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Managing resource dependencies to overcome internationalisation constraints: A perspective of low-power firms.

by

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Abstract

Extant literature about SMEs internationalisation suggests that resource-constrained SMEs can use their networks to fill their resource gap for internationalisation. However, existing theories fail to address how SMEs protect themselves against opportunistic behaviour of their network partners. The present study aims to address this gap by combining resource dependency management theory with bargaining theory to analyse how SMEs that depend on networks to overcome their internationalisation constraints manage network externalities and opportunistic behaviours of their partners. The combination of these theories helps towards better understanding of underlying bargaining power dynamics when firms use dependency management strategies. It investigates SMEs' dependency management strategies as low-power firms that they use against their high-power counterparts. The study addresses this gap by analysing the evidence from the context of the IT sector of Pakistan.

The study employed qualitative methodology with multiple case studies that include in-depth analysis of 75 dyadic relationships between 22 low-power firms and their four high-power counterparts. The findings reveal that low-power firms deal with their high-power counterparts by using unconventional strategies. Instead of decreasing their dependence or increasing the counterpart's dependence, they collect power from outside the exchange relationship to reduce the power imbalance and influence their high-power counterparts to adopt interest-based bargaining. This enables low-power firms to renegotiate exchange terms to ensure sustainable access to resources, and ultimately, they become more dependent on the same counterpart, but with more power to resist any opportunistic behaviour.

This study contributes to the literature on SMEs' internationalisation by highlighting how SMEs build defence mechanism against dark sides of networks, which they use to access resources for internationalisation. It also contributes to RDT by suggesting that firms do not always intend to decrease their dependence on others, rather they seek power without needing to reduce dependence because it enables them to counter any opportunistic

behaviour of their counterparts. It also adds value to the bargaining theory by articulating the mechanism for low-power firms to shift their high-power counterparts from the positional bargaining to the desired interest-based bargaining.

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Dedication

I dedicate this doctoral thesis

To

My mother "Najma Parveen", father "Muhammad Shafiq", wife "Zainab Bibi", sister, Sidra Taimoor, and to my brothers "Farhan Ahmed" and "Fraz Ahmed".

Thank you for everything you have done for me.

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In the name of Allah, the Most Gracious, the Most Merciful; all praise is due to Allah alone, and peace and blessings upon the Prophet Muhammad.

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Finally, I feel very lucky to have parents who have enabled me to come out of my comfort zone and embrace the challenges of life. They have taught me to stand strong in my convictions and always to hold my desire to learn close to my heart. Moreover, I can never forget the efforts and support of my sister and brothers in achieving my goals. To this day, their hopes and dreams for me dwarf my own most unimaginable aspirations. Last but not least, I owe profound gratitude to my beloved wife, Zainab Bibi, whose constant encouragement, limitless love and continuous support, helped me accomplish my degree.

Authors declaration

"I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution."

Printed Name: Salman Ahmad

Signature:

Chapter One: Introduction

1.1. Introduction

The globalisation of economic activities appeared as a strong trend on the verge of the twenty-first century. Indeed, the current economic landscape is largely being shaped by the salient change in business orientation from a national or local perspective to a global or international approach (Audretsch, 2003; Audretsch and Thurik, 2001). As economies are becoming global, the competition is getting intense and local businesses are now compelled to enter a competition arena which contains players from all over the world (Korsakienė and Tvaronavičienė, 2012). This trend has had its impacts on all kinds of organisations including large companies as well as small firms. However, the past research in international business (IB) has traditionally focused the perspective of large companies' internationalisation and investigated a range of issues linked to that, including learning, international opportunities, psychic distance, market entry and the role of networks and resources (Buckley, 2002).

Recently, the internationalisation of small and medium enterprises (SME) has also attracted many IB scholars. As compared to large companies, SMEs are typically considered as resource-constrained and deficient of financial means, adequate knowledge of international markets, managerial abilities and skills to operate viably in foreign markets (Manolopoulos, Chatzopoulou and Kottaridi, 2018; Brouthers, Nakos and Dimitratos, 2015; Hessels and Terjesen, 2010; Hollenstein, 2005; Coviello and McAuley 1999; Leonidou, 1995). Nevertheless, both developing and developed countries depend largely on SMEs to achieve sustainable growth and economic development because SMEs play an important role in producing employment opportunities, generating wealth and alleviating poverty (Rahman, Uddin and Lodorfos, 2017; Cravo, Gourlay and Becker, 2012; Ayyagari, Demirguc-Kunt and Maksimovic, 2011). In many countries, SMEs produce more than 50% of total employment and constitute the majority of the private sector (Hessels and Parker, 2013; Audretsch et al. 2009; OECD, 2008a, b). For example, SMEs with less than €50 million revenues and fewer than 250 employees are more than

99% of the total firms in the European Union (European Commission, 2014; European Commission, 2005). Therefore, factors that limit or hinder the SMEs' development are also regarded as major constraints for the economic prosperity of countries (Rahman et al. 2017; Syed et al. 2012; Olawale and Garwe, 2010; OECD, 2004).

In the wave of globalisation, internationalisation of SMEs is believed to be as important as big companies' international engagement, and for that reason, policymakers recognise SMEs' internationalisation as an important indicator of their growth (European Commission, 2014). However, their small size often limits their strategic options and ability to rise above the barriers that may obstruct their opportunities for growth. Many past studies have drawn attention to these constraints, or barriers, and researchers have separated them as 'external (e.g. institutional arrangements and adverse market conditions) and 'internal' (e.g. lack of management skills and resources) constraints (Buckley, 1989). Irrespective of the size of the economy, many SMEs fail to grow or even survive just because of these barriers (Hulbert, Gilmore and Carson, 2013). For example, it is revealed in studies from the context of developed economies, like Australia, UK and USA, that 80% to 90% of SMEs collapse due to external barriers within the first ten years of their business (Khalique et al. 2011; Zimmerer, Searborough and Wilson, 2008; Hodges and Kuratko, 2004). Similarly, the high failure rate of SMEs is also evident in studies from the context of developing economies, such as Pakistan has 90-95 percent (Khalique et al. 2011), South Africa has 75 percent (Fatoki and Asah, 2011) and roughly 60 percent in Malaysia (Ahmad and Seet, 2009).

A widespread existing literature investigates constraints faced by SMEs and their direct impacts on firms' growth, especially impacts of the lack of human, financial and information resources (Hessels and Parker, 2013; Malo and Norus, 2009; Hutchinson and Xavier, 2006; Beck, Demirguc-Kunt and Maksimovic, 2005; Ferri, Galeotti and Ricchi, 2003; Heshmati, 2001; Hsu and Chen, 2000; Pissarides, 1999; Buckley, 1989). However, we know little about the conditions under which SMEs that face constraints could be able to achieve their growth objectives. For example, SMEs play a vital role in the development of emerging countries by contributing to employment opportunities, innovation and sustainable economic growth (Mukole, 2010; Javalgi and Todd, 2011). SMEs from emerging markets are increasingly looking at internationalisation as one of the important strategic options to grow (Tiwari, Sen and Shaik, 2016); however, they face more constraints not only due to lack of resources, poor branding, lack of cutting-edge technology and lack of scale, but also because of the liability of third-world multinationals. Unique contextual characteristics of emerging markets, such as unstable environment (Gammeltoft et. al., 2010), weak institution (Buchanan, 2007; Cuervo-Cazurra & Genc, 2008) and hostile government policies (Tiwari et al. 2016) make it even harder for firms to achieve international growth aspirations. Existing studies suggest that SMEs could overcome their constraints in internationalisation by establishing strategic alliances (Tiwari et al. 2016; Hessels and Parker, 2013; Street and Cameron, 2007; Haahti et al. 2005), but the implications of these alliances for firms' growth/survival and how firms deal with them is a largely unexplored area. That is precisely the issue addressed by this research.

The study focuses on Pakistan because it provides a strong context for this research. Pakistan is a high potential growth economy with 5.7 % annual GDP growth rate in 2017 (World Bank 2018), and Morgan Stanley Capital International (MSCI) also includes Pakistan in its 24 emerging markets index (MSCI, 2019). Moreover, the economy of Pakistan depends heavily on SMEs as an important source of growth. According to Small and Medium Enterprises Development Authority (SMEDA) Pakistan, SMEs comprise almost 90% of all the firms in the country, share approximately 40% of the annual gross domestic product (GDP) and provide work for 80% of the non-agriculture labour force (SMEDA, 2019). However, what makes the context of Pakistan more relevant for this study is its volatile political and economic environment as compared to other developing countries, such as China and India. Most of prior studies on firms from developing countries have focused on India or China as their context. India and China are comparatively strong markets with a large population, sustainable economic growth and political stability as compared to Pakistan. Hence, SMEs operating in Pakistan may be facing inherently different constraints in their internationalisation. Due to insufficient empirical research to investigate constraints in the internationalisation of SMEs from

Pakistan, potential managers of SMEs and policymakers may have inadequate or incorrect information about barriers faced by SMEs aspiring to achieve international growth. Therefore, investigation of constraints in the internationalisation of Pakistani SMEs can provide a unique context to understand their dependency management strategies to overcome these constraints.

1.2. Research Questions

Buckley and Ghauri (2004) emphasised the need for a 'big question' to thrust the IB agenda into the next level. Responding to this call, Bonaglia, Goldstein and Mathews (2007) highlighted the importance of the 'second wave' of internationalisation that includes firms from developing countries increasingly engaging in international business activities. Roughly half of the outward Foreign Direct Investment (FDI) in the world by 2016 has come from firms operating in developing countries (UNCTAD, 2017). However, this is a relatively unexplored research domain and has been emphasised by influential authors, such as (Liu and Yu, 2018; Rahman et al. 2017). The first research question of this study investigates constraints that SMEs from developing countries encounter while trying to enter into foreign markets.

Although many internationalisation constraints for SMEs are brought into light by prior studies, they may not be relevant to SMEs from developing countries because most of those studies are carried out in the context of developed countries (Bruton, Ahlstrom and Obloj, 2008). Developing countries differ from developed countries based on their distinct socio-economic aspects, and therefore it will be fundamentally misleading to apply experiences from developed countries to deal with problems in developing countries (Milanzi, 2012). Hence, it is imperative to carry out research that investigates internationalisation constraints faced by SMEs using samples from developing countries. Even sometimes it is difficult to generalise internationalisation constraints among different developing countries. Leonidou (2004) states, different types of international business constraints could be faced by two firms functioning in two different developing countries. Following research question is formed based on this debate.

Research Question 1: What are the constraints faced by SMEs in their internationalisation?

Despite the fact that SMEs play an important role in the development of a country, they face more constraints in international growth as compared to large firms and multinational organisations (Paula, Parthasarathyc and Gupta, 2017; Rahman et al. 2017; Hessels and Parker, 2013). Moreover, access to resources is even more difficult for SMEs operating in highly competitive environments of developing countries. Unlike developed countries, developing countries suffer from higher uncertainty, institutional voids and frequent market failures (Khanna, Palepu and Bullock, 2010). Under these circumstances, firms that use alliances to acquire resources are more vulnerable to external risks (Nahapiet and Ghoshal, 1998), because weak or dysfunctional institutions often fail to enforce the underlying conditions of the alliance and allow high-power actors to exploit the relationship. It underlines the importance to understand the implications of external coalitions for SMEs operating in developing countries, especially for those facing constraints.

The survival of a firm depends on its ability to navigate, shape and control, environmental dynamics within which it operates (Shu and Lewin, 2017; Caspin-Wagner et al. 2013). Existing theories of international business, such as networks, do talk about how SMEs acquire resources from the environment, but they fail to explain how SMEs deal with risk and vulnerabilities emerged due to increased dependencies on other organisations in the environment (Hallen, Katila and Rosenberger, 2014; Gulati and Singh, 1998). It is widely believed among organisational scholars that firms encounter both opportunities and constraints in their environments (Dollinger and Kolchin, 1986; Pfeffer, 1982; Pfeffer and Salancik, 1978; Katz and Kahn, 1978). Unlike large companies, SMEs lack resources (Do et al. 2018; Kowalkowski, Witell and Gustafsson, 2013; Doern, 2009; Coviello and McAuley, 1999; Buckley, 1989) and depend on other organisations in their environment for the provision of these resources (Ludmila and Stanislava, 2015; Kowalkowski et al. 2013). However, it comes with high level of dependencies and uncertainty (Pfeffer and Salancik, 1978) and they face more challenges in the environment as compared to large firms having abundant resources to counter such risks (Hessels and Terjesen, 2010; Boojihawon, Dimitratos and Young, 2007; Shaw and Darroch, 2004).

Many studies have proposed strategies that help firms to control external environments and guarantee the availability of critical resources (Jarillo, 1989; Smeltzer, Fann and Nikolaisen, 1988; Dollinger and Kolchin, 1986; Stern and El-Ansary, 1982; Williamson, 1981; Porter, 1980; Pfeffer and Salancik, 1978). Pfeffer and Salancik incorporated many preexisting ideas regarding organisational dependencies (Pfeffer and Salancik, 1974; Pfeffer, 1972a, 1972b, 1972c; Thompson, 1967; Emerson, 1962) and presented a theoretical explanation of why, when and how firms manage their dependence on resources in the environment (Pfeffer and Salancik, 1978). According to Pfeffer and Salancik (1978) firms depend on other firms in their environment for the provision of critical resources, and therefore engage in various inter-organisational arrangements that help them reduce dependencies. Soon after its publication, what they called, Resource Dependence Theory (RDT) appeared as a turning point in organisational research and became "one of the most influential theories in organisational theory and strategic management" (Hillman, Withers and Collins, 2009, p. 1404).

Although RDT is recognised as one of the most commonly accepted theoretical explanations of the firm's relationship with its environment, many scholars have identified underemphasise on power imbalance in the main argument of the theory (Shu and Lewin, 2017; Casciaro and Piskorski, 2005; Mizruchi and Yoo, 2002). The motivation of an organisation to manage its external environment and reduce dependency does not necessarily correspond with its ability to do so (Casciaro and Piskorski, 2005). While RDT has made significant contributions to understand firms' strategies in order to overcome or lessen resource uncertainties in their environment, but mainly focused on high-power actors (Shu and Lewin, 2017). Normally, high-power organisations are well positioned to control and shape their environmental dynamics, because it is not easy for their counterparts to challenge their dominance (Davis and Cobb, 2010). On the other hand, how low-power firms (normally SMEs, Startups etc.) identify and cope with environmental factors that influence their survival is largely ignored by RDT scholars

(Shu and Lewin, 2017; Pahnke, Katila and Eisenhardt, 2015; Hallen et al. 2014; Katila, Rosenberger, and Eisenhardt, 2008).

Moreover, the low-power firms' perspective explored in prior studies might be inconsistent because of the application of somewhat weak methodologies (Casciaro and Piskorski, 2005; Shu and Lewin, 2017). They considered all SMEs as low-power firms or firms linked to a certain industry as low-power against firms from another industry. Both views are based on intrinsically weak arguments because not all SMEs can be low-power, nor all firms in an industry can be low/high-power as power is fundamentally a relative phenomenon (Child and Rodrigues, 2011; Foucault, 1979). Therefore, building on prior studies, a framework to identify low-power firms and their high-power counterparts using relative power has been formed and validated in this study. We adopted relative power in this research and focused the strategies of low-power SMEs to manage their dependencies on high-power counterparts in the context of developing countries.

Even though the importance of firms from developing countries in the global economy is growing (Kiss, Danis and Cavusgil, 2012), the knowledge about their strategies to manage resource dependencies on high-power counterparts is limited. SMEs operating in developing countries need even more effective management of their resource dependencies on high-power counterparts as compared to firms from developed countries because weak institutions in developing countries allow their high-power counterparts to exploit resources. Even though SMEs' growth is affected by constraints, nevertheless many small firms still manage to grow internationally (Rahman et al. 2017; Baker and Nelson, 2005; Katila and Shane, 2005; Zahra and George, 2002; Starr and MacMillan, 1990) from developing countries. It is a possibility that low-power SMEs facing resource constraints might have used resource dependency management strategies in a different way, but more effectively that have allowed them to achieve sustainable access to resources and superior international performance. Following this argument, the second research question of this study is framed below.

Research Question 2: "How do low-power firms manage inter-dependencies with high-power counterparts to overcome constraints in internationalisation?"

1.3. Overview of the Research Process

This research began with an in-depth literature review in the area of firms' internationalisation. In the initial stage, the purpose was to explore literature and develop an understanding of different theoretical perspectives that emerged due to past research in the domain. It led my interest in SMEs internationalisation, more specifically, from developing countries' context. Then another in-depth literature review was conducted to study different mainstream theories and perspectives that explain SMEs' internationalisation and constraints they face during the internationalisation process. Following the identification that SMEs' depend on the environment to access important resource for their internationalisation, I decided to focus RDT in the further literature review to understand the environment management strategies of firms. After research questions were clearly defined, the research methodology was designed, and data was collected through interviews within the span of eight months in 2017. Each sample firm was interviewed two times with a significant gap of time between both interviews. Interviews were transcribed as they were being conducted and data analysis started following the collection process. After the analysis, thesis writeup started with continues cycling between data, analysis and writeup. The next section will elaborate on the writeup process and the structure of the thesis.

1.4. Thesis Structure

The thesis is structured in seven chapters, references and appendices. These seven chapters can be broadly divided into three sections: introduction, theory and research. Section one provides the introduction of the study and sets the overall research objectives. It includes chapter one that addresses the research background, advances the research questions, explains the research process and describes the thesis structure.

