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Marketing, Operations, and General Management

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## RESUMO

Esta dissertação investiga o processo de internacionalização das pequenas e médias empresas (PMEs) moçambicanas no sector agrícola. Estuda os fatores que motivam as PMEs a procurar mercados internacionais e a influência do seu contexto institucional, incluindo ineficiências burocráticas, deficiências infraestruturais e absentismo. Através de uma pesquisa qualitativa e entrevistas aprofundadas e semiestruturadas, esta investigação obteve informações sobre as experiências de especialistas do sector.

O resultado da investigação revela que a internacionalização destas empresas se deve à menor procura no mercado local, às condições climáticas favoráveis e aos baixos custos de produção. A África do Sul é identificada como o principal destino de exportação devido à sua maior demanda no mercado, aos preços mais favoráveis e à acessibilidade do mercado. No entanto, são identificadas algumas barreiras fundamentais para os produtores moçambicanos, tais como ineficiências burocráticas, políticas inadequadas e instabilidade política.

Apesar de todos estes desafios, as PMEs mostram uma notável resiliência e agilidade estratégica na diversificação de produtos e na procura de outros mercados na Europa e no Médio Oriente. Isto mostra uma grande necessidade de melhorar o apoio institucional, reduzir a burocracia e desenvolver infraestruturas se as PMEs moçambicanas pretenderem ser mais competitivas internacionalmente.

A dissertação contribui consideravelmente para a escassa literatura relativa à internacionalização das PMEs nas economias em desenvolvimento, particularmente em Moçambique, resultando em reflexões e recomendações estratégicas para os responsáveis políticos e empresários a fim de promover a internacionalização das PMEs moçambicanas. É de imenso valor para o público, uma vez que as conclusões pesam sobre eles.



Palavras-chave: internacionalização, PMEs Moçambicanas, fatores internos, fatores externos

Classificação JEL: F23 - Empresas Multinacionais • Negócios Internacionais, H11 - Estrutura, Âmbito e Desempenho do Governo, L26 – Empreendedorismo, O43 - Instituições e Crescimento, O55 – África, Q13 - Mercados e Marketing Agrícolas • Cooperativas • Agronegócio

# ABSTRACT

This dissertation investigates the internationalisation process of Mozambican small and medium-sized enterprises (SMEs), specifically in the agricultural sector, emphasising banana producers. It studies the push and pull factors that motivate Mozambican SMEs to seek international markets and the influencing institutional setting of Mozambique, including bureaucratic inefficiencies, infrastructural deficiencies, and absenteeism. Through qualitative research, this investigation gained insights into the experiences of experts within the industry through in-depth, semi-structured interviews related to their international experiences.

The research findings reveal that Mozambican banana producers are driven towards internationalisation due to lower demand in the local market, favourable climate conditions and lower costs. It identifies South Africa as the leading export destination due to its higher market demand, favourable prices, and market accessibility. However, some critical barriers for Mozambican producers are identified, such as bureaucratic inefficiencies, inadequate policies, and political instability.

Despite these challenges, the SMEs show remarkable resilience and strategic agility in product diversification and pursue other markets in Europe and the Middle East. This shows a great need to enhance institutional support, reduce red tape, and develop infrastructures if Mozambican SMEs are to be more competitive on the global platform.

Keywords: internationalisation, Mozambican SMEs, push factors, pull factors

JEL Codes: F23 - Multinational Firms • International Business, H11 - Structure, Scope, and Performance of Government, L26 – Entrepreneurship, O43 - Institutions and Growth, O55 - Africa, Q13 - Agricultural Markets and Marketing • Cooperatives • Agribusiness

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# 1. INTRODUCTION

## 1.1. Contextualisation and Definition of Research Problem

In today's increasingly globalised environment, where new technologies and disruptive innovations constantly emerge, firms are becoming increasingly vulnerable to other industry players and external shocks (Falahat et al., 2020; Gyensare et al., 2024). Hence, crossing domestic borders to explore potential profit opportunities and exploit firm-specific advantages becomes imperative to compete in today's globalised environment (Debellis et al., 2021; Fasanya et al., 2022).

Internationalisation is driven by internal and external factors called push and pull factors. Push factors include firm- and sector-specific characteristics that make foreign markets more attractive than the home country, while pull factors refer to potential profit opportunities abroad (Fasanya et al., 2022).

Other factors of internationalisation can be partially explained by Barney's (1991) resource-based view and Michael Porter's (1980) industry-based view, where the firms' resources and their respective market conditions can motivate the expansion into foreign markets to seek competitive advantage on a global scale. However, many researchers fail to account for institutional factors, which differ significantly from country to country, especially when addressing the internationalisation of SMEs in emerging economies. These institutional factors are referred to as the third leg in the strategy tripod and include politics, laws, and societal norms and behaviours, essentially what governs societal transactions, which can be formal and informal (Tajeddin et al., 2023; Peng et al., 2008).

The most basic form of internationalisation is exportation. Since there is considerable risk, capital requirements, and limited market knowledge, especially in emerging economies, this becomes the most viable strategic option for most Mozambican firms that choose to internationalise (Fatissone, 2023).

According to the Nacional Institute of Statistics (INE), between 2021 and 2022, Mozambique recorded an increase of around 62% related to international trade with the rest of the world, reaching a total of around $22.952 million (INE, 2022).

Most of the research in this field has generally focused on leading industrialised economies, while some researchers have proposed some insight that accounts for different home business environments and international competitive positions, namely (Tajeddin et al., 2022; Thai et al., 2022; Luo & Wang, 2012). However, not enough research is conducted on the internationalisation process of SMEs in emerging economies, particularly the push and pull factors that motivate internationalisation, as well as the institutional factors that may influence this endeavour, and given the increasing participation of emerging economies, such as Mozambique, in international markets, addressing this topic could provide us with a greater understanding of the behaviour, strategies and difficulties that these firms experience, contributing towards new insights and potentially extending the theory regarding this topic (Fasanya et al., 2022; Mol et al., 2017; Gyensare et al., 2024).

### 1.2. Relevancy of Study

As previously mentioned, there needs to be more literature on the internationalisation process of SMEs in Mozambique. Specifically, how the push and pull factors determine internationalisation and how the institutional factors influence the decision-making of Mozambican SMEs on whether to go international.

SMEs are the most common business organisation, constituting about 90% of all businesses and generating around 50% of the total annual global GDP (Child et al., 2017; World Bank, 2021). African SMEs provide around 80% of employment opportunities in the continent, and their internationalisation activities have been increasing over the last two decades given the rapid economic growth experienced in the continent, which is referred to as the 'Africa Rising' phenomenon (Amankwah-Amoah et al., 2018).

According to the African Development Bank (2023), Mozambique is projected to grow by 6.5% in 2023-2024, making it one of the fastest-growing nations in Africa and the world.

To add, many researchers on African firms have faced considerable challenges when attempting to obtain primary and even secondary data on most of the topics of interest, which ultimately resulted in a lack of consistent consensus regarding the nature and scope of African firms' international activities (Gyensare et al., 2024; Fasanya et al., 2022).

Given the growing importance of African nations in international markets, notably Mozambique, which is expected to experience considerable growth in the years to come, addressing these gaps in the literature would set the groundwork for Mozambican SMEs that aim to go international in the foreseeable future, while also pointing out the institutional factors that could interfere with these endeavours, possibly pushing towards the change in societal dogmas and a shift in policies and laws that could make this internationalisation process frictionless while also increasing the success rate of Mozambican SMEs that chose to operate beyond borders.

## 1.3. Research Questions

The following research questions are intended to guide this dissertation, which aims to study the internationalisation process of Mozambican SMEs, emphasising the push and pull factors and the institutional factors that drive and impact it. These questions are the foundation of this research investigation. They are intended to provide helpful insight into Mozambican SMEs' motivations, strategies and challenges when attempting to enter international markets. This research investigation will try to answer the following research questions.

### 1.3.1. Primary Question

a. What are the principal push and pull factors that motivate Mozambican SMEs to internationalise, and how do they impact decision-making, given the institutional setting where Mozambique finds itself?

### 1.3.2. Secondary Questions

b. What are the principal push and pull factors that drive the internationalisation of Mozambican SMEs, and how do these factors impact strategy?
c. How do institutional factors affect the internationalisation decisions of Mozambican SMEs?
d. What are the main barriers and facilitators faced by Mozambican SMEs, and how do they relate to push, pull, and institutional factors?
e. How can understanding the push, pull and institutional factors be useful for future Mozambican organisations that aim to internationalise?

Thus, these questions are essential to investigating the internationalisation of Mozambican SMEs as they explore the motivations, strategies, challenges, and opportunities these organisations face when entering international markets. This investigation aims to contribute valuable insights by addressing these questions while providing practical recommendations for future Mozambican organisations seeking international expansion.

## 1.4. Research Objectives and Structure of the Dissertation

The main objective of this dissertation is to explore the internationalisation process of Mozambican SMEs, focusing on the push and pull factors that motivate these firms to enter international markets. The study aims to identify the internal and external motivators, assess the influence of institutional factors, examine the challenges and facilitators these SMEs encounter, and provide strategic recommendations to enhance their internationalisation efforts. The dissertation is structured into five main chapters. The introduction outlines the research topic, problem, relevance, questions, and objectives, providing an overview of the study. The literature review examines existing research on SME internationalisation and the Mozambican context, focusing on push and pull factors and the role of institutions. The methodology chapter details the research design, methods, paradigm, population, sampling choices, and data collection and analysis methods. The findings and discussion chapter presents and analyses the research findings, highlighting the motivators, challenges, and institutional impacts on the internationalisation of Mozambican SMEs. The conclusion and recommendations chapter summarises the key findings, addresses the research objectives, and offers strategic recommendations for Mozambican SMEs and policymakers while discussing study limitations and suggesting areas for future research.

# 2. LITERATURE REVIEW

## 2.1. Internationalisation

According to Johanson and Wiedersheim-Paul (1975), internationalisation may refer to the firm's attitude towards foreign activities or the action of carrying out activities abroad. However, these authors also believe that, since we cannot observe the intentions to internationalise, internationalisation is therefore recognised as the activities of these firms abroad. To this, firms tend to gain competitiveness within their domestic market. Internationalisation is the logical next step for these firms, who then venture into neighbouring countries or countries in which their market is understood or have similar characteristics to the home country since the most significant barrier to internationalisation is the lack of knowledge or resources (Johanson & Wiedersheim-Paul, 1975).

This concept has been evolving, and Calof & Beamish (1995) suggested that the term should widen its scope to include any firms that adapt their strategy, structure, resources, and other aspects of the firm in the face of international markets.

Júnior (2005), on the other hand, argues that internationalisation is the moment when a firm decides to involve itself in international commerce, more specifically through exportation, while Lopez & Gama (2005) argue that internationalisation is a process rather than an instance, where the organisation engages in a set of activities that enable stable relationships with foreign markets and their respective players, in a growing manner, which ultimately leads to its projection into foreign markets. Tonissai and Nhenge (2024) argue that while exportation can be one of the fastest ways to internationalise, this process is not as simple as it may seem, given the logistical, administrative, and networking issues that SMEs may encounter.

De Beule et al. (2022) refer to the internationalisation theory, in which firms maximise their profits in imperfect markets for intermediate products. This ultimately creates an incentive for these firms to internalise part of the value chain, and when these firms are internationalised across borders, an MNE is created.

Tamer Cavusgil (1994) officially coined the term “Born Global” firm, which refers to an organisation that projects itself into international markets from its conceptualisation, viewing the world as its marketplace from the outset while viewing its domestic market as a support for its international business (McKinsey & Co., 1993).

Researchers have identified three dominant theoretical perspectives to describe internationalisation: incremental, network, and international entrepreneurship (Morais &

Ferreira, 2020; Wach, 2014). The incremental perspective is associated with more traditional approaches to internationalisation, such as the Uppsala model, which sees internationalisation as linear, with predictable events towards internationalisation (Schweizer & Vahlne, 2022; Johanson & Vahlne, 1977). The network perspective follows a more progressive notion, proposing that SMEs draw on their already-established networks, relationships, and partnerships to embark on internationalisation (Morais & Ferreira, 2020; Ibeh & Kasem, 2011). The international entrepreneurship perspective incorporates the "Born Global" model, as, according to it, SMEs, from their conceptualisation, seek to obtain a significant competitive advantage by making use of resources to sell their products/services to various countries (Morais & Ferreira, 2020; Oviatt & McDougall, 1994).

