting up a new facility for honey exportation (2015)	Resources Capabilities
TOSEPAN	Group of entrepreneurs formed (1978) GROUP OF ENTREPRENEURS	Resources Financial assets (2), Physical assets (3), Scale of operation (1) Capabilities Informational (2)	A group of 4 to 6 people founded the organization and started marketing pepper (1978)	Resources Physical assets (1) Capabilities *human resource management capability	The cooperative is officially registered before the SECRETARIA DE TRABAJO (1980)	Resources Financial assets (2), Physical assets (2) Capabilities	The coffee business started being reinforced and promoted Tosepan (1983) NETWORK CREATION	Resources Financial assets (1), Physical assets (4), Scale of operation (1), Firm's experience (2) Capabilities Customer relationship building (1), Product development (2), Technological innovation (1)	Tosepan becomes an active member of CNOOC (1983) STRATEGIC ALLIANCE	Resources Financial assets (1), Physical assets (3), Scale of operation (2), Firm's experience (1) Capabilities Informational (2)	Tosepan gets the Organic certification and starts its exportations (2002)	Resources physical assets (1) *advisors Capabilities
FROZAVO	Group of entrepreneurs formed (2001) GROUP OF ENTREPRENEURS	Resources Financial assets (2), Physical assets (8), Scale of operation (1), Firm's experience (3) Capabilities Informational(2), Customer relationship building (1), Product development (1), Supply Chain (2)	Frozavo undertook its first exportation to Germany (2001)	Resources Scale of operation (1) Capabilities *Logistics management (1)	First attendance to an international event Alimentaria (2006?) NETWORK CREATION	Resources, Financial assets (2), Firm's experience (1) Capabilities	Frozavo found a distributor in Europe (2005) STRATEGIC ALLIANCE	Resources Financial assets (1), Physical assets (2), Scale of operation (2), Capabilities Informational(2), Product development (1), Technological innovation (1)	Frozavo upgrades its technology (2015)	Resources Capabilities		
LOLTUN	Group of entrepreneurs formed (1979) GROUP OF ENTREPRENEURS	Resources Financial assets (2), Physical assets (3) Capabilities Supply Chain (1)	The company is founded (1979)	Resources Scale of operation (1), Capabilities *resource management (1)	Loftun formed an alliance with PASA in order to outsource its distribution (1989) STRATEGIC ALLIANCE	Resources Physical assets (2), Scale of operation (2), Firm's experience (1) Capabilities Product development (1), Supply Chain (1)	Loftun started its first exportation towards European clients (2000?) NETWORK CREATION	Resources Financial assets (2), Firm's experience (3) Capabilities Informational (4)	The procurement of the VCR certification (2012)	Resources Capabilities		
KINCHILES	Group of entrepreneurs formed (2008) GROUP OF ENTREPRENEURS	Resources Financial assets (2), Physical assets (4) Capabilities Product development (1), Technological innovation (1), Supply Chain (1)	First Participation at a national fair (2008) NETWORK CREATION	Resources Financial assets (2), Physical assets (1), Scale of operation (1), Firm's experience (2) Capabilities Informational (4), Customer relationship building (1), Supply Chain (1)	First participation at an international fair (2009)	Resources Physical assets (2) Capabilities Product development (1)	First exportation to Japan (2009)	Resources Physical assets (1), Capabilities Product development (1)	Building a new setting for product processing and standardization (2012)	Resources Physical assets (1) Capabilities		

*major capabilities identified in some events of the processes undertaken by the studied organizations and which are not included in the resources and capabilities proposed by (Kaleka 2002)

Table 4: Processes undertaken by five studied SMEs in Latin America to reach international markets

V FINDINGS

5.1 The overall processes of agri-food SMEs from Latin America when entering international markets

In an attempt to identify and describe the processes that agri-food SMEs have undertaken to enter international markets; five cases from Mexican agri-food SMEs have been researched. However, this sample could not allow us to generalize the findings in that respect for the entire Latin American SMEs context (Yin 2009). Therefore we have opted to carve out our findings and reinforce them by getting the remarks and insights of experts from different fields (Eisenhardt 1989). The latter has provided us with a reliable source of information to test the findings we originally drew from the studied organizations; and has broadened our understanding on the different aspects that a developmental process may imply (Van de Ven 2007).

Following this track, we go on by comparing and contrasting similarities and peculiarities that were found in the five studied cases with the literature on the resource-based view (Barney 1991), social networks (Granovetter 1973) and some other external aspects, the latter with the aim of getting insight on the external factors and events that affected the processes undertaken by the studied organizations. Moreover, following the recommendations and validations made by the experts we introduce propositions on the effective processes that Latin American SMEs have followed so as to find international buyers and the implications that these processes have had.