Section two presents the literature review and consists of chapter two and chapter three. Chapter two reviews theories pertinent to internationalisation and SMEs. It begins by reviewing different definitions of firms' internationalisation and then discusses various important theoretical perspectives including economic perspective, behavioural perspective, network perspective and international entrepreneurship perspective. Further, it explores internationalisation of SMEs, internal and external barriers to international activities of SMEs and theoretical approaches that explain SMEs internationalisation. Chapter three builds on theoretical gaps identified in chapter two and elaborate on Resource Dependence Theory (RDT) to discuss the resource dependencies of SMEs engaged in the internationalisation of their business and challenges of resource dependency management for them. The chapter begins by reviewing the RDT, its evolution and basic assumptions. It also discusses primary tenets of the theory such as firms' external environment, firms' dependence on the environment and strategies used by firms to manage their dependence on the environment. Further, it critically evaluates RDT and its basic tenets. Based on identified gaps, the chapter brings the power perspective into the discussion and reviews different sources of power and power imbalance in the inter-organisational relationship.

Section three presents research and includes the research design, data analysis, findings, discussion, contributions and conclusion. It is covered in chapter four, five, six and seven. Chapter four describes the research design. It explains the study's research philosophy, orientation (explanatory, exploratory and descriptive) and research methods. In the research methods, the chapter discusses adopted methods in detail, including the data collection, analysis and credibility of the study. Chapter five presents the data analysis and findings. The data analysis is broadly divided into three parts. First part presents analysis related to internationalisation constraints faced by SMEs from Pakistan, which are categorised into seven second order themes that include functional, informational, marketing, environmental, governmental, task and procedural constraints. These seven themes are further aggregated into two main dimensions, micro and macro constraints. Part two of the chapter identifies high-power counterparts of SMEs from Pakistan on which they depend for resources to internationalise. Four identified high-power actors include the business association, the government, higher education institutions and telecom service providers. Part three explores SMEs' strategies to manage dependencies on identified high-power actors. Chapter six discusses the findings. Following the research questions, the discussion is presented into two sections. The first section discusses internationalisation constraints identified in the study, and section two discusses SMEs' strategies to manage dependencies on high-power actors. Chapter seven concludes the study. It explains practical and theocratical implications of the study, provides a research summary in the form of concluding remarks and highlights future limitations and research opportunities.

1.5. Chapter Summary

This chapter introduced the research undertaken in this study. It provides the introduction, defined questions, explain the research process and thesis structure. The next chapter will present a literature review about the SMEs internationalisation.

Chapter Two: Internationalisation and SMEs

2.1. Introduction

Chapter two begins the second section of the research that presents the literature review. This chapter more specifically investigates SMEs' internationalisation and starts by reviewing different theoretical perspectives. Then it discusses internal and external internationalisation barriers faced by SMEs and explores underlying theoretical explanations. Further, the role of networks and inter-organisational relations in helping SMEs to overcome internationalisation constraints is reviewed in detail. The chapter highlights externalities under the darkside of networks and underlines gaps in existing literature.

2.2. Defining Internationalisation

Firms have been engaged in cross-border activities and international trade for centuries. However, in the last few decades internationalisation of firms has become an inevitable dimension of the contemporary business landscape (Nummela, 2004). Internationalisation has sparked a new form of creative destruction (Acs, Morck and Yeung, 2001), in which the traditional importance of international borders is fading away and international markets are being linked together through the exchange of capital, technologies, goods and services (Knight and Kim, 2008; Knight, 2000). According to Axinn and Matthyssens (2002), the global economy is largely being shaped by the opening of previously closed markets, reduced trade barriers and rapid growth of low-cost technologies.

There is no specific definition available for the term "internationalisation" in most dictionaries. Several theories have been introduced to explain this decisive buzzword, but despite the huge volume of literature on the subject, we are unable to drive a unified definition of the concept (Rialp and Rialp, 2001; McAuley, 1999). Even though scholars in the management discipline have extensively used it, there have been differences among researchers due to the lack of understanding of the key aspects of the concept and its fundamental complexity. Hence, despite being the focus of research for decades, the concept remains inconclusive (Griffith, Cavusgil, and Xu, 2008; Buckley and Ghauri, 1999). Due to the absence of a globally recognised definition, many alternate interpretations of internationalisation prevail. However, the true essence of the concept can only be captured by adopting a conceptualisation, which is both specific and broad enough to cover the depth and breadth of the phenomenon (Rialp and Rialp, 2001). Going over existing definitions can help to arrive at a suitably comprehensive conceptualisation.

Emphasising the incremental involvement and the process aspects of internationalisation, Johanson and Vahlne (1977), interprets it as "a process in which firms gradually increase their international involvement" (p.23). In the same way, Welch and Luostarinen (1988) also highlighted the process aspects and incremental involvement in their definition as, "the process of increasing involvement in international operations" (p.36). Whereas, a slightly different perspective is adopted by Beamish (1990) to explain the internationalisation as "...the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future and establish and conduct transactions with other countries." (cited in Coviello and Munro, 1997, p. 362). However, the overall focus of the interpretation provided by Beamish (1990) is also the procedural aspects of internationalisation, but as a process through which firms advance their knowledge about international markets and engage in cross border activities at the same time.

Additionally, Calof and Beamish (1995) introduced the operations aspect, while defining internationalisation more recently, as "the process of adapting firms' operations, strategy, structure, resource, etc. to international environments" (p.116). Contrary to the process model, network view is also used to interpret the internationalisation, such as Johanson and Mattsson (1988) argue that a firm internationalises when it "establishes and develops positions in relation to counterparts in foreign networks" (p.296). Recently entrepreneurship perspective is also adopted to define internationalisation, such as Oviatt and McDougall (2005) define it as "the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services" (p.540).

All these definitions highlight the multidimensional nature of the internationalisation concept and how different people perceive it differently. This multiplicity of internationalisation can also be observed in the past studies conducted to explore the internationalisation of businesses.

2.3. Theoretical perspectives of firms' internationalisation

In the last few decades, internationalisation has attracted many researchers, who have proposed different theoretical explanations to interpret its process and dynamism. Existing theories, however, can be categorised into four main theoretical perspectives. These are: 1) the economic perspective that includes theories of FDI and multinationals, where internationalisation decision depends on costs involved in the process, such as cost related to the production and distribution of products in the foreign market (Dunning, 1993, 1980); 2) the behavioral perspective that includes theories related to the process of internationalisation and interprets internationalisation as an incremental process and interaction between international commitment and learning (Cavusgil, 1980; Johanson and Vahlne, 1977); 3) the network perspective that assumes that the firm's internationalisation means initiating, building and maintaining relationships to achieve a certain position in an international network (Ford et al. 2003; Johanson and Mattsson, 1988); and finally, 4) the entrepreneurial perspective, which is also called international entrepreneurship theory and covers international new ventures (INVs) and born globals (Madsen and Servais, 1997; Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). All these perspectives are further elaborated below with a detailed discussion of their core theories.

2.3.1. Economic perspective

The first prominent theory in the economic perspective is the monopolistic theory, which assumes that the primary driver of internationalisation is the monopolistic advantage (Hymer, 1976). The monopolistic theory suggests that firms develop competitive advantage based on the superiority of their managerial processes, technology or product and it allows them to compete with domestic competitors, who may have a better foothold in the local market and have a better understanding of the market's dynamics (Rialp and Rialp, 2001). According to Caves (1971), the monopolistic advantage builds upon superior knowledge and it is important to create inimitable products. This advantage also helps firms compete in foreign markets with local firms without the need to incur any extra costs. This theory is based on the same logic as resource-based view (RBV), which states that firms build their competitive advantage based on inimitable, rare, valuable and non-substitutable resources. In fact, monopoly theory is based on the logic of RBV and identifies superior knowledge as a key resource that helps firms in building the international competitive advantage.

The second important theory that follows the economic perspective is the internalisation theory (Buckley, 1988; Casson, 1986; Buckley and Casson, 1976). The internalisation theory is grounded upon the argument of transaction cost and suggests that managers take their decisions based on two underlying advantages: 1) locality, which is referred to establishing the business wherever the cost of doing business is lower; and 2) internalisation, which means internalising activities until their benefits offset their costs (Buckley, 1988). According to the theory, wherever internalisation advantage prevails, which means the cost of localisation is more than the cost of internalisation, firms choose to internalise the business activities and prefer relevant modes for international entry such as exports. However, if the localisation advantage prevails, which means the cost of localisation is less than the cost of internalisation, firms prefer localisation and enter into a foreign market through the Foreign Direct Investment (FDI) (Buckley, 1988).

Another important theory based on the economic perspective is the eclectic paradigm (Dunning, 1980, 1988), which is more like an extension of the internalisation theory and expands the extant debate by bringing in the firm-specific advantage. Dunning's eclectic paradigm interprets that firms engage in international business activities based on a set of three major advantages: 1) ownership, 2) location and 3) internalisation (Dunning, 1980, 1988). The ownership advantage is referred to the superiorities that a firm has developed against its competitors in the local home market, which can also provide an advantage for the firm in its foreign market. These firm-specific superiorities can be any advantage built upon accumulated resources, distinct innovations, superior technology, intangible assets and knowledge. Internalisation, as described earlier, is the internal capacity of a firm to manage international business activities without the need to change its existing organisational structure. It reveals firms' preferences to outsource the business activities to other firms or retain its ownership advantage within its organisational structure. The location advantage is more about the benefits of locating production and industrial activities in foreign countries. The location advantage increases when firms try to capitalise on the firm-specific advantage with the host country's indigenous resources because it is more profitable than using the home country's resources. The interaction of different advantages allows firms to decide about the level of international engagement and identify the suitable mode of internationalisation. For example, a firm will prefer FDI over the other internationalisation modes when it has high ownership advantage, production facilities in the host country are efficient and cheaper than the home country and benefits of internalisation surpass its costs. Whereas, a firm can also choose to license under similar conditions with relatively fewer benefits of internalisation and more benefits of outsourcing. On the contrary, a firm will prefer production in the home country and export to the foreign market as an appropriate mode of entry if the firm has high firm-specific advantages, but also faces a higher cost of production in the host market.

The next important theory based on the economic perspective is the life cycle theory (Vernon, 1966), which applies the argument of the product life cycle to interpret the firm's internationalisation. Following the stages model, this theory assumes that a firm starts by selling its products in the home market and when the product builds strengths in the home market, the firm starts exploring new markets overseas. This theory reveals that firms use product life cycle's developmental stages to internationalise and new products are always introduced in the home market first before launching into a foreign market at the maturity stage. This theory also suggests that firms prefer to start internationalisation journey with exports because of economies of scale and then eventually set up foreign productions with FDI to further expand. Vernon (1966) also believes that home market may become an importer of the same product if the firm builds better production advantages in the foreign country based on the low cost of labour to compensate the transportation cost. In other words, the internationalisation process involves several incremental steps and derived by the comparative advantage of the cost of business between the home and the host country. Nevertheless, life cycle theory is the first theory in the international business domain that has looked at the process in incremental stages; therefore, it can be included in both internationalisation perspectives: economic perspective or stage perspective.

2.3.2. Behavioural (stage) perspective

Contrary to traditional static theories in the economic perspective, the behavioural perspective focuses on the stages of internationalisation based on the firms' behaviour theory (Cyert and March, 1963) and the firms' growth theory (Penrose, 1959). The life cycle theory provides a foundation for different theories of internationalisation in the stage perspective (Nummela, 2004). They interpret firms' internationalisation as an incremental process having continuous but distinct steps. One step forward in internationalisation means committing more resources to overseas markets. The incremental pattern of internationalisation is adopted because of two factors: 1) the lack of firms' knowledge about the foreign market, especially experiential knowledge, and, 2) the uncertainty attached to the choice of entering into a foreign market. The stages model assumes that the uncertainty, which is linked to internationalisation decisions, and the lack of experimental knowledge are main factors that influence firms to follow an incremental pattern for internationalisation (Andersen, 1993). Thus, the behavioural view of the firm is the main focus of this perspective (Rialp and Rialp, 2001), which is grounded on the learning theory to interpret the gradual increase in firms' involvement in overseas markets (Fletcher, 2008). Different models presented under this perspective are just various forms of the same argument without any considerable new additions to the extant theory (McAuley, 1999). All the models in this perspective are primarily based on the common argument that differentiates between different stages of internationalisation following the step-by-step process. However, all attempts to develop a universal stages model have failed (Nummela, 2004). Leonidou and Katsikeas (1996) summarised a comprehensive three-stage process of internationalisation based on the review of different stage models. Their model includes 1) pre-engagement stage, (2) initial involvement stage, and (3) intensive participation stage. In the first stage, firms start exploring internationalisation as a potential strategy for growth and collect information to learn about different aspects of the internationalisation. In the second stage, firms start internationalisation with little commitment, such as exports, to test their strategies and based on results decide whether to increase their involvement in the foreign country or to reduce their international engagement. In the third stage, firms become highly internationalised with routine international business activities and commit additional resources and enhance the overall scale and scope of their operations in foreign markets.

Over the last four decades, behavioural perspective has emerged as an important interpretation of firms' internationalisation strategies (Leonidou and Katsikeas, 1996). However, many scholars have also criticised this perspective for its failure to provide an appropriate explanation of why firms move between the internationalisation stages and the lack of focus on the role of networks to access external resources and leapfrog stages (Rialp and Rialp, 2001; Holmlund and Kock, 1998; Madsen and Servais, 1997; Andersen, 1993). According to Nummela (2004), the stage model fails to capture the dynamic nature of the internationalisation process and has a very narrow focus on the objectivist view of human nature. The most important stage models are The Uppsala model (also known as U-model), the Innovation-Related model (I-model), and the Holistic approach. Uppsala and Innovation models are primarily about the outward internationalisation, whereas the Holistic approach includes both outward and inward internationalisation activities (Welch and Luostarinen, 1988).

The Uppsala model considers limited resources, lack of knowledge, the uncertainty of decisions and impacts on others as the main hindrances of internationalisation (Johanson and Wiedersheim-Paul, 1975). Firms follow the incremental process of learning and resource commitment to reduce the uncertainty and overcome obstacles from their internationalisation. The incremental sequence is known as the "establishment chain", and the dynamic process behind that is known as the "psychic distance" (Johanson and Vahlne, 1990, 1977). Johanson and Vahlne (1977) proposed four different stages of the establishment chain that represent the internationalisation process: a) no formal export, b) use of an independent agent (representative) in the foreign market, c) establishment of sales subsidiary, and finally, d) full production in the foreign territory. The psychic distance helps to identify the place to start internationalisation. In other words, firms start their internationalisation journey from the countries having less psychic distance and share different norms and values with their home markets. The Uppsala model perceives internationalisation as a dynamic process that depends on the interaction between market knowledge and resource commitment. Hence, it has two underlying features: 1) the state feature, which highlights the firms' accumulation of new knowledge about markets and as a result the decision to decrease or increase the international commitment; and 2) the change feature, which reveals the real act of decreasing or increasing the international commitment by changing the resource commitment. Fundamentally, this model is grounded on the behavioural perspective and explains the process of internationalisation by using the logic of learning theory. It develops a clear distinction between general knowledge and experiential knowledge. General knowledge can be easily transferred, but experiential knowledge can be only obtained by engaging in actual international business activities. The decisions regarding the commitment of resources for international business depend heavily on experiential knowledge. Hence, both learning and knowledge add important value in the internationalisation process and increase its overall effectiveness. However, this model is always criticised for its inconsistent findings regarding the actual behaviour of firms, especially when they face psychic distance (Andersen, 1993).

The innovation-related models are another set of process theories that follow the behavioural perspective (Reid, 1981; Bilkey, 1978). Advocates of the innovation-related models adopt the product adoption process and explain each stage of internationalisation as an innovation (Andersen, 1993), based on Rogers (1962) innovation stages. They highlight two types of motivation of the firm to involve in the internationalisation process: "push" and "pull" factors. Push factors include any external pressure on the firm to extend the business activities in the foreign markets, whereas pull factors consider internal pressures that encourage the firm to expand the business beyond national borders. Innovation models also follow the behavioural perspective and consider top managers and individual learning as important aspects of internationalisation process (Andersson, 2000).

Both the Uppsala and Innovation models of internationalisation are based on outward internationalisation. The third important model in the behavioural perspective is the Holistic approach (Welch and Luostarinen, 1988) and it adopts a comparatively broader perspective. Fletcher (2001) criticised internationalisation theories like network, contingency and learning approaches due to their lack of dynamism and proposed a holistic approach that captures the dynamics of international behaviour. Holistic approach explains internationalisation as an outward-inward process, in which firms start international engagement by inward operations and then, based on that learning, start outward activities. Inward activities (such as inward licensing and imports) help firms to learn about overseas markets and internationalisation process, which ultimately encourage them to start outward operations (such as FDI, outward licensing and export). The holistic approach is also the first theory of internationalisation that not only considers the process but also stresses upon its direction. The inward internationalisation allows firms to obtain experiential knowledge. Further, this theory introduces concepts of de-internationalisation and re-internationalisation to articulate the forward and backward course of the internationalisation process. It also introduces the business distance – a concept like psychic distance - to help understand why firms select one market on others. In the holistic model, outward and inward international activities are interwoven through countertrade, cooperative manufacturing and strategic alliances, and are moderated by external and internal environments. In fact, Fletcher’s holistic model combines Welch and Luostarinen’s inward-outward approach with contingency analysis and propose strategies that bridge outward and inward international business operations.