Amankwah-Amoah et al. (2022) argue that foreign market knowledge is crucial for internationalisation, allowing organisations to pick an appropriate and optimal entry into foreign markets. Foreign market knowledge refers to insights into competitors, customers, business practices such as culture and politics, and potential market opportunities related to a particular market (Amankwah-Amoah et al., 2022; Musteen et al., 2014). Amankwah-Amoah et al. (2022) then explain that SMEs face legitimacy issues, given their small size, lack of resources, and experience in foreign markets. However, with foreign market knowledge, they can overcome these issues.

Amankwah-Amoah et al. (2022) explain that entry modes are the strategies firms employ to enter new markets and exploit their opportunities. This could be through equity entry modes, such as wholly-owned ventures, and non-equity modes, such as licensing, R&D contracts and alliances, ultimately reflecting the firm's interest in power, control and level of investment given the entry mode chosen (Hill, 2023; Hitt et al., 2017). Matos (2017) and Sousa (1997) proposed three categories for entry modes into foreign markets: exportation, which can be direct or indirect; contractual agreements, such as licensing deals, franchising and alliances; and direct investments, such as sole ventures and joint ventures.

Tonissai & Nhenge (2024), in a study on the internationalisation challenges of Mozambican companies, utilising the case of the flag carrier of Mozambique, LAM or "Linhas Aérias de Moçambique", proposed that there are several obstacles that the company faces when attempting to establish itself internationally. Firstly, African airlines are generally not well-perceived internationally, as they lack the qualifications and certifications to fly in various aerial spaces, they do not have a fleet robust enough to cover the desired routs effectively, and they highly depend on government intervention, which has proven detrimental for many African airlines given the high levels of corruption in the region (Tonissai & Nhenge, 2024). While not every company can be compared to a flag carrier such as LAM, it is expected that some firms may experience similar challenges, mainly related to legitimacy, given the lack of know-how, resources and credibility of many Mozambican SMEs.

Thus, the concept of internationalisation has evolved. From the traditional incremental perspective to the network and international entrepreneur perspective, scholars have explored different pathways and motivations for venturing into international markets. Foreign market knowledge seems critical when deciding on an entry mode, and, regarding the Mozambican context, it is apparent that companies may face several difficulties when attempting to internationalise, given the legitimacy issues that may arise.

## 2.2. Exportation

Namburete (2017) defines exportation as selling products or services from one country to another. Leonidou et al. (2010) explain that exporting is the most common way for SMEs to enter international markets because, compared to other foreign direct entry modes, it requires fewer resources and involves less risk, making it more feasible and flexible.

Boso et al. (2013) claim that exporting is an important economic activity critical for the success of businesses and nations and has become a fundamental way of venturing into international markets and maximising sales and profits.

Bilkey and Tesar (1977) proposed the “stages” model for examining export behaviour. The first stage refers to the situation in which management is uninterested in exporting and refuses to fill an unsolicited export order. In stage two, management accepts unsolicited export orders but makes no effort to explore the feasibility of exporting. In stage three, management actively assesses the feasibility of exporting. In stage four, the firm exports to neighbouring and close countries on an experimental basis. In stage five, the firm is an experienced exporter to a specific country and adjusts exports optimally to changing interest rates and tariffs. In stage six, management explores the feasibility of exporting to additional countries.

Leonidou and Katsikeas (1996) proposed that three distinct phases constitute exportation. The first phase, in which three types of organisations can be observed, namely: the organisation that sells its products and services within the domestic market and does not consider exporting, the organisation that solely operates within its domestic market and is considering exporting, and the organisation that has involved in exportation activities and currently does not. The authors refer to this phase as the pre-commitment phase. The second phase, which the authors refer to as the initial phase. Given its willingness to explore various profit opportunities, the organisation engages in sporadic exporting activities. Finally, in the third phase, the organisation is an experienced exporter, given its expertise, desire, and willingness to involve itself in international markets.

Sanidas (2018) proposed that neighbouring countries, in which the distance is practically non-existent, have a greater chance or possibility to engage in trade, as in Europe, the percentage of exports to neighbouring countries is consistently around 55-70%. He then explains that this is usually accentuated by the level of regional integration and how wealth and economic development are propagated from a centre or pole towards the periphery consistently and positively, giving the example of the European Union and Germany, which, despite the wars, given its historical, political and cultural links with its neighbours, has maintained a central, gravitational position, resulting in economic spillovers to these countries.

Other researchers have highlighted the fact that many of these research papers fail to consider the importance of export intermediaries, namely Peng & Ilinitch (1998), who argue that these intermediaries perform the vital task of linking individuals and organisations that otherwise would not have been connected, which makes them critical in export transactions given the geographical and cultural separations between buyers and sellers (Cosimano, 1996; Perry, 1992). Luostarinen (1979) proposed that, regarding the internationalisation trajectories of SMEs in small economies, these firms tend to do so firstly through indirect, direct, or own export modes. In indirect exporting, the firm deals with intermediaries in the home market who export. In direct exporting, the firm deals with intermediaries in the target market. With the own-export mode, no intermediaries are involved and the firm exports directly to end-users.

More recent studies on exportation have highlighted the importance of concepts such as networking, diffusion of technology and information, and the importance of trade policies when it comes to exportation. Mitrega (2022) argues that network development, management and expansion can lead to positive export performance, as it is crucial to distinguish between the vital beneficial partnerships and the deteriorating ones, manage these linkages efficiently and effectively, be able to dissolve the deteriorating ones and expand upon these relationships with mutual beneficial partners to maintain the profitability of the entire partner base. Moughari & Daim (2023) proposed that there is a strong relationship between technological innovation and exports, as technological innovation is usually the result of the diffusion of information and technology that occurs between countries that may lack such innovation and countries that possess such expertise when conducting international trade (Bugbilla et al., 2019). Zhou and Wen (2022) argued that trade policy uncertainty can negatively impact exports and that trade agreements such as WTO and the European community, for example, can help reduce such uncertainty and, thus, promote exports.

Regarding the Mozambican context, according to the Mozambican Ministry of Industry and Commerce (2016), Mozambique has experienced drastic changes when it comes to its commercial scope, marked by a considerable increase in the volume of exportation due to rising foreign direct investment in mega-projects related to the energy and mining sectors, and an increase in imports due to the investment in machinery and equipment needed to kickstart the emerging industries.

The Mozambican Ministry of Industry & Commerce (2016) also states that, regarding international markets, the global value chain brings opportunities and risks to Mozambique, particularly given that modern finalised products comprise components produced by many countries. Mozambique's ability to be included in this global value chain brings several benefits, such as higher trade revenue, greater competition to stimulate efficiency and quality, and higher technological incentives to remain competitive. Conversely, some threats can arise, mainly since, at this point, Mozambique's participation in these value chains is expected to be through the provision of primary products, which are considerably volatile and sensitive to shocks when it comes to pricing, creating unwanted uncertainty.

Following this increase in FDI in Mozambican mega-projects and the country's growing involvement in global value chains, we observe that this is naturally through the exportation of primary goods. Thus, according to the Bank of Mozambique (2023), in the third trimester of 2023, Mozambique's exports generated $2.220,7 million, which were, for the most part, the result of large-scale projects related to the extractive industry, namely coal, which generated $574,3 million, natural gas, which generated $500,6 million, and aluminium, which generated $287,4 million, totalling $1.362,3 million, or 61,3% of total exports.

Concerning traditional products, the Bank of Mozambique (2023) stated that the main products exported during the same period were fresh produce and vegetables, which generated $60 million; tobacco, which generated $27 million; and prawns, which generated $18 million.

The three most prominent export destinations for Mozambique in the third trimester of 2023 were China, which accounted for 16.6% or $369 million of all Mozambican exports; India, which accounted for 15.3% or $340 million; and South Africa, which accounted for 14% or $311,6 million (Bank of Mozambique, 2023).

However, it is essential to note the significance of the Southern Africa Development Community (SADC) to Mozambican exports. In 2021, a total of $1.338,6 million was generated through the exportation of Mozambican commodities to SADC member countries, from which

South Africa was naturally the biggest partner since 70,7% of those exports were with the neighbouring country, while Zimbabwe, Zambia, and Malawi followed as next biggest importers of Mozambican commodities (INE, 2021). This shows how the level of integration between neighbouring countries directly affects the trade between them, just as Sanidas (2018) proposed. To this, it is natural to view South Africa as the economic pole, in a gravitational position to other neighbouring countries, such as Mozambique, from which the economic spills are evident given the importance of South Africa for Mozambique's exports, and, therefore, GDP.

Thus, it is apparent that the fundamentals of exportation, explored by earlier scholars, have created a robust foundation for understanding this crucial aspect of international business. However, it is worth noting that the field of exportation has evolved over the years as researchers have expanded their focus to include additional dimensions, such as the role of intermediaries, the impact of networking, the diffusion of technology and information, and the importance of trade policies, offering more valuable insights into the dynamic nature of exportation.

### 2.3. SMEs and the Mozambican Context

Researchers generally agree that enterprises can be classified according to the nature of their operations, such as manufacturing or agriculture, to their legal forms, such as general partnerships or quota companies, to their forms of ownership, such as sole ownerships or a publicly traded corporations, and, finally, to their size, where we can identify micro-sized enterprises, small-sized enterprises, and medium-sized-enterprises (Muchanga, 2020; Correia, 2018; OECD, 2024).

Although it is generally agreed that these dimensions can be used to classify enterprises, a universal definition of what constitutes an SME has yet to be established, mainly because SMEs are heterogeneous and find themselves in distinct economies (Ardic et al., 2011).

According to the OECD (2024), micro-sized enterprises are businesses with up to 10 employees, small-sized enterprises with 10 to 49 employees, medium-sized enterprises with 50 to 249 employees, and large enterprises with more than 250 employees.

On the other hand, Mozambique defines SMEs as follows: micro-sized enterprises, which employ four people or less and generate less than 1.200.000 MZN (€17.839) in annual revenue; small-sized enterprises, which employ between 5 and 49 people and generate between 1.200.000 MZN and 14.700.000 MZN (€17.839 and €218.528) annually; and medium-sized enterprises, which employ between 50 and 100 people and generate between 14.700.000 MZN and 29.970.000 MZN (€218.528 and €445.529) annually (Boletim da República, 2011).

According to The World Bank (2023), SMEs are vital for any economy, especially developing ones, as they account for most businesses worldwide. Thus, MNEs are important in job creation and economic development since they account for 90% of companies, employ more than 50% of workers worldwide, and contribute 40% of national income in emerging economies. It is important to note that these figures do not account for informal SMEs (The World Bank, 2023).

SMEs play a crucial role in the Mozambican economy as they constitute most enterprises and employ a considerable workforce, ultimately reducing poverty while stimulating growth and job creation (Muchanga, 2020; Valá, 2009). To this, the Council of Ministers (2007), through the "Strategy for the Development of Small- and Medium-sized Enterprises", has determined four dimensions of importance to the Mozambican economy, namely in job creation, as they are generally more labour-intensive, rather than capital intensive; competitiveness, as they incentivise competition, innovation, and entrepreneurship; diversification, as they tailor their products and services to the needs of the market; and mobilisation of social and economic resources, as they serve as agents to social and economic resources that have not been allocated yet.

It is also important to mention that this same council has recognised that there is still room for growth, as some of the following undesirable characteristics plague Mozambican SMEs: insufficient growth rates and insufficient job creation, mainly since Mozambican SMEs employ 42% of the working force and generate around 28% of the GDP, which is significant, although considerably lower than the 50% and 40%, respectively, experienced in the rest of the world (Council of Ministers, 2007; INE, 2013).

According to Wiegel & Matenga (2014), through their study conducted on Mozambican SMEs in the building construction sector of Cabo Delgado, concluded that, despite significant investment in the region on natural gas extraction, these SMEs face significant constraints related to cash flow limitations, lack of access to quality materials, insufficient skilled labour, and limited information on subcontracting opportunities. Government contracts drive the construction market, while international companies favour larger firms due to their quality standards, creating aggressive competition for these SMEs. Lack of training, financing, weak institutions, and limited institutional support also plague these SMEs.