First of all, we found that despite the 5 studied organizations followed very different processes and three events could be identified in 4 of them. These events were named 'group of entrepreneurs formed', 'strategic alliance formation' and 'network creation with public and private market development agencies'. Table 4 showed in the previous chapter displays these three events represented with a star for each case; moreover an arrow indicates the event whereby the organizations reached an international client. Furthermore the resources and capabilities that were obtained through these events can be found for each case. We found that for all the studied organizations these events represented the events by which most resources and capabilities were obtained by the organizations, therefore we come up with a first proposition that seeks to recommend the events that need to be implicit in the processes followed by an agri-food SMEs in order to meet the requirements set by international buyers:

P1: Agri-food SMEs that have followed processes with events such as 'group of entrepreneurs formed', 'strategic alliance formed' and 'networking with public and private market development agencies' are more likely to meet the conditions of an international market.

5.2 The need for pooling resources

As found in the literature on transaction cost; smallholders hardly can aspire to an international market by their own means (Bijman and Hendrikse 2003). Contrary to that, smallholders have opted in many instances to pool their resources in a way to join endeavors towards a competitive advantage (Johnson et al. 2009). Cooperatives are a tangible example of this reality (Bijman and Hendrikse 2003). Yet, a group of entrepreneurs also match this ideology of pooling resources (Timmons and Spinelli 1994), as they want to avoid risk to a certain extent, and they look for obtaining other resources and capabilities from others (Timmons and Spinelli 1994).

In the context of Latin American small and medium organizations, it has been found that organizations have been formed by at least three or more stakeholders (udlap 2008) . Moreover, cooperatives have been found to be the main type of configuration for organizations that are commercializing commodities –i.e. coffee, pepper, sugar, among others (Raynolds, Murray et al. 2004).

Furthermore in this research all of the studied organizations were found to have started their process towards internationalization by forming a group of shareholders that contributed with resources and capabilities, which were ultimately pooled.

Some of these resources and capabilities obtained at first instance by forming a group of entrepreneurs are clearly comparable with those suggested by other authors (Kaleka 2002) and also seem to become some of the minimum threshold resources and capabilities needed by agri-food SMEs in the internationalization process (i.e. exportation)

Also, at this point looking inwards at the process undertaken by an SME; social networks play an important role, by pulling together entrepreneurs by means of the strong ties built among them in order to start an organization. These strong ties prompt the level of trust that is necessary for the shareholders to commit their resources, ideas, time and endeavors. In this respect, all of the studied organizations showed to be formed by groups of entrepreneurs that besides being shareholders, had built strong friendships among them.

Moreover, two other factors have been found to drive entrepreneurs into this action of pooling resources. One seems to be the accrued experience over the years that one or more entrepreneurs forming a group of entrepreneurs may have in the exportation process; as for this research, 3 out of the 5 companies studied showed that at least one of the shareholders forming the firm had worked in the past within a company engaged in exportation or had exported on their own. The other one seems to be an external event that strongly threatened or prompted the wellness of one or more entrepreneurs (i.e. downsizing, a plague, job recruitment, opportunity identification, etc); as in all of the cases there was always a motive for the entrepreneurs to start a new venture, either perceived as a threat or opportunity (Johnson et al. 2009). However, this factor is more linked to economic and social issues which are later further addressed.

We came up with a testable proposition that underpins the effect of opportunities and threats found in the environment of the entrepreneurs, as we found that these two factors could have a greater and so far less analyzed impact in the decision-making process that a group of entrepreneurs follow to pool their resources

P2: The more urgent the opportunity or threat is to the environment of one or more individuals (entrepreneurs) the more responsive they become to pool resources so as to create a new venture regardless whether they have international experiences or not.

5.3 Forming an alliance

The formation of a dyadic strategic alliance has been studied by several scholars (Gulati and Gargiulo 1999). The networks in which firms are embedded have been identified as key precursors of strategic alliance formation (Gulati and Gargiulo 1999); as individuals with whom firms have been found to establish an alliance are present in these networks (Gulati and Gargiulo 1999). Moreover, a strategic alliance formation with a separate group of entrepreneurs or stakeholders either within the supply chain or outside the supply chain has also been regarded as a way of pooling and obtaining more and unique resources and capabilities that provide competitive advantage (Johnson et al. 2009); or at least the threshold resources and capabilities that a firm needs to compete at different market levels (i.e. locally, nationally, and internationally). In that sense, some organizations in Latin America have opted to seek for that second level of integration. In the case of the cooperatives this could be seen when cooperatives join second level cooperatives (Peres and Stumpo 2000), while in the case of small agri-food firms this could be seen as partnerships, or less formal alliances formed with other firms from the same sector or a different one. With regard to our analyzed sample of five organizations, we found that 4 out of the 5 organizations have formed one or more alliances with one or more stakeholders in the supply chain or outside the supply chain, which have brought more resources and capabilities into the organizations, and ultimately have enabled exporting.