2.3.3. Network perspective

Network perspective is another important view to interpret internationalisation activities of firms. It criticises the economic perspective because it fails to describe why and how firms internationalise when they do not have all the advantages described by economic theorists, such as SMEs and firms from emerging economies. This perspective describes the internationalisation of firms as sequential development of network with foreign firms (Francis and Collins-Dodd, 2000; Styles and Ambler, 1994). A typical business network can consist of relationships with all different types of stakeholders, such as market research agencies, advertisers, marketing companies, customers, suppliers, brands, owners and all other influential actors having strong inputs in the supply chain (Styles and Ambler, 1994). This perspective stresses on the importance of networks and the firm's position within the network as the main driver of international activities (Boojihawon, 2004; Johanson and Mattsson, 1988), and propose strategies that could help firms strengthen or maintain their status. Researchers have adopted the network perspective to address all different types of business problems; therefore, it is difficult to find a unanimously acknowledged network theory of internationalisation (Nummela, 2004). Moreover, networks include formal as well as informal relationships (McAuley, 1999), and considered as an important perspective to explain international business activities of firms, because internationalisation can be observed as a network activity, which includes creating, maintaining and improving relationships with different actors in foreign markets.

Social network theory (SNT) is the first important theory in the network perspective (Coleman, 1988; Granovetter, 1985). SNT is one of the few theories that have equal applications for all levels, such as individual, firm and even country level (Pitt et al. 2006). According to SNT, different objects (such as nodes, actors, etc.) and their relationships (such as links, ties, etc.) form network (Pitt et al. 2006) in which: 1) actors are connected and their actions depend on each other, 2) the association between actors reveals the flow of any resources between them, and 3) the structure of the network shows the relationship pattern that motivates or refrains actions of actors (Wasserman and Faust, 1994). SNT mainly explains different aspects of network structure, for example, strong or weak ties (Granovetter, 1985), social capital (Coleman, 1988), and so forth, through professional analysis and mapping techniques (Fletcher, 2008; Wasserman and Faust, 1994). Scholars of international business applied the SNT into the business (Zain and Ng, 2006; Rialp and Rialp, 2001) because business activities also take place in a social context having different actors linked to each other (Rialp and Rialp, 2001). Hence, SNT defines a business network as "a set of two or more connected business relationships, in which each exchange relation is between businesses that are conceptualised as collective actors" (Chetty and Holm, 2000b, p. 79).

Another important theory in the network perspective of internationalisation is the network model (Johanson and Mattsson, 1988). It interprets internationalisation as a process of forming and maintaining a network with different foreign actors. They also consider internationalisation as an evolutionary process based on three sequential stages: expansion, penetration and integration. The network position in this model is identified by the level of internationalisation of the network as well as the firm. Thus, companies can be categorised into four different types: 1) early starters, 2) lonely internationals, 3) late internationals and 4) international among others. The early starters include local firms that work with domestic competitors, suppliers and cooperators, the lonely internationals include international firms operating in the local networks, and the late internationals include international firms that operate in international networks. Finally, the international among others include firms operating in international markets. Hadley and Wilson (2003) tested and operationalised the network model and revealed that market diversity and internationalisation knowledge are significantly linked. They also revealed that firms having diversified networks possess strong knowledge about internationalisation. Fletcher and Barrett (2001) also proposed the three steps (market expansion, market penetration and market integration) of the internationalisation model. They also suggested that the environment and the context in which the firm operates are very important factors and should be considered to understand firms' internationalisation choices. However, the network model is also criticised for ignoring the unique characteristics of firms and decision makers and overlapping different proposed categories (Chetty and Holm, 2000b).

Besides SNT and the network model, industrial network studies (Hakansson and Snehota, 1989; Hakansson, 1982) conducted by the members of industrial marketing and purchasing (IMP) group have also gained significant importance among internationalisation scholars. These studies used business networks and enriched their analysis by including actors, their activities and resources. IMP group proposed several models and theories, but the network embeddedness model (Halinen and Törnroos, 1998), the Actors, Resources, and Activities (ARA) Model (Hakansson and Johanson, 1992) and the interaction model (Hakansson, 1982) have received the most attention in internationalisation research (Fletcher, 2008). The model of network embeddedness argues that firms are embedded into larger networks. It also explains six different types of embeddedness: 1) technological, 2) political, 3) market, 4) social, 5) spatial (the influence of location), and 6) temporal (the influence of the firm's history). Advocates of the network embeddedness model also argue that organisational behaviour can only be understood if all aspects of firms' embeddedness in the network are simultaneously studied. The ARA suggests that actors in the network have objective behaviors and they control the activities through their control on resources. In other words, actors form and nurture relationships with other actors by using the exchange process that initiates, maintain and strengthen links between firms. However, ARA model presents a complex interpretation of networks (Nummela, 2004), which requires complicated analysis to understand the bonds between actors, resource and activity (Hakansson and Johanson, 1992). The purpose of a business network is to connect activities in a way that all involved actors get the best value for their resource contributions. Finally, there is an interaction model that believes the environment is as important as actors to understand the business relationship.

Summarising this, the network perspective is adopted into the business domain from social research and researchers have used networks to study business networks and their impacts on internationalisation (Boojihawon, 2004; Rialp and Rialp, 2001). According to the network perspective, a realistic interpretation of business events can only be obtained if researchers will also look into larger networks in which firms are embedded along with firms' characteristics and environmental factors (Halinen and Törnroos, 1998; Cook and Emerson, 1978). Researchers in the business domain have used the network perspective in all different levels of analysis, which makes it hard to identify a universal network theory of internationalisation (Nummela, 2004) because each theory discusses a different aspect. Moreover, regional differences in the networks' role are also evident. Such as North American school of thought has largely focused on analysing the network structure through social network analysis techniques and the Nordic school of thought applied more complex view of the network that includes actors, activities and resources and primarily focused on the network evolution process (Hu and Stanton, 2011; Tikkanen 1998).

2.3.4. International entrepreneurship

Many researchers attempted to apply process theories to the perspective of small firms, which are internationalising more rapidly than ever before but failed to produce consistent findings because small firms are not following traditional internationalisation stages suggested by process theories (Coviello and Munro, 1997; Andersen, 1993). Moreover, stage models are based on in-humanistic perspective, which disregards the interaction between actors and firms during the process of internationalisation (Coviello and Munro, 1997). Although, the network perspective has tried to fill the gap and explained how SMEs can meet their resource requirements (Lu and Beamish, 2001; Francis and Collins-Dodd, 2000), how they identify their potential foreign markets and decide about international entry modes (Bell, 1995), depending only on the network perspective may not provide a comprehensive interpretation of SMEs internationalisation. In other words, building networks itself is a complex process that not only depends on tangible resources of the firm, but also relies on social capital, entrepreneurial trait, and so on (Etemad, 2004). Therefore, using the network perspective alone to understand the international business activities of entrepreneurial firms could result in an isolated and blurred view, one which ignores other vital characteristics of the process. Nonetheless, a single theory cannot provide a comprehensive explanation of SMEs' internationalisation.

Over the last few decades, international entrepreneurship has been emerged as a new perspective to bridge the gap in extant literature by triangulating different internationalisation theories. In 1989, McDougall first proposed the concept of INVs and later, international entrepreneurship (Covin and Miller, 2013) that received great attention from international business scholars (Boojihawon, 2004). Just like any other entrepreneurship concept, the definition of international entrepreneurship has also evolved over the years and lack universality. McDougall (1989) introduced the concept of international entrepreneurship as the creation of start-ups or INVs that engage in international business activities and operate internationally from the initial stage of the business operations. From the beginning, the concept of international entrepreneurship attracted many researchers, and just after a few years, Zahra (1993) extended the definition of international entrepreneurship by adding the firm-level entrepreneurship. Zahra (1993) defined international entrepreneurship as "the study of the nature and consequences of a firm's risk-taking behaviours as it ventures into international markets" (p.9). Following Zahra's extension, McDougall and Oviatt (2000) revisited their definition and defined international entrepreneurship once again as "a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in an organisation" (p. 903). The revised definition describes international entrepreneurship as an interaction of internationalisation and entrepreneurship. Later, Oviatt and McDougall (2005) again revised earlier definitions and changed the emphasis from firm-level entrepreneurship to international opportunities. They described international entrepreneurship as "the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services" (p. 540).

To be successful in the international business arena, firms need to be vigilant to identify international opportunities and exploit them. In this regard, firms' access to resources is very important and critical for the success of any strategy (Nummela, 2004). Traditional international business theories propose that the resource commitment depends on experiential knowledge, whereas international entrepreneurship stresses that firms use experiential knowledge to pursue opportunities in foreign markets (Zhou, Barnes, and Lu, 2009; Zahra, 2005). Existing international entrepreneurship research can be largely divided into two major streams: 1) the research that compares entrepreneurial behaviours of different countries and cultures at the firm level, and 2) studies investigating the entrepreneurial behaviour and activities of firms that move beyond their local boundaries to foreign markets (Oviatt and McDougall, 2005; McDougall and Oviatt, 2000). The firm-level entrepreneurship was the focus of early researchers (e.g. McDougall and Oviatt, 2000; Zahra, 1993), but more recently the focus is more on international entrepreneurial opportunities, instead. However, the vitality of the firm-level entrepreneurship is also widely accepted (Covin and Miller, 2013; Slevin and Terjesen, 2011).

Relatively recently researchers have started adopting network perspective to examine international entrepreneurship (Prashantham and Dhanraj, 2010; Coviello and Cox, 2006;

Coviello, 2006). Coviello (2006) studied the role of network dynamics of international entrepreneurship and argued that international new ventures develop needed networks at the early stages of their business. She also stressed the importance to study different stages of internationalisation with reference to networks. Prashantham and Dhanraj (2010) used the social capital approach to understand new ventures internationalisation and evaluated the role of potential resources available through network relationships. Coviello and Cox (2006) also concluded that resources acquired through networks play important role in firms' internationalisation. Arenius (2002) also analysed the role of networks in firms' internationalisation and revealed that firms use networks to access international opportunities and resources, and reduce liabilities of foreignness and newness. From a philosophical perspective, international entrepreneurship field is based on pragmatism and researchers are encouraged to adopt different theoretical explanations to explain firms' international entrepreneurial activities (Jones, 1999). However, the lack of a solid theoretical framework is quite evident in past international business research (Urbano and Turró, 2013; Boojihawon, 2004). Keupp and Gassmann (2009) reviewed the past research and found inconsistency about a solid theoretical framework to study international entrepreneurship and proposed that future studies triangulating different theories to provide a comprehensive explanation of the firm's international entrepreneurial activities can bring a new perspective to future research.

Table 1 summarises different internationalisation theories and shows that traditional theories explain internationalisation from the perspective of large resource rich firms having firm-specific advantages to exploit internationally. They also interpret internationalisation as incremental process of increased learning and resource commitment. They fail to explain internationalisation of SMEs that lack resources and do not follow traditional internationalisation stages, but still internationalise more rapidly than ever before. Contemporary IB research largely uses network and international entrepreneurship perspectives to provide a comprehensive interpretation of SMEs internationalisation. Though these theories are very effective to explain how SMEs could fill their resource gap for internationalisation by establishing networks with external organisations, they ignore the dark sides of these networks, such as risks and vulnerabilities emerging due to increased dependencies on other organisations, that could have implications for firms' growth/survival. They also fail to explain how firms manage the dark sides of networks to ensure their survival and achieve sustainable growth. From this point forward, the study will focus on the internationalisation of SMEs, existing underlying theoretical perspectives and their limitations.

Perspective	Theory	Key Studies	Focus	Comments
Economic	Monopolistic Theory	Hymer, 1976	Broadly this theory argues that firms possess different capabilities and certain advantages that allow them to build competitive advantage in foreign markets. The theory mainly explains internationalisation motives for outward foreign direct investment and firm-specific advantages.	Given the focus of economic theories, they explain the internationalisation motives of large firms having abundant resources and enjoying firm-specific advantages. They interpret internationalisation as a process of resource commitment based on economic benefits. Overall, they are criticised for ignoring the perspective of SMEs internationalising at the absence of firm-specific advantages.
	Internalisation theory	Buckley and Casson, 1976	The theory considers firm-specific advantages as of benefits and costs of internalisation, and their impact on relevant modes for international entry.	
	Eclectic paradigm	Dunning, 1980, 1988	Multinationals decide to engage in outward FDI is based on a set of three major advantages: 1) ownership, 2) location and 3) internalisation.	
Behavioural	Life Cycle Theory	Vernon, 1966	Following the stages model, this theory applies the argument of the product life cycle to interpret the firm's internationalisation stages.	Behavioral (stages) Theories interpret firms' internationalisation as an incremental process having

	Uppsala Model	Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975	Firms follow the incremental process of learning and resource commitment to reduce uncertainty and overcome obstacles from their internationalisation.	continuous but distinct steps. It views internationalisation as a process of learning and resources commitment. However, it is criticised for its failure to provide an appropriate explanation of why firms move between the internationalisation stages and its lack of focus on the role of networks to access external resources and leapfrog stages.
	Innovation-related Model	Andersen, 1993; Rogers, 1962	Based on innovation stages, Innovation model adopts the product adoption process and explains each stage of internationalisation as an innovation.	
	Holistic Approach	Welch and Luostarinen, 1988; Fletcher, 2001	The holistic approach explains internationalisation as an outward-inward process, in which firms start international engagement by inward operations and then, based on that learning, start outward activities.	
Network	Business Network (Network Model)	Johanson and Mattsson, 1988	This perspective stresses the importance of business networks that consist of relationships with all different types of stakeholders, such as market research agencies, advertising agencies, marketing companies, customers, suppliers, brands, owners and all other influential	This perspective criticises the economic perspective because it fails to describe why and how firms internationalise when they do not have all the advantages described by

			actors, and the firm’s position within these networks as the main driver of international activities.	economic theorists, such as SMEs and firms from emerging economies. Network theories suggest that firms could fill their resource gap for internationalisation by using formal as well as informal networks.
	Social Network Theory	Coleman, 1988; Granovetter, 1985	Inter-personal relationships provide resources such as finance, information, access to other networks, reduce transaction costs and facilitate foreign market entry.	
	Industrial Network	Halinen and Törnroos, 1998; Hakansson and Johanson, 1992; Hakansson, 1982	Firms are embedded into larger networks. A firm's internationalisation is influenced by its embeddedness in the network. Actors form and nurture relationships with other actors by using the exchange process that initiates, maintains and strengthens links between firms.	Nevertheless, network theories explain how firms acquire resources from other organisations in the network. They fail to explain how they deal with risk and vulnerabilities emerging due to increased dependencies on other organisations.
International Entrepreneurship	Theory triangulation (mixed)	McDougall, 1989; Oviatt and McDougall, 2005;	Traditional international business theories propose that resource commitment depends on experiential knowledge, whereas international entrepreneurship (IE) stresses that firms use experiential knowledge to pursue opportunities in foreign markets. IE perspectives help to understand the	IE theorists also adopted the network perspective to explain how entrepreneurial firms fill their resource gap for internationalisation. However, they also ignore that

		Prashantham and Dhanraj, 2010; Coviello, 2006	internationalisation of firms (SMEs, new ventures) that neither have abundant resources or firm-specific advantages as explained by economic theories nor follow traditional internationalisation stages suggested by process theories. Nonetheless, a single theory cannot provide a comprehensive explanation of these firms' internationalisation, but IE scholars have relatively recently started adopting the network perspective to understand international entrepreneurship. They suggest that firms use networks to access international opportunities and resources and reduce liabilities of foreignness and newness.	building networks itself is a complex process and has implications for firms' growth/survival and interaction within networks.

Table 1: Summary of internationalisation theories

Source: developed by the author

2.4. SMEs' internationalisation

Due to globalisation and growing market integration, most firms today are either already engaged in international business activities or interested in starting their internationalisation process. On the one hand, we see that most of the multinational enterprises active in international markets are significantly large firms having abundant resources, strong brand recognition and typically originated from developed countries. They have successfully exploited the advantages of the internet, advanced telecommunication technologies, market integration and the rise of new cultural values from frequent interactions of people across borders (Garcia, 2015). For instance, Zara, Armani, Dolce and Gabbana, Carrefour, Nike, Dell, Samsung and Apple etc. are all big multinationals that have emerged from different sectors and possess branded products, strong capabilities and high resource endowments to position their products in international markets. On the other hand, we also see many SMEs successfully launching their businesses in foreign markets. Although SMEs lack market power, capabilities and resources as compared to large firms (Garcia, 2015; Boojihawon et al. 2007), their economic value has substantially increased in the past two decades (Reynolds, 1997).

Notwithstanding, SMEs engagement in foreign markets is growing rapidly (Haahti, Hall and Donckels, 1998; Erramilli and D'Souza, 1993; Bonaccorsi, 1992), the focus of international business research has been largely on big multinational companies (Coviello and McAuley, 1999). Many international business researchers suggest that theories formed on the evidence of large firms cannot be used interpret SMEs' international business activities because there are many fundamental differences between both types of firms and their behaviours under certain conditions (Child and Rodrigues, 2008; Coviello and McAuley, 1999; Ahokangas, 1998; Chen and Hambrick, 1995; Buckley 1989). Unlike large companies, SMEs suffer from the deficit of resources, such as the lack of managerial capabilities, human capital, financial strength, information and experiential knowledge (Erramilli and D'Souza, 1993; Coviello and McAuley, 1999; Buckley, 1989), and possess different management and ownership structures (Coviello and McAuley, 1999; O'Farrell and Hitchins, 1988). SMEs' growing involvement in international markets together with the failure of conventional international business theories explaining SMEs' international business activities have attracted many researchers' attention in the recent past (Child and Rodrigues, 2008). We observed in the previous section that most of the existing internationalisation theories are formed with large firms in mind, but we are also seeing a shifting focus of researchers from large firms to SMEs' internationalisation.