In a different study, the Association of Commerce, Industry and Services (2014) concluded that Mozambican SMEs are incredibly understudied. From their perspective, these SMEs face difficulties associated with underdeveloped business services, such as advisory, coaching, and financial planning. They also face capacity constraints, insufficient awareness, weak B2B networks, and inconsistent service quality, as many Mozambican SMEs rely on word of mouth and media for information.

Given the importance of SMEs in the private sector and how their development is associated with potential growth in tax revenue, the Government has recognised the urgency of reconsidering its policies. They have pushed towards new reforms to stimulate the growth of these businesses, although these have needed to be more effective, given that mainly capital-abundant foreign investors dominate the national market (Muchanga, 2020; CTA, 2013).

## 2.4. Push Factors for Internationalisation

Fasanya et al. (2022) explain that push factors are either firm- or sector-specific and refer to home-country characteristics that may hinder organisations' domestic rate of return compared to potential foreign market opportunities. On the other hand, Madanoglu et al. (2017) refer to push factors as environmental conditions within the home market that drive firm executives to seek international opportunities. To many firms, solely serving their domestic markets exposes them to pressures, pushing them to internationalise (Lohe et al., 2021). Fasanya et al. (2022) further explain that, particularly in emerging and developing economies, rising incomes experienced due to globalisation have resulted in two distinct outcomes. Firstly, large multinationals have acknowledged the market opportunities in these regions and have significantly invested in emerging and developing economies. Secondly, the home conditions of these economies had a significant positive impact on the conceptualisation and prosperity of home-grown organisations ready to challenge abroad.

Regarding internationalisation drivers, the previous literature generally depicts FDI flows as hierarchical, from developed to less developed economies (Fasanya et al., 2022). To this, the literature mainly depicts push factors that stem from the misalignment between the home country's conditions and the needs of the organisation, highlighting push factors such as the need to reinvest accumulated profits and risk diversification (Fasanya et al., 2022; Lall, 1983; Lecraw, 1977).

Lohe et al. (2021), in a study conducted on eight large German family firms, argued that the most crucial factors driving the internationalisation of these organisations were either strategic, namely the pursuit of lower purchasing costs, the acquirement of resources for R&D, offshoring production and engineering outsourcing, or competitive, particularly when firms attempt to circumvent direct competition. This aligns with the notion that FDI flows downward from established economies to less developed ones, as most of these drivers stem from strategic advantages in less developed countries, where costs associated with resources and labour are generally lower. The number of direct competitors is usually lower when compared to more developed ones.

Regarding traditional theories on international business, Barney's (1991) resource-based view on competitive advantage may be used to justify why organisations internationalise. He suggested that organisations maintain a sustainable competitive advantage if they leverage their resources, which should be valuable, rare, inimitable, and non-substitutable (VRIN). Given their adequate VRIN conditions, these resources could push these organisations towards international markets to leverage them more effectively.

Another traditional theory that can be used to understand the drivers for internationalisation could be Porter's (1990) diamond of national competitive advantage, in which he suggests that nations possess attributes that impact organisations' competitive advantage, notably factor conditions, such as labour and infrastructure; demand conditions, such as the home-market demand; related and supporting industries, such as the presence or absence of supplier industries and other competitive industries; firm strategy, structure and rivalry, such as the conditions governing how organisations are created, organised and managed, as well as the nature of the domestic rivalry. Hence, if a nation possesses inadequate conditions regarding its factors and demand, in which there was a shortage of skilled labour and demand conditions which were unfavourable towards growth in a particular industry, the firms within that industry could be pushed to explore other foreign markets where these conditions are more favourable.

Porter (1986) also argues that firms may desire coordination. Coordination is the dispersion and synchronisation of like activities in other countries (Porter, 1986). These firms can ultimately share know-how among such dispersed activities, as each country possesses different conditions, allowing for comparison and opportunities for knowledge arbitrage. Therefore, such a need for coordination could be seen as a push factor for internationalisation.

On the other hand, Thota & Dhanraj (2022) argued that Indian MNEs seek their competitive advantages through linkage-leverage learning (LLL) by linking up with existing players and leveraging as many resources as possible, such as technologies and market positions (Thite, 2016). This contradicts the resource-based view, demonstrating how organisations can circumvent the lack of VRIN resources and instead leverage resources through such linkages. To this, Thota & Dhanraj (2022) proposed that the competition in the domestic market, the lack of demand in the domestic market, the lower profit due to competition, the inability to establish as a brand, and depleting resources are some of the most important push factors for these Indian SMEs. Buckley et al. (2009) mentioned that the LLL framework meant that some push factors inevitably convert into pull factors, as firms adopting such framework were drawn to the proprietary technology, know-how and competitive assets in other industrialised economies, mainly through acquisitions. However, it is essential to note that Indian firms generally possess more advanced technology, knowledge, and experience than firms from other emerging economies (Fasanya et al., 2022; Hattari & Rajan, 2010).

Another view on the emerging economy context comes from Zhu et al. (2020), who explained that in emerging markets, particularly within the Indian and Chinese context, the government plays a crucial role in pushing SMEs into international markets. This is mainly through specific policies incentivising foreign investment through tax holidays and other preferential treatment, motivating these SMEs to register their businesses overseas, particularly in tax havens, and then reinvest into their home countries to enjoy the benefits as 'foreign investors'.

Regarding the push factors in developing countries, particularly in Sub-Saharan Africa, these are generally misunderstood given the lack of availability of secondary data, as well as the fact that most studies on these factors tend to focus on South Africa, which is the most industrialised nation in the region, making these finds not suitable for generalisation given the fact that most countries there are not as developed and industrialised. Nevertheless, some push factors identified in these studies include firm growth through internationalisation, competitive advantage, domestic competition, market stagnation and regulation, firm innovation and technology, country risk and diversification, firm expertise and resilience, and institutional support (Fasanya et al., 2022).

Due to limited data, the push factors influencing the internationalisation of Mozambican firms are still unknown. This information scarcity presents both a challenge and an opportunity for this investigation to uncover unique drivers for Mozambican firms, filling the literature gap and offering valuable insights for academic and practical use.

## 2.5. Pull Factors for Internationalisation

Fasanya et al. (2022) refer to pull factors as related to potential profit opportunities for firms if they engage directly in productive activities abroad. Evers (2011) suggests that pull factors influence firms' decisions on internationalisation and include internal and external incentives that potentially "pull" these firms towards venturing into international markets. Evers (2011) later specifies that pull factors incentivise entrepreneurs to seek out foreign customers as part of the overall business strategy (Evers, 2011; Etemad, 2009). Madanoglu et al. (2017) explained pull factors as the "difference" between home and host markets that may attract or "pull" firms into internationalising. The general literature depicts pull factors as external incentives related to specific foreign markets that motivate firms to venture into such markets (Fasanya et al., 2022; Evers, 2011; Etemad, 2009; Madanoglu et al., 2017).

Etemad (2009) explains that entrepreneurs tend to respond to the attraction of international markets given the opportunity arising from unfulfilled market demand in an international market or segment. If the firm understands that it has the resources and capabilities to fulfil such demand, it may decide to internationalise. Etemad (2009) then broadens his definition by elaborating that pull factors may constitute incentives that make processes cheaper, easier, and faster. Etemad (2009), in his findings, draws many parallels with Kirzner's (1979, 1997) views on entrepreneurship, in which the entrepreneur is always seeking the arbitrage opportunity. Kizner (1979, 1997) explains this by depicting a street with two sides: the domestic market and the foreign market. If the entrepreneur can buy a specific product cheaper on the "domestic" side of the street, then, through simple arbitrage, it may sell it on the "foreign" side to make a profit. To this, Etemad (2009) identifies the following pull factors: the liberalisation of international markets, the advancement in information, communication and transportation technologies, the attraction and resources of foreign partners, and the attraction of serving international buyers' and suppliers' needs.

It is important to remember that, like in the previous section on push factors, the general literature on this domain implicitly assumes that FDI flows downward from developed economies to emerging or developing ones (Fasanya et al., 2022). Musa et al. (2022) corroborate this idea by explaining that there is a significant difference between African and developed economies in terms of economic, cultural, political, and legal factors that significantly impact the decisions of SMEs, including their internationalisation decisions. Another prevailing disparity between the general literature and the African context, as previously mentioned, is the notion that firms are required to have the resources and capabilities to internationalise, which does not apply to the African context since African firms rely on networks and business linkages to circumvent the lack of resources and information, gaining competitive advantage through situations of mutual benefit for every member involved (Schmidt & Hansen, 2017).

Fasanya et al. (2022) explain that, regarding FDI flows to Africa, factors such as openness to international trade, market growth, human capital and natural resources are common themes recorded in the literature. They further explain that this is generally associated with the fact that African countries share some key attributes, such as extensive economic reforms, economic recovery, and the rise of a middle class, which ultimately attracts FDI in human capital- and skill-intensive sectors, namely in banking & finance, telecommunications, retailing and manufacturing. Regarding FDI by African firms, Fasanya et al. (2022) mention that similar pull factors have driven their internationalisation. However, they added the following crucial factors: culture and tastes, exchange rate stability and improving institutional quality.

Omokaro-Romanus et al. (2018), in a study conducted on Nigerian firms, suggested that these firms considered location centrality as a critical determinant of where to establish operations. They suggested that these firms establish export bases in host markets that allow them to reach nearby markets with growth potential, giving the example of a company, Alpha, which established export bases in Ghana and Senegal to be used to export to Mauritania, Mali, Burkina Faso, Mali, Liberia, and Sierra Leone, mitigating the disadvantage of lack of natural resources of these bases through the exportation of intermediary production inputs from Nigeria (Omokaro-Romanus et al., 2018). They further explain that geographical proximity was a crucial determinant in the location pattern choices at the initial stage of all the firms in the study.

As Fasanya et al. (2022) explained, there are some similar pull factors between the general literature and the African context. However, they proposed several more essential factors, particularly culture and tastes. Omokaro-Romanus et al. (2018) refer to this as psychic distance, where the flow of information is expected to occur between businesses and markets with such similarities in culture and tastes. However, it is essential to note that Omokaro-Romanus et al. (2018) later revealed that their findings contradict such a notion, as two of the Nigerian firms studied decided to venture into Francophone countries, Benin and Cameroon, as a means to “break” the language barrier, since the whole of Central Africa is Francophone and successfully doing so would be an excellent opportunity to establish a robust regional presence there.

Another common theme between both papers is that African firms are taking advantage of the growth opportunities within the region, which have been driven by increasing political stability and improving institutional quality. Regional economic integration has also created economic proximity, a common market, and stability (Fasanya et al., 2022; Omokaro-Romanus et al., 2018).

Fasanya et al. (2022) in their paper later determined that, following the evaluation of their case-study firms, host country market growth, network links and the acquirement of strategic assets were the most significant pull factors attracting these firms towards foreign markets, firms of which are South African (1), Nigerian (3), and Kenyan (1). Market growth is driven by trade openness and untapped market opportunities. The incentive for network links is driven by the reliance on suppliers, benefits, and facilitations created by joint ventures with local partners and governments, as well as the maintenance of crucial client relationships. The acquirement of strategic assets is driven by these firms' ambition to acquire intellectual property, trademarks, licenses, intellectual property, and firm-specific assets that can be leveraged and transferred between markets (Fasanya et al., 2022). Fasanya et al. (2022) also found that efficiency-seeking, establishing regional presence, diaspora demand, and skills acquisition were significant pulling factors for some of their case-study firms.

Thus, the existing literature has its limitations, given that the objective of this investigation is to explore what drives the internationalisation of Mozambican firms. However, just as with the push factors, these firms are expected to be drawn by the same pulling factors influencing the decisions of other African firms. This investigation is expected to identify the commonalities and disparities between reality and the current literature through data-backed revelations.

## 2.6. Institutions

Institutions are the external social forces that impact organisational behaviour (Torkkeli et al., 2018; Scott, 1995). They are the rules that govern society, the constraints that shape human interaction, the taken-for-granted assumptions, and the activities, beliefs, and attitudes that become the norm and shared within the entrepreneurial space (Torkkeli et al., 2018; North, 1990; Meyer & Rowan, 1977; Jepperson, 2021).