Perhaps a clear example of organizations that have obtained valuable resources and capabilities when forming alliances are cooperatives (Bijman and Hendrikse 2003). In the literature of transaction costs, some cooperatives mainly in Central America have been identified as having formed partnerships among them (Mendez 2002); building up clusters of cooperatives that attained higher volumes, more access to finance, valuable sources of supply, valuable sources of exporting experience, strategic localization, amongst others. In our sample of five cases only one organization was a cooperative and effectively this cooperative could obtain such resources and capabilities as the ones mentioned above, once they started networking with a second level cooperative.

Furthermore, the formation of a strategic alliance is closely related to the level of trust between the parties (Johnson et al. 2009), and although it is suggested by Granovetter (1973) that novel resources and capabilities are generally drawn into the organizations by

means of weak ties, mainly built among the organizations and the stakeholders or entrepreneurs with whom they form the alliance. In some cases the latter can imply uncertainty and opportunistic behavior from one of the parties forming the alliance (Johnson et al. 2009). Therefore, in many cases strategic alliances pursued by SMEs have been with close contacts, friends, suppliers, among others (Mikkelsen and Letvisky 2001), and hence this has not had a positive effect in the procurement of novel and valuable sources and capabilities that enable access to exporting markets (Mikkelsen and Letvisky 2001), as many times the social ties involved were identified as strong ones (Granovetter 1973). In the study cases for this research, 2 out of the 5 organizations were found to have formed a strategic alliance with individuals with whom they had weaker social ties (i.e. foreign investors, foreign distributors). This in turn leveraged much faster resources and capabilities that are valuable in the exportation activity. Differently, 2 out of the 5 cases were found to have formed strategic alliances with close friends or individuals they trusted, and though also resources and capabilities were obtained through these alliances these organizations were focused first in the local markets.

With regard to the above reviewed points, we have come up with two testable propositions that underpin the influence of social ties on the formation of strategic alliances and the influence of the nature of the formed alliance on the type of resources and capabilities.

P3: The less experienced in international markets an SME is, the more valuable a strategic alliance with a non-familiar partner becomes in the obtaining of unique resources and competences so as to meet conditions to pursue an international strategy

P4: The more experienced in international markets a SME is, the less valuable a strategic alliance with a non-familiar partner becomes in the obtaining of unique resources and competences so as to meet conditions to pursue an international strategy.

5.4 The need of support from third parties: Business development service organizations

Small and medium organizations may have obtained some valuable resources and capabilities from a strategic alliance with a trustworthy partner (Mikkelsen and Letvisky 2001). Yet in pursuing a foreign buyer, in many instances the obtained resources and capabilities are not configured enough so as to deploy them in a way to meet foreign buyer's requirements (Mikkelsen and Letvisky 2001). As it has been suggested by some scholars that these competencies are built up by bringing new knowledge and experience from outside (Mikkelsen and Letvisky 2001).

In a way to overcome these issues; governments often have undertaken actions to create BDSOs (Mikkelsen and Letvisky 2001; Sud 2010; Belloc and Di Maiob 2011). In this process, governments have had a premise that these organizations can supply the services for SMEs to develop their competencies. Dissemination of information, assistance in export marketing, and general training about export activity, has been identified as some of the services offered by these organizations (Ten Kate 1992).

In a Latin American context, TPOs and BDSOs have played a key role in supplying development services (Ten Kate 1992; Mikkelsen and Letvisky 2001). Motivated by the fact that SMEs create new job opportunities (Vives 2006), governments have undertaken actions to improve the performance of TPOs (Ten Kate 1992; Sud 2010). It has been found that TPO training programs have addressed technical, managerial, social, and cultural aspects (Ten Kate 1992), which in a way has brought further valuable capabilities into SMEs (Wilkinson and Brouthers 2006). In our five studied cases we found that all of the cases were supported technically and financially during attendances to national and international events i.e. fairs, symposiums, workshops, etc. Also, training programmes on several subjects such as organic agriculture, certifications, among others were promoted by public BDSOs.

Though embedded in our cases, private BDSOs were not found, we ran across some private BDSOs that are supporting small agri-food firms to cope better with the international market demands in a multifunctional way (i.e. by giving them advice whether or not to enter an international market, by assessing the feasibility of the SMEs, supervising them in raising funds, enabling their networks, by lending translation and other services, etc). Overall, these private BDSOs are individuals with a lot of expertise in management and other fields, or even NGOs mostly founded in Europe (i.e. twin trading, etc).