Many authors have identified different ways that SMEs can use to aid their internationalisation process, such as by using alliances, exporting, participation in production chains of multinational firms and participation in networks and clusters (Gelmetti, 2006; OECD, 2005; Audretsch, 2003; Dussel, 2001). In many countries, SMEs constitute more than 95% of all the firms (OECD, 2008a), but their involvement in international markets is considerably lower as compared to their large population. However, this trend is changing rapidly, and many SMEs are internationalising with all different sorts of traditional and nontraditional strategies. In 2004, SMEs engaged in international business from the EU-27 were just 18% of their total population, which has increased to 25% by 2009 (European Commission, 2010; ENSR, 2004). This ratio is much better in East Asian countries, because more than 30% of their SMEs were engaged in export activities in 2002 (Harvie and Lee, 2005). Differences in the level of SMEs' international activities in different countries reveal that the SMEs' internationalisation is affected by diverse country-specific factors that obstruct or facilitate their international growth. The next section will provide further discussion on constraints faced by SMEs in internationalisation.

2.5. SMEs' internationalisation constraints

Traditionally only large companies used to engage in international business activities, but recently more and more SMEs have become active on the international horizon. However, SMEs face more challenges in the process of internationalisation as compared to their large counterparts. These challenges can be in the form of constraints that limit the SMEs' abilities to start, develop and sustain international business activities. Moreover, these barriers can be faced by SMEs at different stages of their business, and their impacts also vary from stage to stage (Leonidou, 2004). Internationalisation barriers can be both, internal or external, and they have stronger impacts on SMEs because of their lack of resources and capabilities (Fliess, 2007; OECD, 2005; Leonidou, 2004; Acs et al. 1997). Leonidou (2004) conducted one of the most comprehensive research to identify barriers in the internationalisation of SMEs and divided them into internal and external categories. Internal barriers include all constraints related to capabilities or resources of the firm, whereas external barriers include constraints stemming from the external environment in which the firm operates and usually they are related to both the home as well as the host country's environment (Leonidou 1995).

2.5.1. Internal Barriers

This section will elaborate on internal barriers affecting the internationalisation of SMEs. I used the resource-based view (RBV) to understand the internal barriers better because this theory talks about critical resources possessed by the firm. More specifically the theory states that firms accumulate certain resources over the time and these resources help the firm to differentiate in the market and earn benefits in the form of rents (Teece, 1982; Penrose, 1959). According to the RBV, internal resources of the firm include human capital resources, tangible capital resources and intangible Organisational capabilities and resources (Barney, 1991). The RBV's argument regarding the firm's internationalisation is based on the logic that firms possessing strong capabilities and abundant resources tend to innovate, pursue diversification strategies and enter into foreign markets while capitalising on their existing resources (Montgomery and Hariharan, 1991). Fundamentally, RBV's argument is more related to resource-rich large firms and ignores the growing number of SMEs that are internationalising in foreign markets. SMEs face stronger internal barriers to their internationalisation because they lack the necessary capabilities and organisational resources. However, internal barriers are easy to manage as compared to barriers posed by the external organisational environment (Leonidou, 2004). Leonidou (2004) identified information, functional and marketing barriers as main internal barriers faced by SMEs.

Informational Barriers

Informational barriers include constraints faced by firms in locating, selecting and reaching the foreign markets due to the insufficient information available to them (Morgan and Katsikeas 1997; Katsikeas and Morgan 1994; Katsikeas 1994). Leonidou (2004) has further explained four types of informational barriers. First, there is a lack of information available to small firms that they need to analyse and locate potential international markets. Mostly small firms are not familiar with sources to access necessary information related to international markets. Second, even if the firm gets access to information, it faces problems to identify the data about the market, especially the data from the authentic and reliable source. This creates uncertainty for the firm. Third, the barrier is more about the lack of information related to business opportunities in the foreign market because they lack local knowledge of the foreign market. Finally, the limited ability of the firm to contact potential customers in foreign markets due to several reasons such as the lack of information about sources providing data about potential customers, lack of market research and large geographical distance between the seller and the customers. According to Leonidou (2004), informational barriers have a very strong impact on the firm’s international business activities.

Functional Barriers

Functional barriers are linked to poor enterprise functions, such as finance, production and human resource management, which are directly related to the internationalisation process of firms (Vozikis and Mescon 1985). Some typical functional barriers that firms face during internationalisation process include the limited managerial time available for international business activities, inadequate staff members to handle the extra load of activities related to international business, lack of production capacity to handle international orders and the scarcity of working capital. Functional barriers also affect the firm’s internationalisation, but relatively less than informational barriers (Leonidou, 2004).

Marketing Barriers

Marketing barriers are related to the firm’s product, price, placement, and promotional activities in the foreign market (Moini 1997; Kedia and Chhokar 1986). This is a very critical internal barrier faced by SMEs because many external forces affect the firm to adopt certain marketing strategies and these external forces vary from country to country. Challenges that are related to the product aspects of the marketing strategy are quite diverse. For example, firms need to develop products that best fit with customers’ requirements in the foreign market, but SMEs’ lack of resources limit their ability to acquire local knowledge in the host market and understand customers’ requirements. Besides, firms are also required to adopt their products’ design and packaging according to the host market’s standards and adapt quality standards of that country, because quality standards also vary from country to country. Some markets put a lot of pressure for after sale services and technical support; therefore, firms need to make sure that they are available for their customers along with the product. All these concerns are important to be addressed before introducing the product, but it requires heavy resource commitment from the firm, which is quite difficult for resource-scant SMEs. Just like a product, SMEs also face several challenges at the pricing end in the foreign markets. International business activities along with all these extra marketing challenges put the extra burden of costs on firms, and they find it very difficult to stay price competitive in foreign markets.

Moreover, some host markets are highly favourable towards credit options, but SMEs face difficulties in arranging finance solutions for their customers especially for higher priced products. In addition to product and price barriers, SMEs face marketing challenges related to placement in the areas of distribution and logistics. A distribution channel vary from country to country, for example in one country road network is better than the railway, and in the other country maybe people prefer rail network against road distribution. It is important for the internationalising firm to understand the distribution channels and identify the most suitable channel for its products. However, the lack of resources and limited exposure to the host market make it difficult. Even sometimes firms select local distributors but again fail to keep their control over distributors due to the lack of resources to collaborate and track their distribution. In the logistics end, firms face problems such as supplying adequate inventory in the foreign market, accessing warehouse facilities and excessive costs related to transportation and insurance for products in the way. All these elements add an extra burden on products' cost and increase the price. Finally, barriers related to promotion are more about understanding cultural and institutional differences between the home market and the host market and making adjustments to promotion activities according to the host market's requirements. However, it comes with extra costs and put pressure on SMEs competitiveness (Leonidou, 2004).

Many researchers have empirically proved that SMEs lack necessary resources such as knowledge, experience and skills to effectively operate in foreign markets, which leaves them at the position of huge disadvantage as compared to large firms (Etemad 1999; Bell, Murray and Madden, 1992). Thus, they face more barriers to internationalisation and find it hard to overcome these barriers with their existing resources. In order to achieve success in international markets, SMEs need to understand and build internal capabilities to deal with regulatory, cultural and institutional differences, use various formal and informal contractual arrangements and develop appropriate value propositions for their foreign markets (OECD, 2007; Nummela, Saarenketo and Puumalainen, 2004; Westhead, Wright and Ucbasaran, 2001).

2.5.2. External Barriers

SMEs face external barriers to internationalisations due to their external environment, in which they operate (Zou and Stan, 1998; Calof and Beamish, 1995; Collis, 1991; Melin, 1992; Pfeffer and Salancik, 1978). Challenges related to the external environment are not in the direct control of firms (Calof and Beamish, 1995; Porter, 1980), because they arise due to macro-level factors such as geographical distance between the home and host markets, weather conditions, industry features and foreign and domestic markets' features (Zou and Stan, 1998). For example, cultural and social contexts in which firms operate are important to influence the firm's internationalisation activities (Melin, 1992). Some other important external factors that create constrained environment for SMEs, especially in developing countries, include the lack of infrastructure and telecommunication technologies, inconsistent policies and poor institutions (OECD, 2005; Collier and Dollar, 2002). The external barriers can be largely categorised into four categories that include procedural, task, environmental and governmental barriers (Leonidou, 2004), as detailed below.

Procedural barriers

Procedural barriers are related to operational challenges linked to international business activities of SMEs. Firms face procedural barriers due to many challenges, but most of past studies have revealed that the lack of information about procedures and modes of internationalisation, issues related to international transactions and payments management and finally, the communication failure make it difficult for SMEs to internationalise. International business activities involve complex procedures and extensive documentation that require utmost care (Leonidou, 2004). Many SMEs find these complex procedures very difficult to manage due to their lack of knowledge and prior experience; therefore, they have to outsource these activities at excessive costs. Sometimes, additional support is available to firms engaged in international business to deal with complex procedures by different governmental agencies, international trade organisations and financial institutions, but SMEs lack the information about the sources of support. Communication-related challenges are also faced by SMEs while dealing with foreign customers because geographic, cultural and psychological distances between buyers and sellers make it difficult to maintain open communication during the international exchange. Poor communication hampers the relationship between buyers and sellers from different countries due to arising misunderstandings, losing control over international operations, delays in the decision-making process and inadequate feedback (Leonidou, 2004).

Moreover, the lack of communication infrastructure in many underdeveloped countries also intensifies challenges for SMEs (Leonidou, 2004). Another important procedural barrier that SMEs face is related to the management of international payments because most countries still lack the necessary regulatory and financial infrastructure to ensure smooth international payments. That causes delays in payments and complex procedures, which creates an extra burden on SMEs that already face a shortage of operating capital.

Task barriers

Firms face task barriers in internationalisation due to factors related to their foreign markets' environment (Leonidou, 2004). Task barriers include changing foreign customers' demographics or their attitudes and the level of competition in the foreign market. Due to differences in geographical conditions, weathers, social structures and development levels, customers' behaviours also vary from country to country. As customers' behaviours have significant importance for firms' performance, they also affect firms' strategies. However, the lack of prior knowledge and resources limit SMEs' abilities to understand foreign customers' behaviour and predict changing attitudes to form and review their business strategies.

Similarly, firms may have a competitive advantage in their home markets, but sometimes they lose this advantage when internationalising to a foreign market due to differences in market dynamics. Foreign markets are continuously integrating, and SMEs not only face competition from domestic firms but also from firms from other countries that have different bases of competitive advantage. For example, Chinese firms may compete in a foreign market based on their low-cost products, and at the same time, German firms may compete in the same foreign market based on the quality of their products. Therefore, SMEs that bear the high cost of internationalisation as compared to their large counterparts may face intense competition from firms, based on cost, quality or other factors, that outcompete them.

Environmental barriers

Environmental barriers are referred to challenges faced by firms due to factors related to home and host countries' macro environment (Leonidou, 2004). They include economic conditions, political and legal factors and sociocultural environment. These factors change frequently and hard to predict. Economic conditions in the foreign market, such as growth rate, disposable income, high inflation rate and unemployment strongly affect the attractiveness of any market. For example, customers in countries suffering from high inflation and low employment are likely to prefer low-cost on quality or brands association. On the other hand, markets that have high growth rate, low inflation and growing middle class are highly attractive for consumer products and luxury brands from around the world.

Exchange rate differences between the home and host countries also play an important role in decision-making about internationalisation. Besides, political and legal conditions also affect firms' internationalisation decisions because an unstable political environment creates uncertainty for businesses. Some governments are more likely to support businesses than others, and similarly, some governments create more barriers in international trade than others. Governments have direct control over entry restrictions, exchange rates, taxations and price controls; therefore, any changes in policies have a direct impact on firms' business performance (Alexander and Warwick, 2007; Leonidou, 2004; Acs et al. 1997). In addition, differences in socio-cultural environments also demand firms to continuously engage in the innovation process to adopt their products according to market characteristics. Due to the lack of resources, SMEs struggle to foresee any changes in these environmental factors and change accordingly. Moreover, it is also difficult for them to continuously adapt products according to changing market dynamics due to the high cost of product development. Therefore, they mostly respond late to changes in environmental factors, which carry a serious threat to their survival.

Governmental barriers

Governmental barriers are more specifically related to the support and policies of the home government, such as bureaucratic practices, corruption, taxes and infrastructure issues (Acs et al. 1997). Internationalisation is a big commitment from firms' side, but it also requires assistance and facilitation from the home government in the form of tax benefits, smooth procedures, and easy access to financial services and help in international marketing activities. International business does not only involve firms, but it is the exchange between two countries; therefore, government to government agreements about international trade, visa matters, freight issues and market access are highly important to boost or hamper business activities between two countries. Also, rules and regulations imposed by the government directly affect firms' international business activities, such as restrictions on trade of certain products, favouritism or prohibition of business with some countries and provision of equal opportunities (Leonidou, 2004). However, large firms can always manage these factors and deal with emerging challenges with high resource endowments and individual lobbying capabilities, but SMEs suffer due to their lack of influence on governmental policies. Governments' assistance in the form of international business development programs helps SMEs to offset their increased costs of international business activities.

2.6. SMEs' internationalisation and theoretical perspective

Above discussion reveals that firms face different internal and external constraints in internationalisation, but these factors have higher impacts on SMEs than their large counterparts because they lack resources and ability to shape environmental dynamics. They enforce SMEs to adopt changing environmental conditions to survive and achieve growth (Collis, 1991). However, firms can overcome environmental constraints by designing strategies that help them to achieve consistent access to critical resources and develop core business capabilities (Garcia, 2015; Porter, 1980). Complex environmental factors create problems for SMEs to identify and access resources that are vital for their internationalisation (Ruzzier, Hisrich and Antoncic, 2006). But, intrinsic flexibility of SMEs allows them to form and manage external relationships (Yu, 2001; Chen and Hambrick, 1995), which often enables them to overcome issues related to their internationalisation (Child and Rodrigues, 2011, 2008). Network theory emerged as an important perspective to provide an underlying theoretical explanation of SMEs network approach towards internationalisation (Johanson and Vahlne, 2006, 2003; Ellis, 2000; Coviello and Munro, 1997; Johanson and Mattsson, 1988). A large number of past studies have used the network perspective to study SMEs' internationalisation activities (Ahmad and Dimitratos, 2017; Senik et al. 2011; Ozcan and Eisenhardt, 2009; Welch, Benito and

Silseth, 2002; Blomstermo, Eriksson and Sharma, 2002; Agndal and Axelsson, 2002; Chetty and Holm, 2000a; Coviello and Munro, 1997; Björkman and Kock, 1995; Welch and Welch, 1993). Networks, which are relationships of the firm with other firms/individuals in the environment, can help SMEs with scarce resources to support their international business activities and expansion (Coviello, 2006; Oviatt and McDougall, 2005). Hamilton (1991) found that business networks based on interconnected relationships (i.e. Guanxi in China) offer Asian firms a competitive advantage because transaction costs can be minimised, as well as, the costs related to the search for buyers (Batas, 2014). Moreover, the liability of foreignness can be overcome with the use of networks when a born global decides to enter a foreign market (Zaheer, 1995).

Past studies have highlighted several benefits of networks for firms pursuing internationalisation, such as they help to accumulate information and learning, acquire necessary technology and innovation, build resources, identify opportunities and create positive signals (Ahmad and Dimitratos, 2017; Reuer and Ragozzino, 2014; Chandra and Coviello, 2010; Lee and Williams, 2007; Knight & Cavusgil, 2004). Network ties may help to access necessary resources from the environment that assist firms to grow and survive in both national and international markets (Peng and Luo, 2000; Yan and Manolova, 1998). The importance of networks on the internationalisation of firms was also stressed by Johanson and Vahlne (2009) who argued that "markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns" (p. 1411). Hence 'insidership' in relevant networks is essential for successful internationalisation. In order to examine the role of networks to access important resources and overcome internationalisation constraints, the relevant literature is reviewed below.

2.6.1. Networks and SMEs' internationalisation constraints

SMEs face many problems while internationalising, such as the liability of foreignness and liability of newness, but their networks play an important role by providing support to overcome these problems (Tang, 2011). Networks become strategically important, especially when SMEs pursue rapid internationalisation strategies (Loane and Bell, 2006; Mort and Weerawardena, 2006). Senik et al. (2011) separated networks based on their sources and proposed three types of networks: 1) personal networks that include relationships with colleagues, friends and family; 2) business networks that include firms' relationships with other firms, managers and different stakeholders; and 3) institutional networks that are links with different governmental departments and agencies.