Scott (2004) mentions that institutional theory addresses deeper aspects of social structure, including schemas, rules, norms, and routines, mainly how these become established authoritative guidelines for social behaviour. Institutional theory is a broad concept, and many scholars have proposed their views on the matter, which has resulted in multiple branches, some more specific than others. Some of the branches include Selznick's (1957) view on institutions as a process of instilling value over time, particularly within organisations, as well as Meyer and Rowan's (1977) view on institutions as a process of creating reality, in which institutionalisation is the process by which individuals in society come to accept a shared definition of social reality, independent of the individual's views and actions. Meyer and Rowan (1977) further explain that institutions reduce uncertainty by creating a stable structure of interaction, including conventions, codes of conduct, norms of behaviour, laws, and contracts, which organisations incorporate to gain legitimacy, resources, stability, and enhanced survival prospects.

North (1990) presented an analogy in which there is a game, and organisations constitute the players within it. Therefore, the institutional framework would constitute the rules of the game that every organisation/player should follow, and in the event of breaking the rules, adequate punishment is expected. North (1990) also explains that organisations influence the rules, incrementally changing them over time by testing the limits of what may or may not be punishable. Successful organisations tend to be those that effectively monitor what is allowed and carefully decide what rules to bend or break so that the resulting benefits outweigh the punishment.

However, it is essential to note that most of the classical research done on institutional theory is based on developed Western societies and that emerging market firms follow a different internationalisation process and have different motivations and approaches, which is ultimately due to dissimilar institutional, industry, and resource factors between developed and emerging markets, as phenomena such as institutional vulnerability, namely ambiguous property rights protection, poor law enforcement, corruption in public services, are more frequent in emerging nations (Tajeddin et al., 2023).

This is the biggest clash between classical institutional theory and the institutional reality of the emerging and developing economy. As Peprah et al. (2023) have put it, developed countries possess well-established and functional institutions that serve as intermediaries among market participants, which ultimately reduces transaction costs and minimises the likelihood of market participants engaging in predatory behaviour, vastly boosting the legitimacy of companies and their offering. Conversely, developing countries experience inefficient institutions and sometimes their complete absence, creating institutional voids. This, in turn, motivates these organisations to seek informal institutions to fill such voids.

Schmidt et al. (2017) further support this idea by explaining that the absence of specialised intermediaries, regulatory systems, and contract-enforcing mechanisms creates institutional voids which are present in product, capital and labour markets, government regulations and contract enforcement. These voids include corruption, poor infrastructure, lack of financing vehicles and technology, and excessive bureaucracy, which increase transaction costs and insecurity within the African context. Schmidt et al. (2017) then explain that while certain institutional factors are detrimental to the general internationalisation strategy of African firms, an opportunity arises as the know-how and expertise of operating in such institutional conditions allow these firms to venture into nearby local markets with similar institutional settings with greater ease.

A neo-institutional theory will be adopted throughout this investigation, and the institutional environment will comprise three pillars (Scott, 2004). The regulatory pillar includes formalised rules, laws and associated sanctions promoting or restricting certain behaviours. The normative pillar includes norms and values perceived as acceptable by society. The cultural-cognitive pillar includes behaviours taken for granted based on shared understanding (Scott, 2004). Within this notion of institutional pillars, three types of institutions exert the most pressure: political, economic, and sociocultural (Scott, 2004; Murithi et al., 2020).

African political institutions are generally considered an obstacle rather than a facilitator for development and economic growth (Murithi et al., 2020). Political corruption, namely in the form of fraud, nepotism, kickbacks, favouritism, and misappropriation of public resources are issues that plague many African countries, particularly in the Sub-Saharan region, and these institutions, which are related to public affairs, agencies and institutions of the state, through such inefficiencies deprive their nations of the economic conditions and necessary finances to grow, resulting in high levels of poverty, inequality, poor infrastructures, market failures and a thriving informal sector across the African continent (Murithi et al., 2020; Samuel et al., 2014; World Bank, 2017).

Socio-cultural institutions are the value systems, norms, and beliefs that characterise any group or society, motivating participants to behave in a certain way (Shinnar et al., 2012). According to Murithi et al. (2020), in Sub-Saharan Africa, socio-cultural institutions are derived from traditional beliefs, norms and values, primarily associated with tribal indigenous tradition. Murithi et al. (2020) suggest that formal and informal institutional logic characterise the region's socio-cultural context. Formal socio-cultural institutions include legally recognised or adopted beliefs, mostly inherited by Western powers due to colonialism. In contrast, informal socio-cultural institutions are derived from traditional communal practices such as tribalism and nepotism. In many cases, informal socio-cultural institutions tend to prevail over formal ones, as communal principles, mainly when conducting business, are very common in Sub-Saharan Africa, resulting in community members having a clear preference for supporting individuals within the same family, village, or ethnic group (Murithi et al., 2020; Zoogah et al., 2015).

In the early 2000s, the Mozambican government, led by Frelimo, favoured those connected to the ruling party. The private sector received constant funding, mainly from businesses linked to political elites and former military generals. This funding often came from international donations from Japan, USAID, the African Development Bank, and the World Bank. This preferential treatment highlighted the influence of socio-cultural and political favouritism in Mozambique's business environment (Mosse, 2004).

In a different article, Ferro (2015) explained that corruption in Mozambique is embedded in the culture, as most Mozambicans are familiar with the term “let us talk”, which is generally used to initiate an informal conversation to illegally deal with a pressing issue or facilitate any specific process. Ferro (2015) explains that small-scale corruption is common in hospitals, bureaucratic services, and police encounters, which follows Murithi et al.'s (2020) notion that informal institutions tend to prevail over formal ones.

According to the Mozambican Ministry of Industry & Commerce (2016), one of the most significant challenges regarding the Mozambican institutional framework is the need for coordination between policymakers, which leads to stagnation and lack of direction when attempting to reform policies. They explain that this stems from an ad hoc approach when creating institutions and many subgroups within the same institution to address needs with the intention of producing results. However, many challenges arise regarding the coordination of efforts on a national level. This also follows Murithi et al. (2020) notion that African political institutions can often pose as an obstacle rather than a facilitator.

John Sutton (2014) claimed that some of the challenges faced by Mozambican enterprises in the agricultural and food transformation industry include poor information systems related to tariffs and logistical costs, a lack of infrastructure such as water and electricity availability and transportation means, and insufficient financing given the high interest rate and lack of guarantees.

Another study conducted on the Mozambican cashew nut industry by The World Bank (2022) concluded that some of the challenges included the lack of supply of high-quality cashew nuts and elevated costs, which are the result of the absence of economies of scale, employee absenteeism, and lack of adequate infrastructures. As Schmidt et al. (2017) have argued, these challenges are mostly related to the institutional voids that African economies tend to experience. Hindrances such as the lack of water and electricity, the lack of information regarding the value chain, and employee absenteeism are normalised in a country such as Mozambique and are very detrimental to its competitiveness in the global market, as these industries, while still very relevant to the economy, are almost prevented from reaching their full potential.

# 3. METHODOLOGY

According to Ranjit (2011), research is a way of thinking in which the researcher seeks to critically examine the various facets of their day-to-day professional work, understanding and formulating guiding principles that govern a specific procedure while developing and testing new theories with the intent of contributing to the advancement of its practice and profession. Ranjit (2011) further explains that good researchers must question what they do and examine what they see to find answers to what they perceive so that they may institute adequate change for a more effective professional service.

Researchers should be able to understand and articulate their beliefs regarding the nature of reality, what can be known about it and how it can be attained (Rehman & Alharthi, 2016). This forms the basis of the research paradigm, in other words, the "worldview" of the researcher, namely the perspective, thinking, school of thought, or set of shared beliefs that inform the meaning or interpretation of research data (Kivunja & Kuyini, 2017).

This investigation follows an interpretive paradigm, acknowledging that our senses mediate reality, meaning that each person experiences reality subjectively, resulting in socially constructed multiple realities (Rehman & Alharthi, 2016). This investigation is also exploratory since very little is known regarding the internationalisation process of Mozambican SMEs. Given that these enterprises operate in a market space in which the institutional pillars are not well-defined and considerably deviate from conventional Western institutional pillars, it is imperative to recognise that each Mozambican SME's reality is expected to be unique since their internationalisation endeavours may be constructed through their interactions with the socio-economic and institutional environment distinctive to Mozambique, potentially yielding unique experiences that are worthwhile exploring, as it gives us a greater understanding of the intricacies regarding the internationalisation process within the Mozambican context.

To this, this research investigation calls for a qualitative research design and qualitative methods, namely semi-structured interviews, in which a script containing open-ended questions was pre-emptively developed so that a select group of entrepreneurs, all of which operate in the agricultural sector and export simple agricultural commodities, may provide insights on their internationalisation efforts, including their incentive to seek international markets, the drawbacks and advantages stemming from operating in Mozambique, and what should change in the current environment so that more Mozambican entrepreneurs may venture into global markets.

Within the existing literature, great emphasis is deposited on the socio-economic and institutional environment in which companies are inserted (Murithi et al., 2020; Schmidt et al., 2017; Zoogah et al., 2015; Samuel et al., 2014; World Bank, 2017). As previously mentioned, Mozambique's institutional pillars are not well-established and diverge significantly from Western ones, resulting in unique and complex situations, which an interview is expected to assess, given that it allows for the collection of in-depth, accurate information through face-to-face repeated interactions with the interviewee, where questions can be explained while information can be probed, ultimately giving us a more realistic understanding of the interviewees' perspective that cannot be experienced through statistics (Ranjit, 2011; Yeung, 1995).

Regarding population and sampling, the population refers to individuals with at least one common characteristic, namely Mozambican SMEs (Majid, 2018). The target population refers to the subset of the population that the investigation aims to study, namely exporting Mozambican SMEs of agricultural commodities (Majid, 2018). Lastly, the sample refers to the exporting Mozambican SMEs of agricultural commodities participating in the study, namely two Mozambican exporters of bananas, one of them also being the president of the Association of Mozambican Banana Producers: "BananaMoz" (Majid, 2018).

These participants were selected using non-probability sampling given the qualitative nature of the investigation, focusing on small samples, and intended to study natural phenomena instead of making statistical inferences regarding the wider population (Taherdoost, 2016; Yin, 2009). Non-probability sampling, therefore, does not follow the theory of probability when choosing elements from the target population and is suitable when the total number of elements in a population is either unknown or cannot be individually identified (Ranjit, 2011).

To this end, snowball sampling was used. Initially, one Mozambican banana producer was selected to participate in the study, and it was requested that they identify other SMEs with the same characteristics so that they may also participate (Ranjit, 2011). This method is helpful since it encourages inaccessible cases to participate in the study, increasing the sample size (Taherdoost, 2016).

Given the current context, the choices regarding the population and sampling, mainly focusing on agricultural Mozambican SMEs and reaching them through snowball sampling, are mainly due to feasibility and relevance. Due to the limited number of internationalised Mozambican enterprises, focusing on agricultural exporters guarantees a feasible sample size, facilitating relevant and comprehensive research, given the economic importance of the agriculture sector in Mozambique and the in-depth exploration of their internationalisation efforts. Snowball sampling also allows for a feasible way of accessing the target population, given these Mozambican SMEs' relatively small and interconnected community.

Nonetheless, there are some disadvantages associated with the selected method, particularly regarding the use of snowball sampling, as the choice of the entire sample rests upon the choice of participants in the initial stage, allowing for biases in the selection of participants, mainly if they belong in a particular faction (Ranjit, 2011). If this were the case, the study could be biased (Ranjit, 2011; Majid, 2018). The choice of an interview as a data collection method also has its disadvantages, namely its time-consuming nature, exacerbated by the geographical scatteredness of respondents, the fact that the quality of data depends on the quality of the interaction and the interviewer, as bias could be introduced into the research through the framing of questions and the interpretation of responses (Ranjit, 2011).