Despite the fact that BDSOs are not intended to attain a major commitment with the organizations they supply (Mikkelsen and Letvisky 2001), key contributions are drawn from BDSOs towards SMEs which enhance and redesign the particular resources and capabilities owned by each firm (Mikkelsen and Letvisky 2001). In table 3 displayed in the previous chapter; we find that SMEs come to have access to important sources of financial assets –i.e. credits, loans, grants, among others,- which SMEs use to cover expenses in international trade promotion. Moreover, SMEs broaden their portfolio of likely suppliers and buyers domestically and internationally by means of the databases that BDSOs facilitate: i.e. PROMEXICO (Promexico) and PROCOMER (Costa Rica). According to Ten Kate (1992), information about quality standards for food processing, labeling and packaging is diffused by BDSOs into SMEs. Thus, certification procedures become available to SMEs as well, as they start transacting with BDSOs. Also, exporters experience is transferred towards the management team and owners of small firms (Mikkelsen and Letvisky 2001), as the implicit knowledge on exportation of the BDSOs becomes available for SMEs.

Finally, we see in table 3 there are also two capabilities within SMEs that are enhanced by the interaction with BDSOs. First, the informational capability suggested by Kaleka (2002), undergoes improvement as SMEs are in a better position and have at their reach a new source of information on international market (Mikkelsen 2001). Second, the supply chain capability of SMEs is strengthened by the procurement of a broader portfolio of suppliers. From our studied cases, we found that 2 out of 5 cases had obtained both capabilities in previous events that took place within the organizations, namely, “formation of a group of

entrepreneurs” and “formation of a strategic alliance” and this is influenced by the experience in exportation markets that the entrepreneurs had.

Following the above addressed issues, we came up with two testable propositions that underpin the influence of BDSOs on Latin American SMEs’ performance in finding international buyers and the relevance of novel resources and capabilities facilitated by BDSOs to SMEs in Latin America.

P5: The less experienced a SME is in international markets, the more valuable networking with BDSOs becomes in the obtaining of unique resources and capabilities so as to match conditions to pursue an international strategy

P6: The more experienced a SME is in international markets, the less valuable networking with BDSOs becomes in the obtaining of unique resources and capabilities so as to match conditions to pursue international strategy

5.5 What can agri-food SMEs find outside? - A trend by SMEs to find competitiveness in international markets

As briefly commented in the first event ‘pooling of resources’, identified in the processes that agri-food SMEs from Latin America are undertaking to reach international buyers, in the following paragraphs we discuss some external factors that have had a strong implication in the developmental processes of SMEs and that have to do more with the environment and context in which Latin American SMEs are embedded, and which sometimes are seen as threats, whereas in other instances they are seen as opportunities.

Small and medium enterprises have been found to pursue international strategies more frequently in the last two decades (Hollenstein 2005). Since the international policies for trading have changed (Mikkelsen and Letvisky 2001), leaving open the opportunities for SMEs to pursue a share in distinct markets (Mikkelsen and Letvisky 2001). At the same time, transnational firms, among which, retailers and wholesalers stand out, have taken advantage of the same international policies (McCullough, Pingali et al. 2008), so as to establish their own systems of distribution and setting up their own payment policies (McCullough, Pingali et al. 2008).

In the context of Latin American SMEs, this issue has had an impact in two different directions. Firstly, some SMEs have perceived the openness of the world trade as an opportunity to get better returns for their products offered to international clients, since in the local markets they have encountered barriers set by transnational firms and retailer chains. From the 5 studied cases, we found that for 3 out of the 5 cases, it has been better for them to try to export their products overseas, as they get better returns for them internationally than locally. Especially when their products are commodities, or products highly associated with credence attributes - i.e. organic coffee, fair trade, etc. Firm managers have stated that if they do not go international, the business becomes unsustainable.

“Unfortunately here in this area the culture of organic products consumption is still incipient. Therefore we have got to seek for markets outside this area of Southeast Mexico and even outside the country, where our product is far more valued (...) At first our product has an added value, secondly the plant bears less fruit when growing organically, it has a lower yield in comparison with the conventional production, hence the overall costs increase and therefore you cannot sell it at the same price like conventional product, otherwise you go bankrupt”

Secondly, some firms have perceived the openness of the market as a threat, and therefore have opted to strengthen their core businesses at a local level. From the 5 studied organizations 1 was found to be willing to bet more for the local market and strengthen its operations locally, although from time to time they have exported.