Resource scarcity is one of the main constraints faced by SMEs while internationalising into foreign markets (Leonidou, 2004; Brouthers, Andriessen and Nicolaes, 1998). The lack of capital and experiential knowledge may create problems in the international expansion of SMEs (Peteraf and Barney, 2003; Zaheer, 1995). According to the resource-based view, there are limited, or no advantages for resource-constrained SMEs to engage in international business activities in the early stage of their business (Peteraf and Barney, 2003). However, earlier studies contradict the resource-based view and reveal that many SMEs have successfully internationalised from their inception (Madsen and Servais, 1997; Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). Furthermore, past research also evidenced the positive role of networks in helping SMEs access necessary resources to engage in international business activities from their inception (Loane and Bell, 2006; Oviatt and McDougall, 2005, 1999; Andersson and Wictor, 2003; Coviello and Munro, 1995). The importance of networks is very high for born globals (Andersson and Evangelista, 2006) because they help them to navigate potential partners in various geographical networks and fill the resource gap. Similarly, Coviello (2006) outlined various advantages of networks for INVs, such as connections for internal and external development, new referrals, access to distribution channels and financial resources and entry into new markets.

Awuah, Gebrekidan and Osarenkhoe (2011) articulated that internationalisation process is a series of decisions and actions, instead of a one-off decision, consist of intensive interaction between firms and other actors in their external environment that influence the choice of foreign market and the appropriate entry mode. Earlier studies also conclude that start-ups facing scarcity of resources but having the vision to achieve fast commercialisation tend to engage extensively in the joint venture and collaboration with third parties and networks rather than using conventional exporting mode (Borgatti & Foster, 2003; Burgel and Murray, 2000; Jones, 1999; Bell, 1995). Likewise, technology firms adopt complex foreign entry modes to engage in international business activities, such as joint ventures, distributors and marketing partners. A high tendency of opening subsidiaries and regional offices in foreign markets is observed in advanced stages of internationalisation of born globals (Coviello and Munro, 1997). These SMEs are not generally following the traditional model of internationalisation, such as Uppsala model, whereas network relationships assist their rapid international growth (Coviello and Munro, 1997; Mcdougall, Shane and Oviatt, 1994).

In order to exploit foreign markets, SMEs rely more on knowledge acquired through networks and personal contacts rather than using in-house market intelligence services (Ellis, 2000). Networks allow firms to overcome constraints in internationalisation by providing useful knowledge about foreign markets and develop capabilities (Chen, 2003; Coviello and Munro, 1995). Additionally, Coviello and Munro (1995) stressed the importance of having international ties and connections because they help firms to reduce barriers to enter into other markets by providing access to network knowledge. Hohenthal, Johanson and Johanson, (2014) added that networks enable new firms to get experiential network knowledge; therefore, they do not need to have prior foreign experience to engage in international business activities. They also argued that effective exchange of knowledge improves the business relationship and at some point, managers start giving more importance to the relationship than the knowledge itself.

Oviatt and McDougall (2005) suggest that firms can be categorised into three different types based on their reliance on knowledge for internationalisation. First, there are more traditional firms that rely on well-understood technologies (Uppsala model). Second, there are knowledge-intensive firms that heavily depend on complex knowledge in the product development process. Finally, there are knowledge-based firms that achieve rapid international growth by using sophisticated knowledge as their unique firm-specific advantage (Oviatt and McDougall, 2005). Dubini and Aldrich (1991) added that networks are considered specifically important for knowledge-based firms because they are a very powerful and useful tool for entrepreneurs to acquire new knowledge.

Moreover, the network's role is well recognised as an essential and powerful framework for firms engaged in international entrepreneurship (Coviello and Munro, 1997, 1995; Bell, 1995; Oviatt and McDougall, 1994). Bell (1995) studied western software firms and found that there is a considerable role of formal and informal networks in their internationalisation process because they provide important knowledge about institutions in foreign markets. Senik et al. (2011) also concluded that networks help firms to acquire important knowledge related to different rules and regulation in different countries. Johanson and Mattson (1988) emphasised that networks are very important for firms while making decisions about time and speed of internationalisation because they provide links and necessary information about new foreign markets. This is helpful to minimise the overall risk level of entry into new foreign markets (Coviello and McAuley, 1999).

Additionally, knowledge of foreign markets and their operations is important for firms seeking to internationalise their business activities and influence the overall speed of internationalisation (Dib, Rocha and Silva, 2010; Sharma and Blostermo, 2003; Moen and Servais, 2002). Sharma and Blomsterno (2003) found the positive association between the firm being an early internationalised and its different partnerships and networks. Firms in the information technology sector mainly own intangible assets that differentiate them in their markets and speed up their internationalisation processes, such as the knowledge of markets (Bell, McNaughton and Young, 2001) and the unique technical knowledge (Rialp et al. 2005). Both, market knowledge and technical knowledge are linked to human capital, but networks can potentially help firms to build that knowledge without having international experience. International orientation of the management team always plays a very important role in the identification of foreign markets and the selection of the suitable mode of market entry strategy (Moen, Gavlen and Endresen, 2004; Johanson and Vahlne, 1977). However, SMEs that lack managerial capacity can use other firms or independent actors from their environment to get useful information about the foreign market and suitable entry mode, especially when the prior knowledge of the management is limited

(Awuah et al. 2011). Moen et al. (2004) have found positive links between entry mode and choice of market selection and firms' networks. According to Chen (2003) networks are very important for SMEs to identify a suitable market to make FDI. There is also a positive relationship observed by Chetty and Agndal (2007) between network links and mode of internationalisation. Also, Tang (2011) highlighted the positive impacts of foreign business resources built through networks, such as distribution channels and market knowledge, on the speed of internationalisation of SMEs.

The significance of firms' networks and their role in the decision-making process of foreign market selection is also highlighted by Johanson and Mattsson (1988). According to the incremental internationalisation theory, firms are more likely to invest in psychically less distant countries during their initial internationalisation phase (Johanson and Mattsson, 1988). Shane (1996) described that contractual agreements could potentially reduce internal governance costs, particularly which are linked to monitoring and controlling opportunistic behaviour and agent behaviour. Moreover, Ojala and Tyrvainen (2007) and Bell et al. (2003) concluded that firms operating in knowledge-intensive sectors are more likely to enter into countries having leading markets, because of the nature of their niche products. Zain and Ng (2006) conducted a study on three software SMEs from Malaysia and found different internationalisation-related advantages of networks for SMEs, as they help in identifying the market niche, finding the right entry mode, reduction in risk and most importantly growing their existing network.

Ellis and Pecotich (2001) studied SMEs from Australia and concluded that there is a strong correlation between exports and existing network relationships of the person, who is the main decision-making authority related to internationalisation. Characteristics of key employees and the founder during internationalisation process have been mostly observed in prior qualitative studies (Burgel and Murray, 2000; McDougall et al. 1994), whereas, various forms of market entry and geographic scope of international activities are mostly observed in previous quantitative studies (Shrader, Oviatt and Mcdougall, 2000; Bell, 1995). For instance, Lindqvist (1991) analysed firms from Sweden and states that they mainly prefer foreign sales and exporting through intermediaries like agents and distributors. However, Lindqvist (1991)' study lacks explanatory variables that could further elaborate on their choices of entry mode. In another study, Bell (1995) evaluated software firms from Norway, Ireland and Finland. He concluded that around 70% of firms carried out their foreign sales and transactions through external distributors and agents or direct exports. They also revealed that a small percentage of firms generated foreign sales through FDI. Moreover, there is another study conducted by Shrader et al. (2000) on US-based firms, and it established that firms engaged in high-risk economies use their networks to minimise risks.

Various studies analysed the relationship between firms' networks and born global firms' speed of internationalisation (Dimitratos et al. 2010; Dib et al. 2010; Harris and Wheeler, 2005). The speed of internationalisation is defined as the difference between the inception year of the firm and the year of first international scale, as elucidated in various empirical studies (Reuber and Fischer, 1997; Oviatt and McDougall, 1994). On the other hand, in theoretical perspective, speed of internationalisation is defined as the first foreign output or first market entry in the foreign market due to moderating forces like networks and knowledge, mediating forces like entrepreneur's characteristics, motivating forces such as competition or enabling forces like technology advancements (Oviatt and McDougall, 2005). An increase in the internationalisation speed of firms is observed when they become part of an international network because it is considered that they improve the competitive advantage due to the exchange of knowledge and trust (Coviello and Munro, 1995). There is evidence of the dominating role of social networks in creating and developing business networks and most importantly in the internationalisation of operations, in the study of Vasilchenko and Morrish (2011) about ICT SMEs. There is a high tendency of firms' internationalisation in the early stage to exploit emerging opportunities in international markets due to rapidly changing environments (Freeman et al. 2010; Sapienza et al. 2006). No doubt, it is important in the current age to identify and quickly commercialise new ideas (Vasilchenko and Morrish, 2011), that creates extra pressure on SMEs to catch up. The use of networks in the early stage enables firms to achieve more success in internationalisation (Harris and Wheeler, 2005). Also, the process of accessing international social networks also plays an important role in determination of the speed of firms' internationalisation (Han, 2006; Oviatt and McDougall, 2005), which means whether it is easy to access international social networks or difficult.

According to the traditional internationalisation process theory, geographic distance is one of the main obstacles in fast internationalisation (Johanson and Vahlne, 1977). Geographic distance makes it difficult for firms to comprehend foreign markets' environment (Johanson and Wiedersheim-Paul, 1975), but this obstacle is successfully tackled by INVs when they enter into geographically distant markets with the help of their networks (Gabrielsson et al. 2008; Oviatt and McDougall, 1994). Just like geographical distance, location risk is another factor that is considered by firms while deciding internationalisation. Difference between home and host environments creates location risk that includes differences in economic, business and culture practices. Firms tend to select a low degree of resource commitments or select entry modes that have high levels of local participation while entering into a psychically distant market (Kim and Hwang, 1992). Styles and Amber (2000) also concluded that there is a strong positive influence of networks when firms enter into psychically distant markets because they provide useful information as well as knowledge about these markets.

Besides business and social networks, institutional networks, such as firms' connections with governmental agencies and institutions, also have strong impacts on the firms' internationalisation decisions, i.e. choice of expansion strategies, entry mode and market selection. They can potentially reduce the cost of internationalisation and mitigate risks linked to the process (Zain and Ng, 2006). Networks assist SMEs to find and connect with important people from international markets, who can help the firm to identify and exploit new opportunities (Danis, De Clercq and Petricevic, 2011). Three different variables are considered to have prime importance in firms' decision to become born global, which are the entrepreneur, firm and network (Dib et al. 2010). Personal networks of entrepreneurs become very important in achieving sustainable growth in unstable institutional environments (Danis et al. 2011; Kiss and Danis, 2010).

Furthermore, Vasilchenko and Morrish (2011) stated that SMEs need institutional support to develop a competitive advantage during the internationalisation process and use their formal and informal ties in this regard. Therefore, personal links of the entrepreneur influence firms' strategic choices about internationalisation. According to Dib et al. (2010) firms' internationalisation process is strongly affected by institutional barriers, but prior studies have not given required importance to moderating effects of social and business networks under different institutional conditions. Besides, Rona-Tas (1994) added that it is important for internationalising firms to stay up-to-date about changing rules and regulations of the country and connections with political bureaucracy might help firms to become aware of any changes. Moreover, there is an issue of legitimacy for SMEs because future network partners take time to trust newly established SMEs (Zahra and Wright, 2011; Stuart, Hoang and Hybels, 1999). Kiss and Danis (2010) found that networks are very important to help firms' access resources and get legitimacy to expand beyond national boundaries and overcome institutional challenges.

There are various constraints in SMEs' internationalisation process, such as limited experience, lack of credibility and scarcity of resources, but networks play an important role to overcome these constraints and facilitate smooth internationalisation process. Overall, it can be inferred that networks and relationships help firms to access necessary knowledge, resources and skills that facilitate SMEs internationalisation process by helping them to identify potential foreign markets, navigate international opportunities, make choice of appropriate entry mode, achieve internationalisation speed and growth aspirations. Therefore, Tang (2011) argued that firms that have more sophisticated skills for network management are more likely to overcome their resource scarcity issues.

2.7. The dark-side of networks and theoretical gaps

Above discussion reveals that resource-constrained SMEs heavily depend on their networks and external relationships to overcome internationalisation barriers, but it overlooks a very important argument that networks are not always dependable. Inter-organisational relationships developed through networks create many opportunities for partners to pursue together, but they also expose partnering firms to potential risks, such as misappropriation, which put partners' asunder (Hallen et al. 2014; Meznar and Nigh, 1995). According to Tang (2011) resources that are derived from the network as organisational capabilities may also hinder the internationalisation process. Chetty and Campbell-Hunt (2003) studied the SMEs use of networks to access resources for internationalisation and revealed that SMEs tend to use a limited number of network relationships to acquire resources; thus, they heavily depend on those they choose. However, the increased dependence on few connections limits their freedom because they have to follow resource-rich partners' goals (Chow and Fung, 2000).

Furthermore, different business environments, resource importance and institutions may cause variations among partners' importance and eventually influence the overall internationalisation process (Child and Rodrigues, 2005; Peng and Heath, 1996). That means strong ties reduce the firm's freedom. Sharma and Blostermo (2003) argued that firms could act autonomously when they have weak ties, which is likely to have a positive impact on their adaptability to foreign markets. Ojala (2009) analysed 8 Finish high tech SMEs and concluded that only two firms used informal relationships with their friends, and only two firms used the formal network with their distributors to internationalise. His findings contradict prior studies conducted by Coviello (2006), Coviello and Martin (1999) and Coviello and Munro (1997, 1995), where both formal and informal relationships played a very important role in SMEs' internationalisation. Ghannad and Andersson (2012) also argued with an example of Swedish born globals that networks are not always useful in the internationalisation.

Past research confirms the influence of resource needs on relationship formation (Hallen et al. 2014; Katila et al. 2008). Shared benefits encourage firms to collaborate, but at the same time, sometimes they also behave opportunistically to achieve their own individual interests (Agarwal, Croson, and Mahoney, 2010; Gulati and Singh, 1998). Prior studies have highlighted a predominantly challenging scenario for partner firms when a particular partner (normally named as 'shark') is simultaneously dangerous as well as attractive, a scenario usually witnessed during alliance building between a young firm and a well-established large company (Diestre and Rajagopalan, 2012; Katila, Rosenberger, and Eisenhardt, 2008). According to Katila et al. (2008), young firms are likely to establish alliances with sharks when they require a specific resource that is solely controlled by these partners. Diestre and Rajagopalan (2012) analysed the “sharks dilemma” within technology networks established between large pharmaceutical companies and young biotechnology firms for the purpose of joint research and development (R&D). They revealed the corporate shark’s significant ability and motivations to appropriate the network’s knowledge. A better interpretation of the shark’s dilemma can be formed by adopting the concept of externality from social dilemma domain. Social dilemma research evaluates how behaviours and decisions influence the collective interests of interacting firms and self-interests of individual firms (Chen and Chen, 2009). Externalities are produced as a consequence of actions of the one partner firm that influence the other partner without the consent of the affected partner (Dawes, 1980; Buchanan, 1971).

Existing theories, such as network perspective, about SMEs internationalisation explain how resource constrained SMEs to use inter-organisational relationships to overcome barriers in their international business activities, but they fail to explicate how SMEs manage externalities of these relationships. Central to network externalities is the resource dependencies with underlying power imbalance between partners (Pfeffer and Salancik, 1978). Resource interdependencies encourage SMEs to form alliances and create mutual dependence, but they may begin to lose their leverage in the relationship once their market opportunity or exclusive technology has been exposed enough to be embezzled. To prevent such imbalances, prior research on dependency management notes that firms undertake classic power-balancing operations (Emerson, 1962): they form coalitions with their counterparts, reassess their resource needs and build alternates, and identify alternative partners. In sum, the research draws attention to deterrents to the existing relationship. However, these suggestions fundamentally address firms that have resources or ability to form a coalition, develop alternate resources or find alternative partners to access the same resources. Existing theories ignore firms, such as SMEs, that do not have the ability to engage in any of the above discussed power-balancing operations. Their counterpart with control over resources may become the near-exclusive holder of power in the relationship. Hence, the same factors that promote the perception of resource interdependencies between firms make high-power counterparts a more dangerous type of partner that is a shark (Hallen et al. 2014). High-power counterpart with control over resources that are particularly attractive to SMEs may also have strong incentives to misappropriate SMEs advantage and alter exchange relationship to their interest (Dushnitsky and Lenox, 2006; Kale, Singh, and Perlmutter, 2000). But existing theories fail to address how SMEs protect themselves against opportunistic behaviour of their high-power counterparts while using inter-organisational relations and networks to overcome internationalisation barriers. This study attempts to fill this gap and enhance our understanding of SMEs internationalisation process. The importance to understand SMEs strategies to deal with externalities of networks and inter-organisational relations is even more in the context of volatile developing countries because weak institutions fail to enforce contractual arrangements and firms use relational capital to pursue strategic goals.

2.8. Chapter summary

Chapter two presented the literature review about SMEs' internationalisation. It first discusses four key theoretical perspectives from existing literature about the firms' internationalisations, which are: economic perspective, behavioural (stage) perspective, network perspective and international entrepreneurship. Further, it elaborates discussion on SMEs internationalisation and highlights internal and external barriers faced by SMEs while pursuing international aspirations. It also reviews different theoretical perspectives from the literature attempting to explain SMEs' internationalisation, and particularly focus on the role of networks and inter-organisational relations in enabling SMEs to overcome internationalisation constraints. It reveals that SMEs constrained by limited resources use networks and different inter-organisational relations to overcome their internationalisation constraints. The chapter also highlights theoretical gaps by underlining the darkside of networks. It suggests that SMEs accessing critical resources from external partners become heavily dependent on their counterparts and face network externalities. Existing theories of internationalisation business fails to explain how SMEs manage these network externalities. Henceforward in the next chapter, the study will review firms' dependency management strategies with the perspective of low-power firms, which are SMEs aspiring international growth in our case.