Thus, the study employs an interpretive and exploratory qualitative research design to investigate the internationalisation process of Mozambican SMEs in the agricultural sector. With semi-structured interviews, the research gathers in-depth insights into the motivations, challenges, and existing and potential facilitators that these SMEs face. The economic significance and the limited number of internationalised Mozambican SMEs drive the choice of this sector. Snowball sampling effectively identifies and gathers participants within this interconnected community, ensuring a representative sample. While understanding and recognising potential biases and the time-consuming nature of interviews, this methodology provides valuable insights that can inform future strategies and policies to support the internationalisation of other Mozambican SMEs.

# 4. RESULTS

## 4.1. Introduction

Initially, a larger sample was intended for this investigation, but this was impossible. From the beginning of February until the end of May, more respondents were extensively procured. It was requested that the two respondents suggest other individuals who could be interviewed. Additional contact attempts via email were made to other Mozambican farming companies, hoping they would be willing to participate. Despite these efforts, extra interviews could not be secured, and therefore, the investigation was carried out using two very insightful interviews.

This section will present the findings from the primary data collected from the in-depth semi-structured interviews with the two study participants, Paulo Nogueira and Bruno Lima. These individuals agreed to be identified throughout the study to a certain degree, which will be specified.

Paulo Nogueira is a 49-year-old Mozambican who has worked in the agricultural sector for the past 18 years and currently works for a company named “Beluzi Bananas”, which focuses mainly on bananas but produces macadamia nuts and avocado alternatively.

Bruno Lima has been working in Mozambique for the past ten years, also in agriculture. Bruno has requested to preserve the anonymity of the company he currently works for, although the nature of the business is also agriculture, mainly the production and commercialisation of bananas. Bruno has also agreed to be identified as the President of BananaMoz, the Association of Mozambican Banana Producers.

These interviews have provided a very insightful image of the environment in which they operate, particularly regarding the internationalisation process of Mozambican SMEs in the agricultural sector.

The findings will be thoroughly analysed to fully comprehend the three fundamental pillars of internationalisation proposed throughout the research investigation: the push, pull, and institutional factors. This data will then be analysed in the context of the existing theoretical framework and literature reviewed in the previous chapters so that the primary and secondary questions of the investigation can be answered, giving us an extensive comprehension of the drivers and barriers to internationalisation for Mozambican SMEs. Additionally, the implications for practice derived from these findings will be covered in this section, providing actionable recommendations for policymakers and other stakeholders to enhance the internationalisation efforts of Mozambican SMEs.

### 4.2. Research Findings

As mentioned in this section, the findings will be analysed to fully grasp the three fundamental pillars proposed in the research investigation, namely the push, pull, and institutional pillars, from the perspective of two individuals, Paulo Nogueira and Bruno Lima. Given their expertise and know-how on the subject matter, they have provided great insights into the agricultural landscape of Mozambique, ensuring a comprehensive understanding of the internationalisation process.

#### 4.2.1. Push Factors for Internationalisation in Mozambique

##### 4.2.1.1. Internal Market Demand Capacity

One of the most common themes in both interviews is the disparity between the output of the Mozambican Banana industry and its local market demand. As highlighted by Paulo Nogueira:

> *"Our local market cannot consume more than 600 hectares of banana production. (...) if we were to exploit all this production, it would be concentrated around the Pequenos Libombos dam. If we were to fully exploit the dam's capacity and available land, the local market would not have the capacity to consume all these bananas. (...) 90% of our production is for export, and 10% is absorbed in the local market."*

When faced with the same question, Bruno Lima also mentioned Mozambique's lower local market demand for bananas:

> *"Low demand. When I say low demand, the market needs here in Mozambique are very low, making the price of bananas very low. Today, producing bananas is a high investment, and you cannot sustain yourself by serving only the Mozambican market."*

These two answers indicate that banana producers cannot sustainably serve only the Mozambican market. Most Mozambican banana producers venture into the business to primarily serve foreign markets. Both interviewees support this, as they specify that their leading export destination is South Africa.

*"Between 12% and 15% of our product is consumed here in Mozambique, and the rest is consumed in South Africa." (Bruno Lima).*

Hence, it is apparent that investing in the banana industry in Mozambique is solely viable when the target market is South Africa, as the demand in Mozambique is insufficient to absorb its production. Given the market saturation, the price of bananas in the local market remains uncompetitive when compared internationally.

#### 4.2.1.2. Favourable Production Costs

Given the lower labour and production costs compared to South Africa, Paulo Nogueira has highlighted how Mozambique has effectively captured the South African banana market. Paulo Nogueira further explained that this cost advantage was the main driving force of South Africa's attempts to sanction imports from Mozambique through phytosanitary barriers. These barriers were tackled through the efforts of BananaMoz, which, alongside the Ministry of Agriculture of Mozambique, negotiated with the South African Ministry of Agriculture to lift these sanctions so that the Mozambican banana industry may flourish.

*"Labour and production costs in Mozambique were cheaper compared to South Africa. (…) So, the possibility of Mozambique capturing that market from South African producers was very high. So, they tried to create phytosanitary barriers, mainly at the border, to reduce the importation of Mozambican bananas. So, we needed to create BananaMoz to unblock these barriers along with the Ministry of Agriculture of Mozambique and South Africa."*

Paulo further explained how this cost advantage is derived, namely:

*"The production cost is lower compared to South Africa. We have the advantage of cheaper access to land since you cannot buy land in Mozambique; you agree with the government, which gives you the land almost for free but with some social responsibilities. Labour is slightly cheaper compared to South Africa. However, when you factor in other production costs, such as fertilisers and boxes, these products are more expensive than in South Africa. (…) If we compare the pros and cons, we can see that it is cheaper to produce bananas in Mozambique than in South Africa."*

Hence, according to Paulo, while banana production in Mozambique requires the importation of specific inputs, such as fertilisers and boxes from South Africa, interestingly, after factoring the entire cost structure of producing bananas in Mozambique, Mozambican producers still have a cost advantage when compared to South African producers, making South Africa a viable market.

#### 4.2.1.3. Favourable Climate Conditions

Both interviewees identified Mozambique's climate conditions as a crucial push factor for internationalisation. They have argued that Mozambique possesses exceptional climate conditions for banana production and adequate soil and water availability, especially compared to South Africa.

> *"Mozambique has the best soils and the best climate for banana production. Therefore, it meets the requirements of the Middle East and South Africa. Our climate is much better compared to South Africa and its producers." (Paulo Nogueira).*

Climate conditions significantly influence banana production since optimal temperatures range between 12ºC and 30ºC. If temperatures fluctuate beyond this optimal range, the end-product is affected by "under-peel discolouration" if temperatures fall below 12ºC and "sunburn" if it exceeds 30ºC. While Mozambique experiences both these extremes on a few occasions, in South Africa, the primary target market for Mozambican banana producers, these fluctuations are more severe.

> *"The ideal temperature for bananas is between 12ºC and 30ºC. As soon as temperatures drop below 12ºC, you get cold burns, which are not visible on the outside but are what we call 'underpeel discolouration'. (…) If you experience temperatures above 30ºC, you start to get what we call 'sunburn'. We experience both of these extremes here in the subtropical zone. Even so, Mozambique's climate is much better for banana production than South Africa, which has harsher winters." (Paulo Nogueira).*

Bruno Lima has also mentioned how Mozambique has favourable climate conditions for banana production despite the occasional cyclones. As he has put it:

*"Mozambique's geography is very favourable. We have some events like cyclones, but it is a country blessed by its land, water amount, and climate."*

The production costs, previously mentioned, and the climate conditions fall under the category of factor conditions according to Porter's (1990) diamond theory for competitive advantage, specifically basic factors, which tend to be inherited and do not require much investment to derive their advantage. While these factors are not non-imitable, according to Porter (1990), they remain crucial for the competitive advantage of Mozambican banana producers in the South African Market.

#### 4.2.1.4. Business Strategy and Diversification

Both interviewees expressed that serving the international market is an objective of the conceptualisation of the business. This is apparent for most banana producers in Mozambique, and their primary target market is South Africa. When questioned: "When did the company decide to explore international markets?" Bruno Lima answered as follows:

*"The company was created to supply the international market."*

This follows the historical trend of Mozambique being one of the leading exporters of bananas to South Africa. As mentioned by Paulo:

*"Mozambique has always been a significant banana exporter to South Africa, even during colonial times. So, when large plantations began establishing and producing bananas, the intention was always to export to South Africa."*

Both companies they work for were conceptualised to serve this market. In a sense, these are "born global" companies to a certain degree since, according to Cavusgil's (1995) definition, they project themselves into international markets from their conceptualisation, viewing their domestic market as a support for their international business. We must remember that these companies are solely exporters. Hence, their international presence is limited to this endeavour. However, Paulo Nogueira also explains that his company, and virtually every banana producer, creates a trading company in the destined market to circumvent some institutional hurdles, which will be discussed later.

Another factor mentioned by both interviewees is the need for diversification. Both interviewees have highlighted how the dependency on South Africa as the sole buyer of their produce is a risk they are unwilling to ignore.

> *"Given that we currently have the South African market as the sole export destination, the political tension in South Africa is a concern." (Bruno Lima).*

> *"We are only focused on exporting to South Africa. Because the South African market sometimes has economic and political 'ups and downs', we decided to invest in other fruits, such as avocados." (Paulo Nogueira).*

While Bruno Lima envisions other markets as potential candidates for such diversification, he still believes that penetrating such markets is somewhat unrealistic, given the dominance of producers from tropical areas. As he states:

> *"In response to this political instability in South Africa, there is an attempt to export to other markets such as the Middle East. However, there is also unfair competition for our producers as we are in a subtropical area."*

Conversely, Paulo Nogueira has shown that he and his partners are determined to tackle these markets since they aim to penetrate Europe. This goal is challenging as Europe has several barriers, particularly phytosanitary ones. However, Paulo believes that through careful evaluation and market research, they can produce and export commodities suitable for Mozambique's conditions while having fewer phytosanitary barriers. In his previous statement, we can understand that avocados are one of these commodities that fit the requirements for the European market and can be grown in Mozambique. He elaborates:

> *"We have two varieties under experimentation here, (...) 'Hass' and 'Fuerte'. The 'Fuerte' variety is appreciated in South Africa (...). However, with 'Hass', the intention is to export it directly to Europe, specifically the UK. (...) In terms of quality, it meets the European standard, and in terms of size, it also does. Therefore, everything indicates that exporting avocados to Europe will happen."*

Paulo Nogueira also refers to macadamia nuts as an alternative to these two commodities:

*"So, we opted to create a third product: macadamia nuts. We already have about 120 hectares, and we are already harvesting macadamias."*

However, there is a particularity with macadamia nuts regarding their exportation. This will be addressed in a later section as well.

Thus, it is apparent that the overall strategy of Mozambican producers is a crucial push factor driving their internationalisation. From their conceptualisation, these companies envision the foreign market as their target market, mainly South Africa for banana producers, and this dependency also incentivises these companies to diversify their production to meet other foreign market demands, Europe being a desired destination.

### 4.2.2. Pull Factors for Internationalisation in Mozambique

#### 4.2.2.1. Foreign Market Demand Capacity

As previously mentioned, Mozambique's low demand capacity for bananas is one of the pushing forces stimulating internationalisation. The foreign market demand capacity is the pulling force of the same dimension. As Paulo Nogueira explains:

*"South Africa is a much larger market with a higher population density, capable of consuming up to a million boxes of 18kg each per month. That is more or less what we all produce here: a million to 1.2 million boxes per month."*

The foreign market demand for bananas in South Africa translates into higher sales volume for these Mozambican producers, serving as a reliable market outlet. It is safe to assume that if this demand for bananas in South Africa were to vanish suddenly, then the Mozambican banana industry would collapse.

This notion of the foreign market demand constituting a significant pull factor falls in line with the general assumption that Etemad (2009) has posited: that entrepreneurs tend to respond to the attraction of international markets given the opportunity arising from unfulfilled market demand in an international market or segment. If the firm understands that it has the resources and capabilities to fulfil such demand, it may decide to internationalise (Etemad, 2009).

Bruno Lima also refers to South Africa's higher market demand, although he touches on another critical factor that will be addressed: the higher market price for bananas abroad.