Moreover, high barriers have been set by these changes of policies in the world trade for smallholders and small and medium organizations to compete in their domestic markets (McCullough, Pingali et al. 2008), and for those small and medium organizations manufacturing fresh raw materials, this scenario has become even worse (McCullough, Pingali et al. 2008). This is because the market for fresh raw materials (i.e. agri-food products) is dominated mainly by larger organizations, which possess certified production processes, better configured distribution channels, and traceability systems to meet quality standards and requirements set by retailers at domestic and international markets (McCullough, Pingali et al. 2008). In accordance with the latter, we found that effectively fresh products such as chilli and avocado have encountered higher barriers to enter international markets. 2 companies out of the 5 companies studied were found to have produced fresh products in first instance, but later during the formation of the new venture, they switched to a processed product and undertook a process to reach an international buyer.

Also, it is important to consider that a large share of Agri-food processed products has been left at the reach of small and medium organizations especially in developing countries (Regmi and Dyck 2001), as the availability of the raw materials is greater (McCullough, Pingali et al. 2008) and the quality standards imposed by retailers and other international wholesalers are less stringent for agri-food processed products (Regmi and Dyck 2001). In this sense, we found that all of the studied cases have taken advantage of this external factor, and the availability of the products has played an important role for them to aim for international markets and comply with the required volumes. As a proof of the latter, all of the cases were found to be set up in areas where the product is either abundantly produced or readily supplied at a low price (i.e. food market in Mexico City)

Again, we propose two testable propositions that seek to address the way in which these external factors have shaped the processes undertaken by SMEs and the implications they have had in setting the conditions for a SME to follow an international strategy (i.e. exporting)

P7: The more the products manufactured by agri-food SMEs in Latin America are associated to credence attributes, the more SMEs are ready to meet the requirements for an internationalization strategy

P8: The less stringent the requirements are for the product offered by agri-food SMEs in Latin America, the more SMEs are ready to meet the requirements for an internationalization strategy