Chapter Three: Resource dependency management and Power

3.1. Introduction

The previous chapter reviewed the literature about SMEs internationalisation and identified that though existing theories explain how resource-constrained SMEs use networks to acquire resources and overcome barriers to internationalisation but fail to explain how SMEs manage resultant resource dependencies on counterparts with significant power advantage. This chapter aims to further refine this research gap by reviewing the literature about dependency management strategies of firms. In doing so, the chapter is divided into two main parts. The first part reviews the literature in RDT. It begins with the introduction of the concept, and then explains its basic tenets and assumptions to provide a conceptual background of the theory.

Moreover, individual components of the theory including external environment, dependence on the environment and strategies to manage environment were reviewed in detail to cover all facets of RDT. Then RDT is evaluated as an empirical theory and gaps from existing literature are underlined. The second part of the chapter reviews the literature about power in inter-organisational relationships. It starts with a detailed discussion of different aspects of power, then bargaining power and inter-organisational relationships are explained. The chapter then explains power imbalance from prior research and reviews different sources of power.

3.2. Resource Dependence Theory (RDT)

Researchers in the area of strategic management have always been working to seek an answer to the question: why some firms repeatedly outperform other firms? (Frączkiewicz-Wronka and Szymaniec, 2012; Barney and Clark, 2007). In a broader perspective, this problem is discussed in the past from two different standpoints. One is based on Porter’s positional school, which asserts that the performance of any firm exceedingly depends on its environment; therefore, the firm’s strategy should be the outcome of its competitive position in the industry. According to positional view, the process of strategy development takes place from the outside to the inside of an organisation, following the structure-conduct-performance paradigm (Frączkiewicz-Wronka and Szymaniec, 2012). The other approach to answer the strategic question is based on resource school, which emphasises the importance of organisational resources in seeking competitive advantage. According to the resource-based view (RBV), if the firm's tangible and intangible resources like knowledge, routines, processes, capabilities and assets (Roth, 1995) that help exploit opportunities and counteract threats, are difficult to imitate and accessible to limited number of firms, they may build competitive advantage for the firm (Ahmad and Dimitratos, 2017). This inside to the outside process of strategy formation is more focused on the organisation's strengths and weaknesses in creating development trajectory (Grant, 1991). RBV is one of the dominant and widely used traditional theoretical explanation to understand the issue of improving resource effectiveness (Barney, Ketchen and Wright, 2011), but management researchers have paid very little attention to exploring how firms accumulate such resources from the environment (Ahmad and Dimitratos, 2017).

Businesses depend on their environment to accumulate critical resources such as obtain financing, acquire technology, purchase raw material, hire human resources, gather information and other inputs necessary to perform their core functions (Gales and Biackburn, 1990). It is widely believed among organisational scholars that firms encounter both opportunities and constraints in their environments (Dollinger and Kolchin, 1986; Pfeffer, 1982; Pfeffer and Salancik, 1978; Katz and Kahn, 1978). Therefore, survival and growth of a firm depends on its abilities to navigate, shape and control environmental dynamics within which it operates (Shu and Lewin, 2017; Caspin-Wagner et al. 2013). Many theoretical perspectives have proposed strategies that help firms to control external environments and guarantee the availability of critical resources essential for the success of the business (Jarillo, 1989, 1988; Smeltzer et al. 1988; Dollinger and Kolchin, 1986; Stern and El-Ansary, 1982; Williamson, 1981; Porter, 1980; Pfeffer and Salancik, 1978). In the year 1978, two American researchers Jeffrey Pfeffer and Gerald R. Salancik published their landmark book "The External Control of Organisations, A Resource

Dependence Perspective", in which they incorporated many preexisting ideas regarding organisational interdependencies (Pfeffer and Salancik, 1974; Pfeffer, 1972a, 1972b, 1972c; Thompson, 1967; Emerson, 1962), to present theoretical explanation of why, when and how firms manage their dependence on resources in the environment, which they called the Resource Dependence Theory (Pfeffer and Salancik, 1978). According to Pfeffer and Salancik (1978) firms depend on other firms in their environment to acquire critical resources, and therefore engage in various inter-organisational arrangements that help them cope with interdependencies.

Many earlier studies, such as Jacobs (1974), Blau (1964) and Emerson (1962), provided the foundation for the RDT (Pfeffer and Salancik, 1978). Moreover, the prime argument of the RDT, that analysis of the firm's context is important to understand the firm's behaviour is also not completely novel because several previous researchers have used similar notions (Aldrich and Pfeffer, 1976, p. 80). However, the seminal work of Pfeffer and Salancik provoked researchers to further explore three different ideas, including interdependence of resources, social constraints and the firm's adaption (Pfeffer and Salancik, 1978). It led to the development of the RDT as an alternative theoretical explanation of different types of inter-organisational relations (Davis and Cobb, 2010). Pfeffer and Salancik (1978) used the work of Blau (1964) and the Emerson's (1962) book "Power Dependence Relations" as the basis of RDT to highlight the power differences in inter-organisational relations. Similarly, the Jacobs (1974)' study that helps to understand how exchange relationships in the environment are important to control organisations has also served as a foundation for the RDT. Also, previous work of Pfeffer and Salancik, such as Pfeffer (1972a, b, c); Aldrich and Pfeffer (1976); Pfeffer and Nowak (1976), also supported the RDT.

Soon after its publication, RDT appeared as a turning point in organisational research and became "one of the most influential theories in organisational theory and strategic management" (Hillman et al. 2009, p. 1404). Over the last four decades, the theory is repeatedly cited as a strong explanation of firms' relationships with their environment. Pfeffer and Salancik reprinted their book The External Control of Organisations: A

Resource Dependence Perspective in 2003 and did not change anything from the 1978 edition, except the introduction by Pfeffer, which reinforces that the RDT is still a relevant perspective (Nienhüser, 2008). According to Pfeffer and Salancik (2003), the original book's copies are being sold on a higher price than its cover price, and by the spring of 2002, it has been cited 2,321 times. Davis and Cobb (2010) also revealed similar results and found that after three decades of its publication, the original book is cited 3300 times. This shows the growing importance of the theory and its rising popularity among researchers.

Moreover, the use of the theory was not limited to the management discipline as it was equally cited in the other fields like strategy and marketing, and around 14% citations are in the disciplines like public policy, political science, healthcare and education (Droll, 2013). Though the number of citations cannot be used to indicate the value of a theory to a discipline, the growing number of articles citing RDT underlines its continued relevance in the research. This continued interest in RDT is due to its application to several types of firms and the regularly changing environments in which they operate.

3.3. Basic tenets and assumptions of RDT

The basic concept of this theory is extracted from various studies conducted on RDT and observes organisation as an open system, which is shaped by contingencies in the external environment (Pfeffer and Salancik, 1978). Therefore, the behaviour of an organisation can be understood with the study of the underlying ecology of an organisation (Pfeffer, 1987; Pfeffer and Salancik, 1978). Furthermore, Pfeffer and Salancik (2003) criticise that even though researchers have recognised the importance of organisational environment since a long time, but there is overly focus of existing theories on internal processes of resource used, rather than the external processes that help to attain these resources. Since the introduction of RDT in 1978, the theory is mostly used with the primary objective to understand the organisations and environments relationship (Drees and Heugens, 2013). Many of the earlier assumptions of RDT are still in their original form and as it is adopted by many researchers (Drees and Heugens, 2013). Pfeffer and Salancik's (1978) articulated three basic assumptions of RDT as:

- Survival is the first and foremost important concern of any organisation.
- Survival depends on the availability of critical resources. However, if the organisation does not have enough supply of these resources internally, it interacts with other organisations in the environment to attain the required resources.
- Profitability and survival of an organisational depend on the organisation's ability to manage its dependencies on other organisations for resources.

There are three other assumptions of resource dependence theory articulated by Ulrich and Barney (1984): (a) external and internal coalitions control and influence organisations' behaviour; (b) in order to ensure the survival, valuable and scarce resources can be found in the environment, but there can be uncertainty with complexity and variability in the resource attainment process; and, (c) firms acquire resources and seek control from the environment that increases dependence of other organisations on the firm and reduces their reliance on other organisations. Given this context of resource availability, resource dependence theory supports the engagement of organisations in external coalitions to reduce uncertainty. According to Nienhüser (2008) firms must take serious actions when access to critical resources is uncertain. One of the core responsibilities of managers is to analyse the environment, stay aware about dependencies and take necessary actions to counter uncertainties whenever it is necessary (Pfeffer and Salancik, 1978; Nienhüser, 2008).

Besides that, there are some other assumptions of RDT. Such as, the main argument of RDT is based on Emerson's (1962) view about power and dependence. Using two hypothetical actors A and B, Emerson (1962) defines dependence and power in the interdependent relationship of both actors as "the dependence of actor A upon actor B is (1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside of the A-B relation….[whereas] the power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A" (Emerson, 1962, p. 32). Individualism represents one of the fundamental assumptions of RDT, as described by Emerson's (1962) definition because firms interact with each other in the environment as individuals. Firms compete with each other in the environment and any firm can obtain power and influence the relationship, which suggests that firms' survival depends on the actions of other firms in the environment. RDT describes this aspect as the actors' interdependence.

This is mainly articulated in RDT as the interdependence of organisations. Salancik (1979) outlined the interdependence of organisations as one of the main underlying reasons why something is not as expected or as it should be. By distinguishing between behavioural interdependency and outcome interdependency, one can categorise interdependence of two actors (Pfeffer and Salancik, 1978). In behaviour interdependence, it is assumed that the activities are dependent on the actions of another social actor, while in outcome interdependence, it is assumed that an outcome achieved by one actor is interdependent on the one achieved by another actor.

On the other hand, organisations can also be seen as a union of different groups of actors with different interests, being managed by individuals that have a strong influence on the overall organisational behaviour (Pfeffer and Salancik, 1978). Given the fact that individuals' actions together form the organisation as a coalition, how the organisation responds to its environment largely depends on how an individual at a managerial position in the organisation perceives and interprets the environment (Nienhüser, 2008). However, Pfeffer and Salancik (2003) argue that individuals' perceptions cannot solely shape organisational actions because these actions are also constrained by several environmental factors. The concept of constraints explains how likely it is that an organisation will behave in a certain way in a particular environmental scenario. Action will be considered a constrained action if it is more likely to be used by the organisation than another probable action to respond to the environmental demands. In other words, the response will be dependent on underlying constraints if it is a well-argued choice and not a random reaction (Pfeffer and Salancik, 1978). Some examples of constrained behaviours include personal preferences, cognitive capacity, information, social influence and physical realities.

According to Pfeffer and Salancik (1978), situational contingencies determine individuals' influence on organisational behaviour; hence, the concept of constraints describes why individuals should carry the responsibility of any variance in organisational performance. Thus, the argument about the individual's action provides a base to the next underlying assumption of RDT, which is: actors aim to reduce their dependence. RDT assumes that each actor engaged in inter-organisational relationship seeks to reduce its dependence on others or increase others' dependence on itself (Nienhüser, 2008). Nienhüser (2008) states, "one central hypothesis in RDT says that whoever controls resources has the power over those actors who need these resources" (p. 13). Hence, the dependence on resources possessed by other actors makes the situation vulnerable to the dependent because of uncertainty in continues availability of critical resources from other actors in the environment. Therefore, RDT observes uncertainty as a fundamental determinant of organisational behaviour in the environment (Pfeffer and Salancik, 1978).

Summarising, firms are affected by the environmental uncertainties because of their dependence on the environment for vital resources; that's why they cannot ignore the environment, but neither can completely comply with all the environmental demands. Consequently, managers try to reduce dependence and environmental uncertainties by engaging in different inter-organisational arrangements (Pfeffer and Salancik, 1978). Based on these fundamental arguments, RDT has three components: external environment, dependence on the environment and managing the environment.

3.4. External Environment

The context in which organisations operate is called their external environment, and RDT asserts that the external environment has notable effects on how organisations operate. However, environmental effects are not always predictable because firms find opportunities as well as constraints in their environment, which lead to uncertainties (Pfeffer and Salancik, 1978). Therefore, it is very important to understand the firm's context, which is called "the ecology of the organisation" (Pfeffer and Salancik, 1978, p. 1). The environment of an organisation is comprised of several social and physical factors that can potentially influence the organisation in different ways. In the past, many researchers have tried to define the firm's environment by evaluating, classifying and elaborating its structure and role in the firm's performance. Dill (1958) has made a very important contribution to the environmental literature by categorising the external environment into the task and general environment. According to Dill (1958), the task environment is relevant to goal setting and goal attainment as it covers all the forces that can potentially affect the organisational ability to acquire inputs and deliver its outputs. On the other hand, the general environment considers other macro factors such as global, technological, economic, demographic, legal, political and socio-cultural forces that can potentially influence the organisation and its task environment (Dill, 1958).

Dill (1958) identified four different task environments including, regulatory groups (associations, unions and government agencies), competitors (for both resources and markets), suppliers (of workspace, capital, equipment, labour and materials) and customers (both users and distributors). Dill (1958) further highlighted six important characteristics of the task environment, which are 1) complexity of inputs, 2) routing of inputs, 3) demand for direct personal interaction, 4) disruptiveness of environmental inputs, 5) degree of stability and 6) the degree of unity and homogeneity. In another very important study in organisational environments, Thompson (1967) used Dill's perspective on characteristics of task environment as the foundation and suggested two dichotomous dimensions of the environment, which are stable-shifting and homogenous-heterogeneous. Stable-shifting dimension particularly discusses the level of variation in the environment, whereas homogenous-heterogeneous dimension represents the level of complexity in the environment.

Aldrich (1979) also explored the dimensions of the organisational environment based on the nature and distribution of resources and discussed six new dimensions in the book titled 'Organisations and Environments'. They are: 1) turbulence (rate of causal interconnectedness and disruption), 2) Domain consensus/dissensus (legitimacy of organisational claim on a domain), 3) concentration-dispersion (evenness of resource distribution), 4) stability-instability (degree of turnover in elements of organisation), 5) homogeneity-heterogeneity (level of standardisation of environmental elements), and 6) capacity (richness or scarcity of resources available). Aldrich further suggests that these six dimensions of the organisational environment are not dichotomous, rather exist as a continuum. Dess and Beard (1984) developed on the six dimensions proposed by Aldrich (1979) and proposed more generalisable dimensions of organisational environment including complexity (environment that demands extensive information processing), dynamism (environment characterized by unpredictability, absence of pattern and turnover), and munificence (environment that facilitates stability and growth). Based on the analysis of variables from 23 different industries, Dess and Beard (1984) suggest that these three dimensions are very common in all of the sample industries and have a strong representation of environmental variance.

Pfeffer and Salancik (1978) proposed a more parsimonious view of the organisational environment and suggested three structural characteristics of environments, including interconnectedness, munificence and concentration, as key elements of the RDT. According to Pfeffer and Salancik (2003), 'the extent to which power and authority in the environment' are dispersed is referred to as concentration (p.68). Inter-organisational relations depend on the environmental structure of the industry. Proportionately more links can be observed in industries with a middle level of concentration, whereas industries characterised by high or low levels of concentrations need fewer inter-organisational links. This is due to the reason that industries with fewer numbers of firms do not necessarily need to improve coordination, and industries with a higher number of firms cannot build enough links to create an evident level of coordination (Bygrave, 1987). The second important dimension of environment proposed by (Pfeffer and Salancik, 2003) is the munificence, which is 'the availability or scarcity of critical resources' (p. 68). The availability of critical resources to be shared in the environment is very important for the survival and growth of any organisation, and it also affects the abilities of new organisations to enter in that environment (Castrogiovanni, 1991; Randolph and Dess, 1984). Environmental munificence is usually observed as a common attribute of (but not limited to) markets characterised with fast growth, national/global economic upturn, lower levies (taxes), competent workforce, insufficient infrastructure and government interventions (Primc and Čater, 2015; Decarolis and Deeds, 1999). Pfeffer and Salancik (2003) identified interconnectedness as the third dimension of organisational environment, which is ‘the number and pattern of linkages, or connections, among organisations’ (p. 68). According to Pfeffer and Salancik (1978), interconnectedness exists in the environment due to four underlying reasons that are legitimating the organisation, obtaining commitments and support, gathering information and transmitting information. Organisations use linkages to reduce uncertainty and stabilise their environment.

According to Aldrich (1976), each dimension differs based on the nature of available resources and their distribution in the environment. Moreover, different levels of each dimension affect the selection of suitable organisational structures and activities. High level of concentration, along with resource scarcity (low munificence), gives rise to conflict, whereas greater interconnectedness, coupled with resource scarcity, causes interdependencies; which ultimately, together with conflict, result in environmental uncertainty. Together, these dimensions shape the organisational context, which is an underlying assumption of the RDT that organisations cannot be completely self-sufficient or produce all the resources they need (Evan, 1993). The interplay between structural characteristics of the environment – interconnectedness, munificence and concentration – and the links among social actors, with their interdependencies and conflicts, cause the uncertainty in an organisational context (Pfeffer and Salancik, 1978).