#### 4.2.2.2. Market Price for Bananas

Both interviewees state that, in general terms, the market price for bananas in South Africa is higher than in Mozambique. Several factors contribute to this, including higher market demand. As Bruno Lima states:

> *"Due to the high demand for bananas in South Africa, the price is more favourable than the local market price."*

According to Paulo Nogueira, another factor determining the higher market price for bananas is the higher purchasing power of South Africa and its strong currency, the rand (ZAR), compared to the Mozambican currency, the metical (MZM). As he states:

> *"We take advantage of a strong currency, the rand. Until last year, the rand cost 4 MZN. So, selling a box gives you a better product valuation in South Africa than here. If you sell a box for 100 ZAR in South Africa, it is 400 MZN. In the local market, you cannot sell a box of bananas for 400 MZN. The purchasing power greatly influences this decision to internationalise."*

These two statements from the interviewees follow the basic rules of demand theory. The higher prices that Mozambican producers receive for their exports are derived, in economic terms, from an increase in demand and quantity demanded for bananas in South Africa. This change in demand can be attributed to the higher purchasing power, as Paulo Stated, which stems from the higher disposable income of South Africans, shifting the demand curve to the right. Therefore, the higher equilibrium price would reflect the increased demand and quantity demanded for bananas in South Africa (Corporate Finance Institute, 2024).

Even though the higher currency valuation of the South African rand contributes towards higher prices and, therefore, increased revenue received by Mozambican banana exports, this is also can work against Mozambican producers, especially since, as Bruno Lima mentioned, Mozambican banana producers import most inputs, namely pesticides and machinery as the most important. As he states:

> *"The fact that Mozambique does not have an industry, especially in agriculture, creates many difficulties. For example, it is impossible to buy an irrigation system in*

*Mozambique. Everything is imported. These currency fluctuations affect the banana and other industries that import much of their inputs."*

Therefore, we can understand that the higher demand in South Africa drives the prices up, and the higher purchasing power allows South African consumers to pay higher prices than Mozambique. The strong currency of South Africa, the rand, relative to the Mozambican metical, also enhances the revenue received by Mozambican exporters when converted back to metical. These are factors that pull Mozambican banana producers into exporting to South Africa. However, the benefits of such higher market prices are partially offset by the higher costs of imported inputs, posing a challenge that Mozambican banana producers are expected to navigate effectively.

#### 4.2.2.3. Market Accessibility

Market accessibility seems to be a crucial pull factor for Mozambican producers. The ease with which they access a specific foreign market determines their ability to compete and sustain their operations. Through the assessment of both interviews, it is understood that logistics, phytosanitary barriers, and consumer tastes govern such accessibility.

Regarding logistics, Mozambique's geographical proximity to South Africa is a significant pulling factor attracting producers to this market, as it simplifies the logistics associated with exportation. The decreased phytosanitary barriers also play a crucial role in attracting Mozambican producers. As Bruno Lima mentioned:

> *"The decision to enter South Africa was due to fewer barriers, being much more profitable, and its proximity to Mozambique."*

Paulo Nogueira also explains why the South African market is attractive:

> *"First, the level of phytosanitary requirements is practically zero. Therefore, there are fewer phytosanitary requirements for exporting to South Africa. It is true that a series of certifications, such as the 'Global Gap', are needed to ensure the appropriate use of pesticides and fertilisers. However, aside from certifications, it is straightforward to export to South Africa."*

As logistical issues increase, and subsequently, the cost, many desirable markets become unattainable, as Paulo Nogueira explains:

> *"In 2013, we experimented with the first exports to Dubai but encountered challenges with the shipping company. No shipping company came to the port of Maputo and went directly to those areas. We had to temporarily export to South Africa, to the port of Durban, and from there, it would go by ship directly to Dubai. However, the logistics became costly, so we stopped."*

This is also supported by Paulo Nogueira's prospection of returning to the Middle Eastern market as a new cargo line emerges capable of connecting the port of Maputo directly to the targeted market. As he states:

> *"Now, a line has started at the port of Maputo, connecting the Middle East and Mozambique. So, twice a month, a ship connects us to Dubai, Qatar, and Saudi Arabia. It reduces logistics costs, so we are trying to experiment again with the Middle Eastern market."*

Paulo Nogueira then explains how phytosanitary barriers make exporting to Europe, the desire of many Mozambican producers, nearly impossible:

> *"Any agricultural company's goal is the European market, not just the Middle East. Unfortunately, European phytosanitary restrictions place this market very far from Africa. They create challenging barriers to overcome, so the only ones who can meet all these requirements are from Central America."*

These phytosanitary requirements and other characteristics of the Mozambican banana ultimately need to match the destined market's legislative requirements and consumer preferences. Mozambican producers can easily match these requirements when the target market is South Africa. When other markets are targeted, this becomes more difficult, as Bruno Lima explains:

> *"Studies have been conducted to export bananas to the Middle East, Dubai, and Saudi Arabia, but there is unfair competition for us there. We compete with countries*

*such as Costa Rica, Brazil, Ecuador, and Colombia, which are tropical zones. Their bananas are different. Their size, taste, and ripeness differ from our bananas, so we fail to compete on quality as they have captured this market for years. (…) The price would have to be very low to compete, which is not economically viable."*

Market accessibility is crucial for Mozambican producers, driven by logistics, phytosanitary barriers, and consumer preferences. The proximity to South Africa reduces costs and aligns well with market demands, making it a prime destination. However, challenges arise with more distant and regulated markets such as Europe and the Middle East. Both Paulo Nogueira and Bruno Lima emphasise the need for strategic market selection, ensuring sustainable and competitive international operations for Mozambican producers.

### 4.2.3. Institutions

#### 4.2.3.1. Political and Regulatory Institutions

Both interviewees highlighted the bureaucratic nature of the Mozambican political environment and, subsequently, their regulations and policies. They explain how it poses significant challenges to existing industries in Mozambique and disincentivises foreign investments. Bruno Lima has a much more pessimistic view on the topic, as he states:

*"Today, in Mozambique, many bureaucratic processes prevent other foreign investments, and there is much political instability; administrators and governors change... Legislative changes are not based on commercial benefits."*

Bruno Lima then further explains that the bureaucratic environment in Mozambique tends to be very decentralised, with many processes being very repetitive and involving a significant number of institutions. This falls in line with the report from the Mozambican Ministry of Industry & Commerce (2016), as they claimed that the ad hoc nature of creating numerous institutions and many subgroups within the same institution results in coordination issues amongst policymakers, which translates into issues for the various industry players that are required to deal with such institutions. Bruno Lima then explains:

*“Bureaucracy should be reduced and be more centralised. Today, many stages of the bureaucratic process are repeated several times and involve multiple institutions. This removes the incentive to invest in Mozambique, avoiding economic expansion and diversification since bureaucratic processes are a significant obstacle.”*

According to Bruno Lima, another issue that hinders economic expansion in Mozambique is the implementation of baseless preventive laws. These laws are intended to protect the environment and the safety of the consumer. However, Bruno Lima believes they should be revised since they have the potential to create profit opportunities for the industry. Bruno explained that many producers must rotate their crops every 6 to 7 years. They usually do so through so-called “crop breakers”, alternative cultures that allow the soil to replenish its nutrients. These “crop breakers” are generally unsuitable for commercialisation or do not generate a substantial profit. An opportunity would arise if it were legally permitted to cultivate transgenic crops, namely soy, corn and wheat. Transgenic crops significantly reduce production costs as they are much more adaptable to the climate conditions of Mozambique, are more resistant to pathogens, and require less labour force to maintain. Bruno Lima then questions this legislation:

*“With soy, for example, you cannot plant transgenic or genetically modified soy. I have met with the director of plant health and the national director of agriculture to understand why. Why hasn't the Institute of Agricultural Research of Mozambique (IIAM) approved it, considering studies are debunking the dangers of transgenic crops?”*

Bruno Lima then claims that these laws are baseless since Brazil and the USA, the two biggest producers of soy and corn today, use transgenics.

While recognising Mozambique's excessive bureaucratic nature, Paulo Nogueira expresses a much more positive view on the subject, as he mentions:

*“Bureaucratically, Mozambique is a very bureaucratic country, very much so, but fortunately, the mentality is very open. So, we can open doors with the right people in front of the associations. Therefore, Mozambique is very bureaucratic, but they cooperate when a particular change can significantly help exports and the GDP. They have been cooperating and will always cooperate. The important thing is knowing how*

*to approach them, explain the difficulties, and analyse and make decisions. Over the past 15-16 years, I have been in the banana business and seen many changes."*

Paulo Nogueira believes that policymakers and Mozambican formal institutions generally have good intentions so long as the various industries and their players understand how to approach them. He believes positive change is possible through careful market analysis and coordination with the right decision-makers.

Paulo Nogueira believes the main issue with Mozambican policymakers is that they need to understand the reality of a country such as Mozambique. They generally have good intentions through their policy, although it often does not apply to the reality of Mozambique. Paulo explains that this is usually due to Mozambique's membership in the Southern African Development Community (SADC), which, given Mozambique's underdevelopment compared to other members, leads to unsuitable policies for the Mozambican reality. As he mentioned:

*"The people who make the laws often have yet to experience the difficulties on the ground, so they sometimes make laws that do not fit our reality. (...) Mozambique is part of the SADC. SADC operates much like the European community here for Sub-Saharan African countries. They are trying to implement rules as if we were the European community. So, rules are being debated for implementation in all countries. Sometimes, they try to speed up implementation, but Mozambique is not ready for such laws. For example, some laws require a sophisticated computer system. Mozambique is far from being computerised."*

Another example of inefficient Mozambican policy is the government's requirement that agricultural producers issue invoices for their goods before they are exported. These are based on market estimates and usually do not match the actual selling price of these goods. As Paulo Nogueira explains:

*"The legislation in Mozambique does not allow you to set fixed banana prices. The banana market is like an auction. (...) Mozambican legislation does not allow you to export bananas without having an official invoice. Therefore, it is very complicated for the producer who issues the invoice. For example, if the invoice is set at 100 ZAR per box, you arrive at the market and do not manage to sell it for that amount, but instead*

> *for 80 ZAR. When the time comes to pay what you owe to the government, they will question you regarding this. This part of the legislation complicates things for us."*

Paulo then explains that many exporters establish a trading company in South Africa to offset any disparities between the invoices and the actual selling prices for the bananas.

Bruno Lima has also emphasised the Mozambican central bank's failed attempts to control exchange rates, which affects producers:

> *"Regarding Mozambique's financial policy, the devaluation and stagnation of the metical against the dollar and the attempt to control its value against the rand significantly affect exporters. (...) The central bank is one of the main ones responsible for this devaluation of the metical against the dollar, which greatly affects producers."*

This dramatically affects Mozambican producers, who import most of the inputs required for their activity, especially agricultural producers, as mentioned in the section on the pulling factors for internationalisation.

Thus, Mozambique's highly bureaucratic regulatory framework poses significant challenges for Mozambican exporters. The decentralised nature of this framework is partly to blame for its bureaucratic nature, and poor decision-making by policymakers regarding exchange rate regulation and transgenic crops has been very detrimental to business in Mozambique, as Bruno Lima mentioned. On the other hand, Paulo Nogueira has highlighted how policymakers are very open to hearing what producers say, as their ultimate goal is always to stimulate the Mozambican economy. However, it is also true that these same policymakers should be more aware of the reality of the Mozambican context as it could influence policy effectiveness.

#### 4.2.3.2. Economic Institutions

The economic conditions in Mozambique, particularly regarding infrastructure, pose a significant challenge to internationalisation, particularly for agricultural producers. Mozambique experiences frequent power cuts, the road conditions are deplorable, and technological infrastructures are very outdated, which, according to Bruno Lima, negatively impact the banana industry:

*"Unfortunately, in terms of infrastructure, the battle is constant for banana companies associated with BananaMoz. EDM (Electricity of Mozambique) has improved a bit, but our roads, for example, greatly harm producers. We do not have proper maintenance, which influences the quality of the bananas transported by trucks. Hence, our roads affect the quality so that when the product reaches the market, there is no way to compete with South African producers who enjoy better access roads with better infrastructures."*

Another issue regarding the Mozambican economic landscape is the absence of supporting industries, which, as mentioned, forces producers to import crucial inputs that are subjected to volatilities, such as exchange rate volatilities and wars, as seen with the Russo-Ukrainian war. As Paulo Nogueria states:

*"Since the start of the war in Ukraine, production costs have risen significantly. Most fertilisers in this southern African zone are imported from Ukraine and Russia, but the war has prevented us from acquiring them.*

*Fuel prices have inflated significantly, and transport costs have increased by almost 35%.*

*The cost of producing boxes has also risen, so production costs have increased significantly. Unfortunately, Mozambique has no box production industry, so all the boxes must be imported from South Africa."*

Bruno Lima has always emphasised how the lack of supporting industries significantly affects producers. As mentioned in the section on the pulling factors for internationalisation and the political institutions, this absence of supporting industries means that there is a reliance on imported inputs subjected to volatilities related to exchange rates.