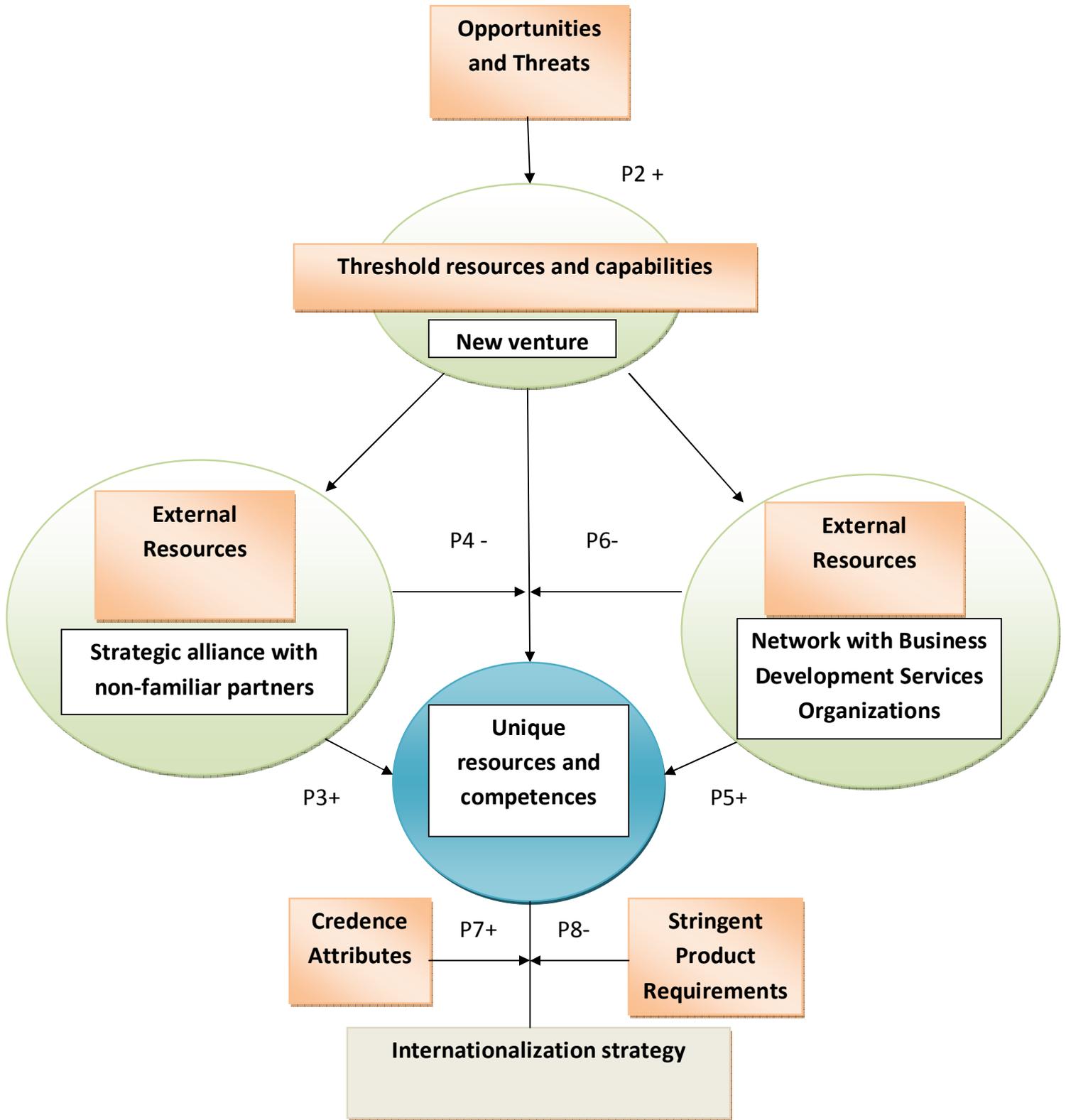


Figure 5. - The proposed conceptual framework for Latin American Agri-food SMEs

VI CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The purpose of this study was to understand the effective processes undertaken by SMEs to obtain the resources and capabilities necessary to establish channels in international markets. We suggest that the lessons from this study can be adopted by: 1) other SMEs from Latin America attempting to export or which are already exporting, by making use of the processes analysed in this study to benchmark the processes they have gone through 2) public and private BDSO from Latin American countries supporting SMEs in the export activity, by developing a more robust frame of criteria to assess SMEs which can facilitate on the one hand i) the identification of those SMEs with a profile to export ii) a more effective coaching from BDSO. 3) Policy makers from Latin American countries; i) by promoting alliances between SMEs and likely foreign partners, ii) by promoting networks between SMEs and BDSOs.

To meet this purpose, this study focused, through in-depth case studies, on the processes undertaken by five Mexican agri-food SMEs, which sought to identify and tackle 1) The uncertainty that agri-food SMEs managers face when making a decision whether or not to pursue an international buyer. This mainly due to lack of knowledge (Mikkelsen and Letvisky 2001, Bijman and Hendrikse 2003), 2) the need that still nowadays both public and private BDSOs have in getting to understand the indicators an agri-food SME should possess to succeed in an international strategy (Luis Flores 2012, Belloc and Di Maiob 2011), 3) the way in which both public and private BDSOs can channel their efforts towards improving the services offered to SMEs pursuing international markets (Mikkelsen and Letvisky 2001, Belloc Di Maiob 2011) and 4) the way policy makers from Latin American countries could prompt network creation between international buyers of developed countries and agri-food SMEs from developing countries in this case, from Latin America (Dentoni and Reardon 2010). By following a process study approach (Van de ven 2007) three events were found to underpin the procurement of such resources and capabilities that enabled agri-food SMEs in meeting the requirements of international buyers (Kaleka 2002). Moreover, in sticking to a grounded theory approach (Eisenhardt 1989), seven testable propositions were formulated by drawing upon theories on a resource-based view (Barney 1991) and social networks (Granovetter 1973), as well as by comparing the empirically collected data with the existing literature on SMEs in Latin America (Mikkelsen and Letvisky 2001).

This study derives the following key findings.

First, resources such as financial assets, physical assets, scale of operation, and the firm's experience on international markets as well as capabilities such as informational capabilities, customer building relationship capabilities, technological capabilities, product development capabilities and supply chain capabilities (Kaleka 2002) are necessary to establish market channels with international buyers. However, SMEs also need to develop capabilities such as a financial resources management, logistics management and human resource management capability.

Secondly, three events are necessary to acquire the necessary resources and capabilities to establish a market channel with international buyers, i.e. retailer chains, distributors,

wholesalers, etc.: 1) forming a group of entrepreneurs, 2) forming strategic alliances, and 3) creating a network with public and/or private MDAs. This result is consistent with the theory on resource-based view (Barney 1991), and mainly with Nelson and Winter (1982) who suggested that unique resources and capabilities that deliver competitive advantage (i.e. a portfolio of clients overseas) need to be obtained through processes and routines that take place over time.