3.4.1. Environmental Uncertainty

A substantial number of studies emphasise that organisational actions are greatly influenced by various environmental characteristics (Fuentes-Fuentes, Albacete-Sáez and Llorens-Montes, 2004; Lewis and Stewart, 2003), such as technological advancements (Jabnoun, Khalifah and Yusuf, 2003), changing stakeholders’ expectations (White and Lee, 2007), varying environmental regulations (Könnola and Unruh, 2008) and fluctuating industry-specific factors (López-Gamero, Molina-Azorín and Claver-Cortés, 2011; Griffin and Mahon, 1997). All these characteristics pose latent uncertainty for all different facets of organisational management including decision making, strategy, organisational structure and performance (Burkert and Lueg, 2013; Burkert et al. 2013; Franco-Santos, Lucianetti and Bourne, 2012; Besson, Löning and Mendoza, 2008; Gils et al. 2004; Mintzberg, 1979). Environmental uncertainty is particularly described as the variance or turbulence in competitive intensity, technologies, consumer preferences or customer markets (Chin et al. 2014; Kohli and Jaworski, 1990). Though uncertainty and risk are usually used interchangeably, traditional definitions of uncertainty differentiate it from risk. For instance, Knight (1921) suggests that uncertainty is intrinsically a non-quantifiable phenomenon, whereas the risk can be measured because the risk of an outcome can be identified in a group of instances. More specifically, environment uncertainty makes reference to unclassified changes happening in the external environment and resultant volatility in the business environment that might limit an organisation's capacity to recognise, evaluate and respond to an emerging situation due to unexpected changes, regardless of positive or negative outcomes of the organisational response to such changes (Oke, Walumbwa and Myers, 2012; Yi, Ngai and Moon, 2011; Wang, Yeung and Zhang, 2011; Srinivasan, Mukherjee and Gaur, 2011).

Many factors cause rise of uncertainty in the environment, but some major sources of uncertainty include competitors, technology (structural), suppliers (supply), customers (demand) and institutions (regulatory) (Huang, Yen and Liu, 2014; Xu et., 2010; Wong and Boon-itt, 2008; Fynes, de Búrca and Marshall, 2004). Some other sources of uncertainty are contingent models because they are designed to serve special purposes, such as human behaviour, information technology complexity, order forecast systems, infrastructure and facilities, chain configurations and food and fashion industry. Given that, uncertainty can be classified into three main groups: internal uncertainties (arises due to factors inside the focal organisation), supply chain uncertainties (arises due to factors linked to supply chain system) and external uncertainties (arises due to factors outside the organisation and its supply chain) (Jangga et al. 2015; Simangunsong, Hendry and Stevenson, 2011). Such unpredicted changes pose extra pressure on organisations to develop additional capabilities to recognise, evaluate and adapt to emerging changes in the environment because organisational activities, competitiveness and performance are mostly influenced by these changes (Huang et al. 2014). Thus, firms continuously review their business strategies and change rules of engagement because uncertain environments change rapidly and frequently (Xu et al. 2010). The need to respond uncertain changes becomes even more critical when a firm is engaged in inter-firm collaborations (Jangga et al. 2015).

According to Huang et al. (2014), environmental uncertainty is a multidimensional phenomenon by nature; thus, firms typically encounter several uncertainties concurrently emerging from diverse sources. As there is no consensus on dimensions of environmental uncertainty (Sharfman and Dean, 1991), some researchers have proposed multidimensional operationalisations of the concept to help form a more comprehensive view of the concept (Tan and Litschert, 1994; Milliken, 1987). For instance, factors that are mostly used as important dimensions of uncertainty affecting organisations’ strategies include dynamism, complexity and munificence (Keats and Hitt, 1988). Whereas Milliken (1987) splits uncertainty into a) environmental state uncertainty, b) organisational effect uncertainty, and c) decision response uncertainty. The first one is the state uncertainty, which stems from unpredictability about how components of the environment might change, or the interrelationship between those. The second one is effect uncertainty which renders a manager incapable of predicting the impact of future states of the environment would have on the organisation. Finally, response uncertainty is associated with the lack of knowledge about response options available and their consequence to cope with the uncertainty.

However, environmental uncertainty does not always have negative consequences for organisations, rather they sometimes also unearth new competitive opportunities to exploit, but it highly depends on how managers perceive uncertainty (Sharma, Aragón-Correa and Rueda-Manzanares, 2007). There are two dominant perspectives about environmental uncertainty, which are adopted by most of the studies in the field of strategy. The first perspective is the information uncertainty approach, which suggests that environmental uncertainty increases for firms that have limited access to information about their business environment (Milliken, 1987; Duncan, 1972; Lawrence and Lorsch, 1967). Lindley (2006) argues that people are uncertain about the future in different degrees. He means that uncertainty can take different shapes depending on who is looking at it. An event might be uncertain for one person, but not for another person. This originates from the fact that humans possess different knowledge and different levels of confidence, such as though a statement is uncertain for two people, one person might show more confidence since he believes it is true. So, every firm, therefore, possesses different degrees of uncertainty. The second perspective is based on the resource dependence theory, which suggests that firms depend on other actors in their environment to access important resources for their survival and the lack of control over the supply of these resources provokes uncertainty for these firms (Dess and Beard, 1984; Pfeffer and Salancik, 1978; Finkelstein, 1997). Resource dependence perspective sees the environment as the source of vital resources for firms, but contrary to the lack of information, it argues that the lack of control is the determinant of uncertainty. Resource-rich environments pose fewer hostile conditions for firms as compared to environments having scarce resources that surge intense competition among firms to access resources. Hence, advocates of resource dependence theory suggest that organisations can significantly minimise the effects of environmental uncertainty on their performance by building and managing an effective relationship with their external environment (Kreiser and Marino, 2002).

3.5. Dependence on the Environment

Open-systems perspective suggests that firms obtain legitimacy, information and resources from their environment (Pfeffer and Salancik, 2003/1978; Katz and Kahn, 1978) and ultimately become dependent on the environment. According to Salancik (1979), organisational dependence is the “extent to which one organisation must obtain a needed resource from another organisation” (p. 378). Handfield (1993) further elaborated the definition and argued that dependence exists when “one actor does not entirely control all of the conditions necessary for the achievement of an action or a desired outcome” (p.290). Ven, Delbecq and Koenig (1976) highlights dependence as a key determinant of inter-organisational relationships and states that a firm is engaged in the alliance because it depends on resources controlled by the other firm and exchange of resources between two or more firms form inter-organisational relations. Stated otherwise, firms' interdependence for resources is a key motivator that encourages firms to form inter-organisational relations, and the collaborative alliance is unlikely to emerge if there is no interdependence of participating firms. Advocates of resource dependency management link dependence with organisational survival and argue that firms acquire critical resources from their environment, which help them survive (Evan, 1993). Many past studies have established links between dependence, control over resources and coercive behaviour of actors with power advantage, which encourage high-power actors to exploit the interests of low-power dependent actor (Knoppen and Christiaanse, 2007; Corsten and Felde, 2005; Cox, 2001a; Gundlach and Cadotte, 1994). Known as opportunistic perspective (Gundlach and Cadotte, 1994) this school of thought views dependence as a liability (Cox, Sanderson and Watson, 2001; Cox, 2001b) and a potential cause of conflict for firms that need to be addressed (Kumar, Scheer and Steenkamps, 1995). The satisfaction and motivation of dependent firms diminish, and they lose their interest in the relationship with powerful firms (Rajagopal, 2009), which results in lower innovation and performance (Hofer, 2015; Corsten and Felde, 2005).

As discussed above, differences in dependence make it difficult for firms to sustain inter-organisational relations; however, Hingley (2001) propose two contradictory ideas (quasi-cooperation and power dependency) that may facilitate an inter-organisational relation to work. These two views emerged from Emerson's (1962) theory on power-dependence relations, which highlights the dynamics of reciprocal dependence as opposed to the idea of an individual's sole dependence. Emerson's work revolves around the idea of interdependence, which is composed of two concepts namely: mutual/joint dependence and dependence asymmetry. If two parties depend on each other, the sum of their dependence will be the joint dependence, whereas, the dependence asymmetry is the difference of their dependence on each other. The firm with more dependence will have dependence disadvantage and the firm with less dependence will have dependence advantage (Gulati and Sytch, 2007; Emerson, 1962).

In an attempt to determine the degree of one firm's dependence on the other, Pfeffer and Salancik (1978) underlined three imperative factors that are: the value of the resource; the discretion of the other firm on the use and allocation of required resource and the concentration of control over the resource in the environment. The first factor determines the importance of the resource for the focal organisation, which depends on the fact whether the resource is needed to continue operations or necessary for survival. The importance of a resource for an organisation is determined by two dimensions, which are the relative magnitude and criticality of the resource. Magnitude dimension helps to understand the proportion of the resource to total inputs or output and the criticality is referred to the value of that input or output for the organisation. According to Pfeffer and Salancik (2003), "Criticality measures the ability of the organisation to continue functioning in the absence of the resource or the absence of the market for the output" (p. 46). Criticality is an important determinant to understand the exchange and dependence because firms having alternate resources or sources to obtain resources are less likely to face uncertainty in the environment (Pfeffer and Salancik, 2003/1978; Salancik, 1979). Hence, it is important for firms to ensure stability in the supply of resources that are important for the survival of the organisation because any turbulence in the supply of such resources can potentially seize the firm's operations. In this regard, the identification of all critical resources for the organisation is important, because a resource may be a small proportion of total resource needs of the firm but can be very critical and potentially halt business operations if missing (Pfeffer and Salancik, 1978). However, RDT does not reveal any direct impacts of dependency on organisational behaviour; rather it just makes assumptions about the relationship of firms and their environment. RDT is based on the bounded rationality, which considers "the limits in formulating and solving complex problems and in processing (receiving, storing, retrieving, transmitting) information" (Simon 1957, p. 198) and the role of the management is to make sure the uninterrupted supply of the needed resource and minimise the chances of any disruption.

The second determinant of dependence is the discretion of other actors in the environment over the use and allocation of the resource. Pfeffer and Salancik (1978) used discretion to refer the influence of other organisation on the allocation and use of a particular resource, and it is very important when the resource is scarce because it shows the power of that group. The discretion depends on the degree of control over resources; for example, the organisation has absolute power if the resource is under the possession of that organisation. One can also control the resource without necessarily owning that with the ability to make regulations on the use, allocation and possession of the resource (Pfeffer and Salancik, 1978). The concentration of control over a resource is the third determinant of dependence, and it refers to the number of alternate sources of the same resource in the environment. Pfeffer and Salancik (1978) link uncertainty with the concentration of resources because if a resource is available in abundant quantity from multiple sources, there are fewer chances of conflict and uncertainty. Whereas, if a resource is scarce and controlled by a limited number of supplying organisations, the concentration of power will be higher that can increase the dependencies of firms needing that resource and hence increase the uncertainty (Nienhüser, 2008).

Seppälä-Esser, Airey and Szivas, (2009) extended the dimensions of dependency proposed by Pfeffer and Salancik (1978) and suggested five dimensions and further categorised them into three categories, namely: importance, alternatives and influence. Importance dimensions include the value of the resource and the degree of its exchange from external sources. They are referred to the perceived importance of the resource and magnitude of exchange as proposed by Pfeffer and Salancik (1978). The alternate dimensions also include two determinants, which are the firm’s awareness of alternate resources that exist in the environment and the access of the firm to these alternate resources. Whereas, influence dimension includes only one determinant, which is the extent to which the firm can influence the provision of the resource.

3.6. Managing the environment

The firm’s dependence on other firms for resources in the environment also increases uncertainty and makes the firm vulnerable to opportunistic behaviour of the counterpart. Hence, the dependent firm must build a defence mechanism to counter such behaviour by managing the exchange relationships with two underlying objectives: decreasing its dependence on other firms or increasing others dependence on it (Pfeffer and Salancik, 1978). These objectives find reflection in the construct of power, where the power of an organisation is directly related to the dependence of other organisations on the focal organisation. Thus, RDT presumes a very active view of organisations' relations to their environments (Aldrich, 1999), and articulates how they affect and manipulate it to their advantage while never being forced into a situation in which no choice is possible. In other words, 'organisations "create" or enact their environment rather than being "selected" by the environment' (Pfeffer and Salancik, 1978 in Evan, 1993, p. 9).

RDT suggests that uncertainty emerges due to external environmental forces and organisations attempt to respond to these forces by using a combination of environmental management strategies. Thus, strategies for avoiding both resource dependence on other organisations and control of the focal organisations by others can be considered the main dependent variables of the RDT (Evan, 1993). The dilemma, how organisations adapt to environmental pressures or respond to external demands, is focused in various theoretical perspectives, such as open-systems perspective, political science, sociology, social exchange theory and strategic behavior theory (Chin et al. 2014; Nienhüser, 2008; Pfeffer and Salancik, 2003/1978, Gulati, 1998; Ulrich and Barney, 1984; Katz and Kahn, 1978).

The success in managing the environment results in effectiveness in responding to the external environment and, thereby, organisations survive. According to Pfeffer and Salacik (1978), firms manage their interdependencies through different inter-organisational arrangements such as board interlocks, alliances, joint ventures and mergers and acquisitions. Evan (1993, p. 10–11) categorised these strategies to manage environmental interdependencies into three categories, including absorbing the environment, creating the environment and negotiating the environment.

3.6.1. Absorbing the Environment

The first category of environment management strategies used by firms is the absorbing the environment, in which firms attempt to reduce uncertainty in external supply of resources by acquisition of the source or merger (Evan, 1993; Jongruck, 2012). RDT scholars stress the importance of mergers and acquisitions (M&As) as a most effective strategy of firms to fully eliminate the source of uncertainty (Deng and Yang, 2015; Davis and Cobb, 2010; Hillman et al. 2009). After transaction costs economics, RDT is recognised as the second most dominant argument to interpret firms' engagement in M&As (Yin and Shanley, 2008; Haunschild, 1993). Unlike, joint ventures or other strategies, M&As help firms to acquire those organisations that control the resources, and thereby significantly increase their power against others (Casciaro and Piskorski, 2005). Pfeffer (1976) states three motivations that encourage firms to involve in M&As: first, to absorb the major competitor and eliminate the competition; second, to absorb the major buyer/supplier and ensure smooth supply chain functioning; and third, to diversify business and thereby reduce dependence on existing exchange partners. A large number of studies provide empirical evidence to support these rationales of M&As (Hillman et al. 2009).

Deng and Yang (2015) studied cross-border M&As by firms from emerging markets in developing and advanced economies. Their study revealed that emerging market firms use M&As as a constraint absorption strategy to acquire vital resources. However, interdependence is not the only determinant of M&As (Hillman et al. 2009) because past studies have revealed many other important factors, such as prevailing institutional norms (Palmer and Barber, 2001), environmental munificence and dynamism (Heeley, King and Covin, 2006), internal organisational factors (Campling and Michelson, 1998), industry environment (Hitt and Tyler, 1991) and the firm's historical context (Finkelstein, 1997).

3.6.2. Creating the Environment

The second is creating the environment, in which the focal organisation attempts to use greater power of the social system to control interdependence through legal means such as laws or social sanctions (Jongruck, 2012; Evan, 1993; Aharoni, Maimon and Segev, 1981). Neo-institutional theory views the government as a coercive institution that regulates all types of firms through laws and regulations (DiMaggio and Powell, 1983) and firms have to abide by all these regulations as a legal binding to get political legitimacy (Scott, 2008; Wang and Qian, 2011). Whereas, advocates of RDT views the government and its associated agencies as source of vital resources for firms (Chiu and Sharfman, 2011), for instance governments in many developing countries, such as China, control all resources important for firms in the country, such as natural reserves, subsidy, tax breaks, bank credit, land and many others (Dickson, 2003). Continues provision of these resources help firms to achieve greater financial performance, build market strength and create long-term competitive advantage (Sheng, Zhou and Li, 2011; Li and Zhang, 2007; Tsang, 1998). However, in order to engage the government to minimise the arbitrary intervention and acquire vital political resources, the use of effective environmental management strategies by firms is imperative (Gao and Hafsi, 2015). According to Pfeffer and Salancik (1978), firms adopt different political mechanisms to modify the order of the external environment in an attempt to shape an environment that better serve their interests. While doing that, firms actively engage in the process of creating the environment by influencing the development process of new laws and regulations that suit their business objectives. Mullery, Brenner and Perrin, (1995) also witnessed the active involvement of firms in the process of environment creation by making contributions to different political campaigns.

Similarly, He and Tian (2008) analysed the Chinese firms' strategies to manage their dependencies on the government and concluded that firms use six different types of strategies, that include: political propaganda, party involvement, publicity, participation, philanthropy and visitation. Even though firms' strategies to create environment are largely understudied domain; existing studies support the basic tents of RDT. However, there is still a gap in the literature to explore these strategies in-depth and by incorporating other perspectives of RDT (Hillman et al. 2009).