Bruno Lima has also mentioned that there is no credit access for agricultural purposes, and private banks' high interest rates make loans unaffordable for many producers. As he mentions:

*"Access to credit does not exist, and all credit programs are not directed to banana production. The interest rate in private banks in Mozambique is very high. Taking a loan from a private bank in Mozambique is like declaring bankruptcy due to the interest rates. Unfortunately, we do not have any credit access programs for agriculture that*

*could stimulate agriculture. What is missing in Mozambique today are these incentives."*

Another issue already mentioned by Paulo Nogueira is the underdevelopment of Mozambican technological systems, which makes some policies ineffective and some standard business practices impossible to implement in Mozambique. As he mentions:

> *"Mozambique has many internet difficulties. Another example I will give is that there is a Portuguese accounting system called 'Primavera', but there is another version called 'Pastel'. You can have several users in different locations: one at the plantation, one in the office in Matola, and one in the North. However, if you are processing a document and the internet is interrupted, it creates a bug, a corruption. So, you might have a printed invoice with all the descriptions and values, but when you go to the system later, the invoice is blank. Given the internet difficulties we have in Mozambique, this program is unsuitable."*

Thus, it is apparent that the economic conditions and landscape of Mozambique pose many difficulties for producers that aim to internationalise. Power outages, poor road conditions, and outdated technological systems negatively impact the quality and competitiveness of exports. In addition, the lack of supporting industries, the reliance on imported inputs, which are subjected to volatilities, and the lack of credit further hinder agricultural development. These are issues that cannot be ignored. However, they cannot and, realistically, will not be resolved as quickly since Mozambique is a very underdeveloped nation with many fundamental issues related to education and healthcare that must be better managed. Expecting sophisticated roads and technological systems seems like a delusional far cry given the reality of Mozambique.

#### 4.2.3.3. Socio-Cultural Institutions

Regarding the socio-cultural environment, both interviewees expressed how it affects their business. Paulo Nogueira explained that in Mozambique, there is an embedded culture of agriculture in that much of the population, specifically in rural areas, constituting the majority of the country, usually possess a small-scale plantation for their personal use. As Paulo Nogueira states:

> *"The culture in Mozambique is very particular. Everyone in Mozambique has a small plantation that produces a stalk of corn, a banana plant. So, who will buy a box for 400 MZN in Mozambique if they have access to bananas practically for free?"*

Bruno Lima then explains how he believes that in Mozambique, there is a culture of lack of commitment by workers, which translates into a considerable amount of absenteeism, as he mentions:

> *"I worked for six years in South Africa, gaining experience in the banana industry. When I arrived in Mozambique, I experienced this cultural shock regarding workers' responsibility and commitment. We experienced many absences when it rained. Workers preferred staying home planting corn or caring for their livestock rather than coming to work. Fortunately, there has been a significant change in worker commitment. However, even so, in South Africa, an average of 8 people work per hectare. In Mozambique, it is only possible to manage a plantation with 15 people per hectare. So, there is this cultural difference in commitment and productivity."*

This comes as no surprise, given the level of poverty in Mozambique. According to the United Nations (2023), 62% of the population in Mozambique is multidimensionally poor since they live below $2.15 per day, while an additional 13.9% is classified as vulnerable to multidimensional poverty. Mozambique also experiences an urbanisation percentage of 39%, while 89% of Mozambicans cannot read and understand an age-appropriate text by age 10 (World Bank Group, 2023; Unesco, 2023). Understandably, individuals working in these banana plantations would be more committed to tend to their own personal plantations and livestock than to their formal employment.

#### 4.2.3.4. Institutional Support

Given Mozambique's institutional environment, institutional support is crucial in helping agricultural producers navigate the country's challenging regulatory and economic environments. In the Mozambican banana industry, this institutional support is mainly the responsibility of BananaMoz, which has been pivotal in bridging the gap between producers and policymakers.

The association's establishment was in response to the protectionist trade policies imposed by the South African government, which included phytosanitary barriers to block the importation of Mozambican bananas, as Paulo Nogueira mentioned in the section on pushing factors for internationalisation.

Therefore, BananaMoz was created to negotiate with the South African government and its own banana producers' association to ensure that Mozambican bananas could enter the South African market. This historical context underscores the association's pivotal role in facilitating market access and supporting producers in overcoming institutional hurdles today.

Today, BananaMoz continuously supports the Mozambican banana industry by working closely with government agencies, international organisations, and other stakeholders. BananaMoz also works closely with crucial institutions and the South African government to preserve this indispensable trade relationship, ensuring that phytosanitary requirements are met and agricultural pathogens are effectively controlled.

In addition to their support in controlling these agricultural pathogens, BananaMoz aims to reduce bureaucratic hurdles and serve as a mediator between producers and the government, advocating for policies that support the agricultural sector. As Bruno Lima states:

> *"BananaMoz helps producers with market exploration policies, certification issues, and disease control. We have partnered with 'TecnoServe', a US fund, and MADER (Ministry of Agriculture and Rural Development) to help control 'Panama Disease', an invasive banana disease that attacks the soil through a fungus called 'TR4'.*
>
> *So, BananaMoz always tries to reduce bureaucracy, participate in events with CTA (Confederation of Economic Associations of Mozambique) as we are one of the members of CTA, and try to mitigate information, creating a bridge between producers, CTA, and the government."*

As stated, Paulo Nogueira has strong opinions on how the government should be more in tune with the Mozambican reality, given that they often impose policies and regulations that do not correspond to the Mozambican context. Paulo Nogueira has also highlighted how BananaMoz is pivotal in doing the groundwork that the government refuses to do:

> *"We have seen several attempts by South Africa to block Mozambican banana imports. One of the reasons was the fruit fly. Mozambique supported it, albeit without funds. 'TecnoServe', an American company that helps agriculture in Mozambique,*

*raised the funds. BananaMoz managed the funds to implement the phytosanitary rules. The government only took the documentation gathered and created by BananaMoz and negotiated those commercial agreements with South Africa to open export doors. However, BananaMoz did all the groundwork. Because the government does not worry about doing the groundwork, the association must do it and then hand it over for negotiation on our behalf."*

While BananaMoz is indispensable for the Mozambican banana industry, challenges remain regardless of the considerable efforts to support its producers. The organisation's effectiveness is hindered by bureaucratic and infrastructural issues plaguing Mozambique's business environment. Bruno has explained that despite their efforts to streamline processes, producers still experience delays in obtaining export documentation due to outdated technological systems and vulnerable internet connectivity, which, according to Paulo Nogueira, prove to be very detrimental for producers much like himself, who are working with a fresh product and each day is crucial in preserving that freshness.

The association's ability to provide financial support and facilitate access to credit is limited. The association advocates for more robust incentive programmes related to credit access, although the high interest rates and lack of targeted agricultural credit programmes remain challenging for Mozambican producers.

Thus, institutional support from associations like BananaMoz is essential for navigating Mozambique's regulatory and economic challenges. These are vital for reducing bureaucratic barriers, complying with export standards, advocating supportive policies, conducting the groundwork necessary for multilateral negotiations, and managing foreign funds to boost the industry. However, addressing the underlying infrastructural and financial issues will prove crucial for enhancing the overall effectiveness of these institutions and supporting the internationalisation efforts of Mozambican agricultural producers.

## 4.3. Discussion

The nature of the internationalisation of the studied organisations suggests that they deviate from traditional notions. As traditional theories depict internationalisation as an incremental process by which organisations engage it in a linear, predictable fashion, the studied organisations follow more progressive perspectives based on the networking and international entrepreneurship model, in which organisations leverage their relationships and partnerships and serve the international market from the beginning (Morais & Ferreira, 2020; Wach, 2014; Schweizer & Vahlne, 2022; Johanson & Vahlne, 1977; Ibeh & Kasem, 2011; Oviatt & McDougall, 1994). This is seen with our two studied organisations since Paulo Nogueira and Bruno Lima, through BananaMoz, can navigate the complex business environment of Mozambique, overcoming considerable legitimacy issues, to become one of the leading exporters of bananas in the Sub-Saharan African region.

These Mozambican banana producers, as explained, serve the international market from conceptualisation and do so in the form of exportation. The existing literature also proposed that exportation follows an incremental process by which the organisation continuously becomes more involved with trade (Bilkey & Tesar, 1977; Leonidou & Katsikeas, 1996). This notion does not apply to the studied organisations since, as stated, they direct most of their efforts to serve the international market from conceptualisation, mainly the South African market. Sanidas (2018) proposed that trade has a greater chance of occurrence between neighbouring countries, which applies to the studied organisations. Interestingly, just as Sanidas (2018) proposed, this is accentuated by an economic pole from which wealth and economic development are propagated given the regional integration, which is the case with Mozambique, its participation in the SADC, and South Africa's positioning as the economic pole in the region.

Again, we observe the importance of networking and how it helps explain how even agricultural producers in a country such as Mozambique can maintain a global mindset. The Mozambican government facilitates these producers' endeavours by engaging in multilateral trade agreements with neighbouring countries. Mozambique's participation in the SADC lowers the barriers to entering the desired market, South Africa, and the Mozambican producers, through their linkage in the form of the association, BananaMoz, can pool their expertise and know-how to circumvent legitimacy issues and maintain a competitive position in the South African banana market.

Regarding the push factors for internationalisation, the literature generally draws from Barney's (1991) resource-based view on competitive advantage. It posits that firms are expected to possess VRIN resources that would push them into international markets to leverage these more effectively. This does not apply to the studied organisations, particularly given the nature of their activities. Through a VRIN analysis, it becomes difficult to justify Mozambique's positioning as a prominent exporter of bananas in the Subsaharan African region. Instead, Porter's (1990) diamond for national competitive advantage and Mathews's (2006) linkage-leverage learning (LLL) are more suitable for such justification.

Through our interviews, we understood how Mozambique's factor conditions, such as the cheap cost of land and labour, as well as suitable climate conditions, allow for cost advantages and efficiencies in banana production; how the unfavourable demand conditions in Mozambique influence the decision to internationalise; how the lack of supporting industries leaves these organisations vulnerable to exchange rate fluctuations and the volatility of import prices; how the firm strategy, structure and rivalry dictates these firms endeavours in the international market; and how the rivalry in the Mozambican banana market makes it necessary for these producers to seek international markets. The LLL framework can also explain how these organisations circumvent the lack of VRIN resources, which further emphasises the importance of networking in explaining internationalisation in the Mozambican context.

Thus, we observe a convergence, to a certain degree, with Thota and Dhanraj (2022) and Fasanya et al. (2022) regarding the push factors for internationalisation, as it was identified the internal demand capacity, the favourable production costs, favourable climate conditions, and business strategy and diversification as crucial push factors for internationalisation by these Mozambican producers.

However, it is essential to note that even though the interviewees highlighted the lower internal market demand capacity and the lower production costs as two pushing factors for internationalisation, they also mentioned that poor infrastructures and low-skilled individuals plague Mozambique. This provides additional nuances to the study as the poor infrastructures in Mozambique might also be the reason why the local market cannot be effectively served, and, as bananas are a perishable good, the lack of integration between producers, retailers, and consumers can further hinder the possibility of the local market becoming reachable. Furthermore, regarding the favourable production costs, given that Mozambican workers are low-skilled and lack commitment, as highlighted by Bruno Lima and various studies on Mozambique's social welfare (United Nations, 2023; World Bank Group, 2023; Unesco, 2023), it is impossible to ignore that the resulting lack of productivity does not impact the advantages stemming from the favourable production costs enjoyed by Mozambican banana producers.