Thirdly, organizations can draw unique external resources and capabilities from strategic alliances formed with stakeholders inside the supply chain with whom they have weaker social ties (i.e. an international competitor, an international distributor, an international supplier). In turn, such resources and competences can ultimately lead agri-food SMEs to meet the conditions of an international strategy (i.e. exportation). This conclusion is consistent with Eisenhardt (2003) suggestion on the valuable, rare, inimitable and non-substitutable (VRIN) attributes embedded in the resources and capabilities. Moreover, this conclusion also matches Granovetter's theory on social networks (1973) where he states that weak social ties (i.e. social ties with non-familiar individuals) prompt more the flow of novel information among individuals.

Fourthly, organizations can draw unique external resources and capabilities by networking with public and private MDAs - i.e. business development services (BDSOs), trade promotion organizations (TPO), - especially when they do not have any experience in international markets. It is well known that these types of organizations supply training, technological and technical assistance and enable loans and grants to SMEs to undertake international marketing strategies (i.e. attending an international fair). Therefore our findings are consistent with Kaleka's proposed sets of resources and capabilities (2002) and therefore we suggest that mostly experience-based resources and informational capabilities can be obtained by organizations by networking with this type of third parties.

Finally, the nature of the products offered by agri-food SMEs play an important role in the readiness with which SMEs meet the conditions of an international market. Such a nature needs to be linked to product attributes or whether the offered product is processed or not. On one hand this finding is consistent with Humphrey (2005) who suggests that SMEs can enter global food chains by pursuing niche marketing strategies where also credence attributes play an important role. On the other hand this finding matches Regmi and Dick (2001) findings on the less stringent requirements in international markets for processed products from developing countries.

Due to the exploratory nature of the present research (Yin 2009), we acknowledge that there are limitations in the generalization of the findings. Firstly, because the sample size for this study only involved five organizations from the targeted geographical area, namely, Latin America . Secondly, the context among the different countries encompassed in this area varies in terms of i) infrastructure, as some Latin American countries possess marine gates overseas (i.e. Mexico, Costa Rica, Panama, etc) while others do not possess any (i.e. Bolivia and Paraguay) ii) institutions, as both public and private BDSOs offer different services to agri-food SMEs which vary from country to country (Zevallos 2003) , iii) policies, as they also vary from country to country and iv) other conditions governing international trade. Nevertheless, we suggest that by assessing a more robust sample of organizations in other Latin American countries, more compelling results might be found. Thirdly, the

inclusion of proxies that may enable measuring certain variables - i.e. proximity to target market, strength of social ties with partners, etc. – might facilitate, as well the use of quantitative methods.

We propose that the above summarized findings, if confirmed in future research, may have implications both on agri-food SMEs pursuing a strategy for internationalisation and on policy makers:

1. Managers of Latin American agri-food SMEs embedded in a similar context like the studied cases would find an opportunity from conducting a self-assessment and determining whether they are likely to meet the conditions of an international market. Moreover, if policy makers want to ensure that more agri-food SMEs may reach international buyers; they should foster the design of more accurate instruments to assess the feasibility of agri-food SMEs.
2. Managers of agri-food SMEs pursuing international markets would effectively obtain unique resources and capabilities by forming strategic alliances with stakeholders inside the supply chain with whom they have weaker social ties. Such stakeholders should preferably be organizations that are embedded in a different context from the one the focal organizations are in –i.e. distributors, companies or entrepreneurs in foreign countries.
3. Agri-food SMEs with limited experience on export markets would strongly benefit from networking with stakeholders outside the supply chain which act as ‘third-parties’ with respect to the ‘seller-buyer’ relationships (i.e. public and private TPOs, BDSOs, etc). Moreover, if policy makers want to enhance the performance of public and private MDAs they should introduce programmes that may enable passing on experience on international markets and informational capabilities from the agencies towards the agri-food SMEs.
4. Agri-food SMEs that match most of the suggested list of resources and capabilities (Table 1 to 3) would effectively ensure to sooner meet the conditions of an international market either by switching from a conventional product to a product more linked to credence attributes (i.e. conventional coffee – organic coffee, conventional cocoa – fair trade cocoa) or by switching from a fresh product to a processed product (i.e. fresh avocado – frozen avocado mash, fresh chilli – dried chilli powder). Furthermore, if policy makers in developing countries want to integrate more agri-food SMEs in international markets they should promote more programmes to encourage agri-food SMEs to offer processed products rather than fresh products in the international markets and also when the products are commodities, this initiative should be promoted to encourage agri-food SMEs to offer commodities with credence attributes rather than just conventional commodities.

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Annex

Questionnaire used for the pre-selection stage (November 2011)

This questionnaire was used to perform brief and structured telephone interviews to several organizations from which later on 5 organizations were selected to become the study cases. The questions used for the questionnaire were the following:

Do you currently export to Europe or have you ever exported to Europe?

What kind of product you export?

Do you have a certification?

When did you perform your first exportation?

How long have you been engaged in the export activity?

How old is the organization?

Have you ever attended international fairs to present your products?

How many employees does the organization have?

Would it be possible to perform an interview with one of the managers of the organization?

Questionnaire used for the semi-structured interviews performed in Mexico (December 2011)

The below shown questionnaire was used as basis to perform the semi-structured interviews at the organizations. Questions on several topics were addressed in order to draw information that ultimately would be useful for the data analysis and theory formulation process of this research.

1st part: History

Could you tell me how did your company start?

Could you talk me about the founder(s)?

Could you recall and explain the events that brought a breakthrough to the company?

Was the firm then having any problem with the following resources on each of those mentioned breakthrough? Money, equipment, workforce, market channels, facilities

Could you explain how the firm overcame the lack of such resource?

Was the organization supported by other stakeholders in acquiring such resources?

Was the organization asked something in exchange by them?

2nd part: Organization

Could you tell me how the company is organized?

How many full-time employees and part-time employees are in the company?

3rd part: market segments

How did you manage in the first years to get to know your market?

When did you decide to offer your (product) to a new customer (market segment)?

What was according to you a driver to encourage your company to look for new clients?

4th part: Internal and external environment

What internal factors can you identify as source of success for your company?

What external factors have been also a key for your company's success?

5th part: Challenges

Could you describe the main challenges that your company has faced in the pursuing of global markets?

Could you tell me how has your company dealt with those challenges?

Could you explain how your company will face future challenges?

6th part: certifications and endorsements

Could you explain how did you get the certification and/or endorsement on (product attribute)?

How did you come to know about the certification (certifiers and/or endorsers)?

What were the requirements you were asked for?

7th part: Processes & Technology

How did you learn the process of production?

How did you come to know about the technology involved in the process?

Have you ever upgraded the process from the beginning of the organization?

8th part: Vertical Integration

Are you purchasing your raw materials from a defined portfolio of suppliers?

Have you ever tried to go one step backwards and produce your own raw materials?

Could you explain what other processes are you involved in beyond the processing, (harvesting) of your products?

9th part: Marketing

Could you talk about how you deal with your clients?

Have you ever attended fairs, symposiums, meetings to promote your products abroad?

What benefits have you obtained from attending such events?

10th part: labelled products

Do you use a brand to market your product?

How did you get your brand?

What have been the main difficulties in finding your way to market your products with your own brand?

Information on interviews with the experts

Business Development Consulter

An on-skype interview was performed on February 13th 2012 to Mr. Luis Flores a business development consulter and who also works as outreach specialist at Michigan State University in the US. Mr. Luis Flores shared with us his experiences on consultancy of Small and Medium Enterprises from developing countries such as Burundi, Rwanda, Guatemala and other Latin American countries. He explained us that most of the companies he has worked with, export fresh fruits which are minimally processed. Therefore through this interview, we could understand in which way the nature of the product plays an important role, as Luis Flores stated, in the likelihood a small and medium enterprise has to succeed in an international market. Also, he pointed out that there are meaningful indicators which can help business development consultants to determine whether a SME may succeed or not internationally. These indicators, as he stated, have to do with the localization of the SMEs, proximity to suppliers, and other important elements such as water availability and road infrastructure. We drew upon some key points and remarks provided by Luis that we deemed as relevant ones in order to refine our findings.

Agribusinesses Expert

An on-skype interview was performed on February 25th 2012 to Mr. Daniel Montoya who is and agribusinesses expert and who also works as researcher and docent at INCAE Business School in Costa Rica. Mr. Daniel Montoya shared with us his experiences with SMEs from Central American countries like Costa Rica, Nicaragua, Panama and El Salvador. He explained us the way in which especially the coffee cooperatives in Costa Rica have successfully entered international markets, and the role that the public BDSOs are playing in linking SMEs to international clients and in supporting them financially to attend international fairs. Furthermore, Mr. Daniel Montoya provided us with meaningful sources of information and recordings of testimonials of SME managers in Central America who have successfully exported their products. We drew upon some key points and remarks provided by Mr. Daniel Montoya which we deemed as relevant ones in order to refine our findings.

Certifications expert

An on-skype interview was performed on February 23th 2012 to Mr. Camilo Esparza who conducted a study on organic certifiers in Mexico in 2009. Currently Mr. Camilo is studying a post-graduate programme at Adelaide University in Australia in global foods and agricultural business. Mr. Camilo Esparza share with us his findings on the three main organic certifiers and from that perspective we were trying to figure out whether certifications have facilitated the process for agri-food SMEs to enter international markets. We drew upon some key points and remarks provided by Mr. Camilo Esparza which we deemed as relevant ones in order to refine our findings.

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