There is little deviation from the literature regarding the pull factors for internationalisation. Just as Etemad (2009) and Kirzner (1979, 1997) have posited, the observed organisations respond to the attraction of international markets arising from unfulfilled market demand, searching for the opportunity for arbitrage stemming from the cost advantage, the geographical conditions and the geographical proximity, that allows for these Mozambican producers to arrive at the South African market with a competitive offering and price that allows for profit maximisation.

Just as Omokaro-Romanus et al. (2018) and Fasanya et al. (2022) mentioned, we have observed the importance of geographic proximity, shared culture and tastes, and economic integration pulls these organisations into international markets, given that they play a pivotal role in determining market accessibility. In our case, even though Mozambican participation in SADC, which is a driving force for the economic integration in the region, is one of the reasons why we observe fewer phytosanitary barriers imposed by South Africa and other nations in the SADC, this can also pose challenges as we have explained that some policies are not suitable for countries such as Mozambique, one of the least developed in the group. This divergence from the two studies mentioned can be attributed to the fact that they were conducted on two of the largest economies in Africa, Nigeria and South Africa, the economic poles of their respective region, to which policies stemming from economic integration would be more fitting. The study also adds that, regarding the internationalisation ambitions of Mozambican agricultural producers, phytosanitary barriers are a key determinant of market accessibility and can be a barrier to internationalisation, as with the European banana market, for example.

Regarding institutions, our findings were expected to clash with the existing literature on developed nations and converge with the existing literature on Mozambique and other emerging nations. While this was the case on the surface, the deeper we dive into the topic, the respondents provided a more nuanced perspective on the subject.

As the interviewees stated, Mozambique’s regulatory, economic, and socio-cultural institutions create institutional voids. This results from a highly bureaucratic and decentralised system in which formal institutions are organised, deficient economic conditions, and a socio-cultural environment characterised by a lack of commitment and absenteeism. This seems to align with the general literature on the subject, as many researchers have highlighted the same issues plaguing other sectors of the Mozambican business environment. However, Paulo Nogueira adds a different perspective on the issue, as he expresses how the Mozambican government usually has the best intentions when conducting policy, although they tend to overlook the groundwork and, thus, fail to understand the reality of the agricultural industry, implementing policies that can turn into barriers to internationalisation. This suggests that while regulatory institutions in Mozambique pose significant challenges, there is hope for positive change through effective engagement.

Most of the institutional voids are tackled with the aid of BananaMoz. This highlights, again, the importance of networks in a developing nation such as Mozambique. BananaMoz’s efforts in navigating these bureaucratic hurdles, supporting disease control, and mediating between producers and policymakers highlight how institutional support can help businesses effectively navigate through these institutional voids. BananaMoz's role as an institutional support entity provides an example of how organisations can adapt to institutional voids, enriching the theoretical discussion on how organisations navigate these voids.

Thus, this study's findings have considerable practical implications for Mozambican business managers, policymakers, and industry associations. These implications can help improve practices, make informed decisions, and implement effective strategies to address barriers and leverage opportunities to support the internationalisation efforts of Mozambican SMEs.

This study has highlighted the importance of networking and partnerships for business managers. The institutional support BananaMoz provides for the Mozambican banana industry demonstrates the importance of creating these networks and maintaining mutually beneficial partnerships. These can mitigate legitimacy issues and help navigate complex institutional environments experienced in a country such as Mozambique. This is also the most effective way to circumvent the lack of VRIN resources since these organisations can remain competitive in international markets by exploiting the basic factor conditions endowed by Mozambique. Managers, particularly in the agricultural industry, should consider the infrastructural difficulties of Mozambique, mainly regarding logistics. Logistics can significantly influence the quality of the product due to its freshness and determine if a desirable market is accessible. To this, managers who wish to venture into the agricultural industry in Mozambique should consider the availability of ports, the different shipping routes, and the proximity to South Africa (if they venture into the banana industry) while also understanding the different requirements to enter each market, particularly phytosanitary requirements, as these can completely block specific market, such as with Europe for the banana producers.

Regarding policymakers, this study has shown that Mozambican regulatory institutions should be more centralised to allow for greater coordination and eliminate unnecessary regulatory processes involved with conducting business, as, according to Bruno Lima, this is the most significant barrier to business in Mozambique. Policymakers should also be willing to do the groundwork prior to enforcing regulations stemming from the SADC since, according to Paulo Nogueira, this can lead to policies that do not apply to the reality of Mozambique, and, while they were intended to stimulate business, they end up being considerable barriers to it. Besides doing the groundwork, policymakers should also attempt to create incentives intended to stimulate agriculture in Mozambique, which could be done through the provision of lower interest rates for loans related to agriculture or through the provision of subsidies that would lower the cost of production so that exporters can effectively compete in already established markets. While the poor infrastructure in Mozambique should be improved, as stated, it is unrealistic to expect such improvements from policymakers given the deficiencies that Mozambique experiences on many fundamental levels, such as education and healthcare.

Lastly, industry associations, such as BananaMoz, should continue to provide institutional support in the form of mediation between the producers and the government, advocacy for bureaucracy reduction, the continuous implementation of phytosanitary requirements, monitoring of agricultural pathogens, as well as exploring new market opportunities, since, as we already emphasised, this form of networking is the most effective way of leveraging capabilities and navigating through the institutional voids of Mozambique. These associations can focus on organising more workshops, forums, and conventions to enhance the skills and knowledge of the industry, help producers stay informed regarding market trends and regulatory changes, and attract foreign investments.

# 5. CONCLUSION

This dissertation sought to explore the internationalisation process of Mozambican SMEs by understanding the push and pull factors that motivate these firms to venture into international markets and the influence of the Mozambican institutional environment on their decisions and actions. The literature review and the in-depth interviews with the two key players in the Mozambican banana industry, Paulo Nogueira and Bruno Lima, have produced valuable insights into the unique opportunities and challenges Mozambican SMEs face in the agricultural sector, mainly in the banana industry.

This investigation has identified crucial push factors driving the internationalisation of Mozambican SMEs, namely the limited internal market demand capacity, favourable production costs, and favourable climate conditions. These factors motivate local producers to seek more lucrative markets abroad, mainly South Africa, the leading importer of Mozambican bananas. Additionally, the business strategy and diversification push these SMEs into pursuing alternative markets other than South Africa, given the political uncertainty currently experienced there.

The pull factors, namely the more substantial foreign market demand capacity, higher market prices for bananas, and favourable market accessibility, make international markets attractive to Mozambican producers. Geographic proximity, logistical ease, and lower phytosanitary requirements are crucial in determining these firms' internationalisation strategies.

The institutional setting of Mozambique creates opportunities and challenges for internationalisation. The challenges are significant and should be addressed, such as excessive bureaucracy, unsuitable policies, poor infrastructures, absenteeism, and lack of incentives and financing, since these were identified as significant barriers. However, the cooperative attitude of some policymakers, potential policy reform, and the efforts of BananaMoz offer hope for positive change to improve the business landscape.

This investigation has successfully addressed its primary and secondary questions by identifying the principal push and pull factors influencing Mozambican SMEs' internationalisation while examining the influence of their institutional setting. The findings contribute to a greater understanding of the motivations, strategies, and challenges these firms face, offering an insightful image of the internationalisation process of Mozambican SMEs and other SMEs in an emerging market context.

This investigation's most significant limitation is the limited sample size, as only two interviews were conducted. As previously mentioned, considerable time was spent attempting to gain more respondents, although these efforts were not fruitful. It is essential to acknowledge that the findings in this study are specific to the Southern region of Mozambique, and generalising these findings can be misleading, given that the logistical challenges in the Southern region are much different than the challenges faced in the north of the country. Both interviewees pointed out that favourable climate conditions are one of the pushing factors for internationalisation. However, we cannot ignore the devastating effect of cyclones in the country's central region, as seen with cyclones "Idai" and "Freddy", which caused considerable damage in areas such as Beira and Vilankulos. Thus, it is vital to acknowledge the limitations of such a limited scope of respondents.

Future research should include a more extensive and diverse sample to validate the findings and provide a broader perspective. This includes studying the internationalisation process of SMEs in other sectors and incorporating every region of Mozambique, namely the southern, central, and northern regions. This would allow for comparative insights, further enriching the literature and the understanding of this phenomenon.

Future research should also aim to understand Mozambican banana producers' advantages against South African banana producers, particularly regarding their cost structure. This would call for a different investigation design, namely a quantitative investigation, accounting for production costs, logistical expenses and tax structures in both countries. This quantitative comparative study would provide a better understanding of the competitive edge that Mozambican producers hold, providing insights into the adequate strategies to enhance their market positioning.

In conclusion, while this dissertation takes one of the first steps in studying the internationalisation process of Mozambican SMEs, the investigation sheds light on the nuanced dynamics of Mozambican SMEs' journey into international markets by studying the internationalisation journey of the two individuals, Paulo Nogueira and Bruno Lima. By addressing the identified challenges and leveraging opportunities and networks, these enterprises can enhance their international competitiveness and incentivise other Mozambican entrepreneurs to look beyond our borders for profit opportunities, contributing to the country's economic growth.

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# APPENDIX

## Appendix A – Interview Script: Paulo Nogueira

1. Could you briefly introduce yourself and what you do professionally?
2. Does this relate to the certification requirements of the European markets?
3. Being an international company primarily focused on exports, could you specify how your company exports its product?
4. Could you explain in more detail what BananaMoz is?
5. Could you explain the difference between this association, BananaMoz, and the South African associations that purchase Mozambican macadamia for processing purposes and exportation?
6. Could you specify the markets that your company serves?
7. Do you often face other logistical difficulties besides high costs?
8. Is it more affordable than going through Durban?
9. Are insurance rates in Mozambique comparable to industry standards?
10. Do you want to add anything else, or can we move on to the next question?
11. Regarding the motivators, what internal factors related to the company and the Mozambican market encouraged the decision to explore international markets?
12. Is there any other internal factor that you consider decisive for internationalisation?
13. Adding to this point of consumerism and banana overvaluation in South Africa, regarding the motivators, what other external factors related to these foreign markets encouraged your decision to internationalise?
14. Could you describe the influence of the political, economic, and socio-cultural environment in Mozambique on your company?
15. Are there any specific changes in Mozambique's political, economic, or socio-cultural environment that could support the internationalisation efforts of companies like yours?
16. What were your company's main challenges in its internationalisation efforts?
17. Do you think there should be a political push to overcome these barriers?
18. Can you identify specific factors that have supported your company's internationalisation efforts?
19. Based on your experience, what advice would you give to Mozambican entrepreneurs looking to enter international markets?

20. Looking to the future, what are the main factors or trends that your company will consider in its ongoing internationalisation efforts?

## Appendix B – Interview Script: Bruno Lima

1. Can you give a brief introduction, including what you do professionally?
2. Can you describe the main functions and objectives of the BananaMoz Association?
3. What specific services or support mechanisms does the association provide to facilitate internationalisation?
4. Could you explain more about the regulatory and certification requirements?
5. Is there another type of certification that producers need for export?
6. Can you explain what the primary market for Mozambican banana export is?
7. Can you give examples of how the association helped producers obtain the necessary certifications?
8. When did your company decide to explore international markets?
9. Can you specify the foreign markets your company decided to enter?
10. Regarding motivators, what internal factors related to the company and the Mozambican market encouraged the decision to explore international markets?
11. Could you specify the factors considered when choosing the export markets?
12. Can you describe the influence of the political, economic, and socio-cultural environment in Mozambique on your company?
13. Are there specific changes in Mozambique's political, economic, or socio-cultural environment that could support the internationalisation efforts of companies like yours?
14. What were your company's main challenges in its internationalisation efforts?
15. Can you identify specific factors that, in your perspective, have supported your company's internationalisation efforts?
16. How effective do you believe the BananaMoz association has been in mitigating the problems experienced by Mozambican banana producers?
17. Looking to the future, what are some of the main factors or trends you will consider in your ongoing internationalisation efforts?
18. Why would the possibility of planting transgenic soy be advantageous for Mozambican producers?
19. Do you believe that the legislation regarding transgenic crops can change?

20. Based on your experience, what advice would you give to Mozambican entrepreneurs looking to enter international markets?