3.6.3. Negotiating the Environment

Negotiating the environment is the third category of environment management strategies, in which the focal organisation establishes collective structures of inter-organisational action such as normative coordination, joint venture, cooptation, interlocking directorates, cartels, association and coalition (Jongruck, 2012; Evan, 1993). RDT is also recognised as an important theoretical perspective to explain the rationales of different inter-organisational relations (Hillman et al. 2009) such as buyer-supplier relationships, joint-marketing agreements, research and development consortia, strategic alliances and joint ventures (Barringer and Harrison, 2000; Oliver, 1990). All these inter-organisational arrangements also help firms to absorb external conditions that create constraints in resource acquisition (Mohr, Wang and Fastoso, 2016; Pfeffer and Salancik, 1978). However, contrary to M&As, these relationships only help firms in a partial absorption of dependencies (Hillman et al. 2009). Many past empirical studies also identified positive evidence of firms using different inter-organisational relationships ensure sustainable access to resources and reduce uncertainty in the international and domestic markets (Elg, 2000; Goes and Park, 1997; Stearns, Hoffman and Heide, 1987). Firms operate in connected social environments that pose different external pressures in different countries (Podolny, 2001; Powell, 1990) that firms often try to address by using strategic alliances (Xia et al. 2016). RDT provides bases for one most important market rationale of alliance formation, which suggests that firms form alliances to reduce uncertainty in the supply of resources and to boost their market power (Davis and Cobb, 2010; Casciaro and Piskorski, 2005; Pfeffer and Nowak, 1976).

There is also abundant empirical evidence of firms using board of directors as a strategy to negotiate the environment because boards provide a mechanism for firms to achieve legitimacy, receive advice, reduce uncertainty, access to important stakeholders outside the internal structure and exchange information between the firm and its external environment (Chen, Chang and Hsu, 2017; Dalziel, Gentry and Bowerman, 2011; Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978). Boards play a very important role in the firm’s management because they actively participate in the process of strategy development, advise executives and observe the outcomes of those strategies (Barroso, Villegas and Pe´rez-Calero, 2011). According to Zahra and Filatotchev (2004) firms receive various advantages from directors in the process of strategy development and information gathering due to directors’ experience, knowledge and social networks. Like the board of directors, Pfeffer and Salancik (1978) also discussed executive succession as an internally focused strategy of the firm to deal with environmental dependencies. RDT observes firm's performance as an outcome of its correct alignment with its environment, and by replacing the chief executive officer; they try to align themselves with the environmental pressures (Pfeffer and Salancik, 1978). Many studies provide evidence about the links between firms' performance and executives' succession and tenure (Arthaud-Day et al. 2006; Zhang, 2006; Goodstein and Boeker, 1991; Guthrie, Grimm, and Smith, 1991; Friedman and Singh, 1989).

Past research focusing on negotiating the environment seems more concentrated around Joint ventures, alliances and board of directors (Hillman et al. 2009). Management researchers by and large overlooked other inter-organisational relations that can potentially help firms manage their dependencies such as buyer-supplier relationships, research consortia, joint-marketing agreements, R&D agreements and business associations. Moreover, past studies were largely focusing firm to firm level relations but did not study the firm's embeddedness into larger networks of inter-organisational relation to manage their one to one dependency. Also, future research from one type of strategies can potentially enrich the research in another type of strategies that are overlooked by previous researchers, for instance, executive succession is a less focused domain, and it can certainly benefit from extensive research conducted in the domain of board of directors because both are very relevant domains. More research studying these inter-organisational relations can potentially add a unique perspective to RDT and enrich the theory.

3.7. RDT as an empirical theory and research gaps

In an effort to evaluate theories, Vos and Schiele (2014) proposed a comprehensive framework that helps to assess requirements, virtues and the life cycle of a theory. Further, RDT will be discussed from the perspective of Vos and Schiele (2014)'s framework for theory evaluation. First, there is an assessment of requirements; Vos and Schiele (2014) have defined many attributes that must exist in a theory. Overall these attributes can be classified into two groups; group one deals with the conceptual development of the theory and the other group discuss whether a theory can be applied to a real-life phenomenon. According to Vos and Schiele (2014, p. 4), a theory must have five elements, including units, laws, boundaries, system status, and why, in order to comply with theory development criteria. Starting with units, which are comprised of the subject matter of focus, the focus of RDT is the organisation. The organisation is defined by Pfeffer and Salancik (1978) as "a coalition of groups of interests, each attempting to obtain something from the collectively, by interacting with others and each with its own preference and objectives" (p. 36). Law is the second element in the framework. Pfeffer and Salancik (1978) have clearly defined the underlying law of RDT, which is; the organisations in the environment are interdependent and try to achieve their survival by forming inter-organisational linkages or acquiring resources in order to reduce dependency and uncertainty in the environment.

The next element in the framework is the boundary, and it is further divided into space boundary, value boundary and time boundary. In their publication, Pfeffer and Salancik (1978) noticed that the boundaries of the RDT are not sufficiently studied in the past. However, the theory does not seem to have a time boundary as long as an organisation exists in the environment because of the original assumptions of inter-organisational dependency in the environment. Nevertheless, it is also evident in the research that the influence of RDT increases in some specific periods, such as in the time of a merger, increased influenced of RDT is observed but bounded to the length of the merger process (Finkelstein, 1997). In the case of space boundary, RDT assumes that organisations are influenced by the event happening in their environment and they create constraints for their actions, which shows that organisational environment is the space boundary of RDT (Hillman et al. 2009; Pfeffer and Salancik, 1978). The value of a theory is the predicted behaviour of organisations in a particular constrained situation, such as the impact of different events in the environment on the actions of the organisation (Hillman et al. 2009).

The fourth element of the evaluation framework is the system status, which addresses why different units interact with each other in different ways. Moreover, specifically, it describes the state under which the theory is functioning. In the case of RDT, as organisations are always constrained by interdependencies, the theory is constantly functioning in the organisational environment. However, the functioning of RDT is amplified when organisations try to form inter-organisational relationships or acquire resources (Hillman et al. 2009). For instance, when firms address the problems of safeguarding in supplier relationship, the underlying functioning of RDT is significantly increased to deal with high level of uncertainty in the environment by creating inter-firm coordination (Buvik and Grønhaug, 2000). The last element of Vos and Schiele (2014)'s framework describes why it is important to consider the phenomenon presented in theory as credible. In RDT, the execution of the firm's acquisitions is an important representation of this element because RDT explains why firms increase power and reduce their dependency on others through acquisitions (Davis and Cobb, 2010). Summing up, the RDT completely comply with Vos and Schiele (2014)'s framework to evaluate theories because all the five elements somehow exist in the RDT.

The evaluation of the theory should not be limited to test its practical applications but also need to be evaluated for its conceptual evolution and whether it is refutable. Other scholars give additional elements that can help to test a theory, including empirical research, empirical indicators, hypothesis and propositions (Vos and Schiele, 2014). The first element of analysis is the propositions, and RDT's central proposition is that the firm's environment influences the firm's actions and the survival of the firm depends on its ability to access and uphold resources (Nienhüser, 2008). The second element is the hypothesis, and RDT consists of several hypotheses. The central hypothesis of RDT assumes that firms access critical resources from their environment, and therefore always try to decrease dependencies and uncertainty (Hillman et al. 2009). Besides that, there are many other hypotheses that are part of RDT, such as powerful actors try to extend their power based on their control of resources (Nienhüser, 2008). The next element is to evaluate whether the theory has an empirical indicator and differentiate its empirical content including concepts, constructs and variables. According to Hillman et al. (2009), RDT adopts open system perspective of organisations and explains organisational behaviour in the form of two main variables: dependency and uncertainty. The final element of the theory testing is whether the theory is empirically tested in different perspectives by scholars from diverse fields of studies. Since its publication, RDT has received great attention from researchers in all different fields and is often applied to studies in the domains of partnership, alliance and collaboration (Hoehn-Weiss, Karim and Lee, 2017; Ozcan and Santos, 2015; Xia, 2011), merger and acquisitions (Rogan and Greve, 2017; Deng and Yang, 2015; Casiaro and Piskorski, 2005), Joint ventures and international joint ventures (Mohr et al. 2016; Sun and Lee, 2013; Katila et al. 2008; Luo, 2001), and board of directors (Chen et al. 2017; Chen, Hsu and Chang, 2016; Lee and Roberts, 2015; Braun and Latham, 2009, Chen, Dyball and Wright, 2009; Gabrielsson, 2007). Most of the time, the central tenets of the RDT have been confirmed in past studies. It suggests that RDT also complies with the last element of theory testing on conceptual grounds. Overall, RDT fulfils all the requirements to be a strong theoretical framework to study organisations' interaction with their environment.

The central ideas of RDT quickly assumed near axiom-like status in organisation theory (Hillman et al. 2009). Most of the hypotheses and propositions of the RDT are still derived from the research conducted by Pfeffer and Salancik and published in their seminal book in 1978 (Davis and Cobb, 2010, Hillman et al. 2009, Nienhüser, 2008). However, RDT is mostly criticised for the lack of research undertaking extensive tests to evaluate its main concept and boundaries (Shu and Lewin, 2017; Hillman et al. 2009; Nienhüser, 2008; Pfeffer and Salancik, 2003; Finkelstein, 1997). Though, it is also believed by scholars that it is nearly impractical to test all the hypotheses proposed in RDT (Nienhüser, 2008). Nevertheless, some scholars have attempted to test several hypotheses and key variables of the RDT and are able to improve or extend the theory (Casciaro and Piskorski, 2005). Hillman et al. (2009) identified in their review article on RDT that there is a concentration of studies around five major strategies used to reduce environment dependence, that are executive succession, mergers, political action, joint ventures and boards of directors. They called for more research on other responses and strategies used by firms to reduce their dependency and uncertainty, such as joining the business association. Moreover, past

RDT research has mostly focused on examining the potential substitution effect existing between environment management strategies. Therefore, research exploring the interaction of these different dependency-reducing strategies and evaluating whether they complement each other or work independently as substitutes will enrich the theory (Hillman et al. 2009).

Also, many researchers believe that inter-organisational power is underemphasised in contemporary RDT research (Casciaro and Piskorski, 2005; Mizruchi and Yoo, 2002). Following the call from Pfeffer and Salancik (2003) to test the basic tenets of the RDT, Casciaro and Piskorski (2005) conducted a research to test resource interdependence in the case of mergers and criticised the RDT for merging the two separate concepts of power imbalance and resource dependence into one vague idea of interdependence. Hence, they extended the concept of interdependency into two separate variables, mutual dependence and distinction between power imbalance, which affect interdependency (Casciaro and Piskorski, 2005). They also revealed that power imbalance is an obstacle to the organisation's effort for constrained absorption, which contradicts with the original theory.

In addition, another important criticism of RDT is that it primarily focuses on rational actors as a functionalist theory based on utility maximising calculus. Contrary to institutionalism (Hatch and Zilber, 2011), RDT keeps its focus on material environment and downplays the demands emerging from norms and values within the society or larger groups, in which organisations are embedded. Based on agential perspective, RDT believes firms not always adapt to their environmental constraints but also actively engage in the management and transformation of their environments (Huxham and Beech, 2010). From this perspective of RDT, firms appear as 'shapers of their own destiny' (Katila et al. 2008, p. 326). It is not necessary that organisations' motivation to manage external resource dependencies also match with their power to do so and highlights the overlooked perspective of low-power firms. Pfeffer and Salancik have discussed the exercise of power, but with a very narrow perspective to explain strategies and motivations of the less powerful actors to escape control (Casciaro and Piskorski, 2005). They were largely focused on firms' strategies to reduce their dependence on others (Ulrich and Barney, 1984). Moreover, RDT researchers have largely ignored the hidden, impersonal, and underlying power dynamics that go beyond the coercive behaviour of powerful actors (Jacobs, 1974). These power dimensions are most relevant for the disadvantaged organisations.

3.8. RDT and power

The underlying power dynamics in inter-organisational relationships are overlooked in the main argument of RDT; therefore, henceforward, the study will review different aspects of power with reference to resource dependency management strategies. Power refers to the capability of anyone (e.g. individual/organisation/group) to influence or direct a course of events or the behaviour of others (Handgraaf et al. 2008; Raven and French, 1958a, b). According to Cobb (1984) any definition of power must include three different aspects: a) a power holder, who is also called an agent; b) a target who is a powerless actor or a follower; and c) an arena of context or situational context in which power is being practised such informal or formal organisation.

Power is an elusive concept that numerous social scientists have tried to define. The definitions reflect time specificity and contextual differences across various fields of research. Definitions also reflect differences in behavioural, structural (Brass and Burkhardt, 1993) and relational (Emerson, 1962) aspects of power. Early studies of power were narrowly focused on structural positions (Barnard, 1938; Parsons, 1967). Weber (1947) described this type of power as a legitimate authority. A leader's position gives power to actions. In this view, power is described as “the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests” (Weber, 1947, p. 152). Followers comply because of normative values associated with rights of an authority figure.

Power has also been defined in terms of social relationships. Power is defined by French and Raven (1959) as the degree of influence a source has on an individual that results in change. A "source" is operationally viewed as a person or a group exerting influence or control. Typical sources in education include superintendents, central office personnel, principals, teachers, and parents. The term "change" relates to "changes in behaviour, opinions, attitudes, goals, values and all other psychological aspects of the person" (French and Raven, 1959, p. 150). The influence of power, within this definition, is limited to a source's own power strategies and does not include forces induced by other social agents or positions in organisations or constraints on people or organisations. Some other definitions also portray power as a property of a social relationship.

According to Dahl (1957), power is not a characteristic of someone who holds power; rather it reflects a relation among people. Dahl (1957) articulates power as "A has power over B to the extent that he can get B to do something that B would not otherwise do" (p. 203). Dahl's (1957) definition can be applied to groups, roles, governments, or other "human aggregates" (p. 203). This classical definition of power presents a one-directional relationship with practically no way of escape for B. Emerson (1962) challenged this unidirectional concept of power while highlighting the bilateral characteristics of power. According to Emerson (1962, p. 32), “The power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A.” Emerson (1962)’s definition is based on dependency theory, which refers to the power of having something that others value. A power relation can go beyond that of a dyadic nature to a power network of two or more connected power relations. Thompson (1967) noted that the power-dependence concept escapes from the "zero-sum" concept of power. Zero-sum suggests that power is finite and limited as in the structure of vertical authority. An increase in one person's power means a corresponding decrease in another person's power (McPike, 1987).

The concept of power is not limited to individuals, but it is equally applicable to inter-organisational relationships. In this interconnected world, there is hardly an organisation that does not depend on others in the environment for some resources that are vital to accomplishing organisational objectives. Hence, firms engage in inter-organisational relations to exchange resources (Touboulic, Chicksand and Walker, 2014; Singh, Power and Chuong, 2011; Paulraj and Chen, 2007; Pfeffer and Salancik, 1978), and they seek to improve terms and conditions of exchange through bargaining (Essabbar, Zrikem and Zolgadri, 2016; Crook and Combs, 2007; Inkpen and Beamish, 1997; Stolte, 1978; Hicks, 1932). Any bargaining depends on underlying power mechanism, which is called bargaining power. Bargaining power is a relative phenomenon that emerged from the relationship between two or more actors under a particular context, and it can potentially assist involved actors in the management of the relationship (Child and Rodrigues, 2011; Chicksand, 2009; Cox et al. 2002; Frazier, 1999; Foucault, 1979).

Pfeffer (1981) built on Thompson's (1967) work and laid the foundations for the RDT, which became a popular vantage point from which to study power and its effects in inter-organisational relationships. Pfeffer (1981) stated that organisations can gain power by minimising their dependence, or by increasing the dependence other firms may have on them. He argued that power is typically viewed negatively, as it increases the likelihood of opportunistic action by the powerful party on the other less powerful party. All actions which the firm undertakes, to include establishing joint ventures, merger and acquisitions, and diversification are all centred on minimising its dependence and avoiding the negative effects of power differences. Ulrich and Barney (1984) extended RDT and offered a fine-grained explanation regarding the source of a firm's power. They added that a firm's power is a function of the key resources they control. Specifically, the power of a firm increases when the resource being controlled by the party is scarce, valuable and inimitable (Eason, 1992). Typically, RDT views bargaining power from a limited perspective that only associates power with the interdependence of involved firms. The bargaining power allows powerful firms to influence others to perform actions that they would otherwise not perform, or more specifically, achieve more favourable terms of exchange from others, who are less powerful (Pfeffer, 1981; Emerson, 1962).

In summary, power is a phenomenon with multiple dimensions. Definitions have evolved from the initial concept that power resides singularly in a vertical hierarchical position to the concept of power as interdependence, which provides bases to the main arguments of RDT. Although, power is regarded as a vital aspect of any interaction between two or more organisations (e.g., Olsen et al. 2014; Gaski, 1984; Frazier, 1983; Håkansson, 1982;

Wilkinson and Kipnis, 1978), many scholars have argued that inter-organisational bargaining power is ignored by proponents of RDT and draw attention to the lack of empirical studies explicitly extending the theory (Singh et al. 2011; Casciaro and Piskorski, 2005; Pfeffer and Salancik, 2003; Mizruchi and Yoo, 2002). Thus, calls for new research studying the perspective of less powerful firms for dependency management strategies appear valid.

3.9. Power Imbalance and low-power firms vs high-power actors

The reciprocal nature of inter-organisational relationships highlights the aspect of the balance of power in the relation. If B responds to A with equal opposing power over A, then both of them have a balance of power. Whereas if B has less power over A as compared to A's power over B, A will have a power advantage over B (Emerson 1962). In an inter-organisational relationship, the participant with less power will be the low-power firm and the participant with power advantage will be the high-power actor. For instance, B is a low-power firm and A is its high-power counterpart in the above-mentioned scenario. Following Emerson's (1962) view of power-dependence, low-power firm can be defined as a participant in an exchange relationship that depends on the other participant for a critical resource and lacks the ability to build alternates (resource/source) or increase the counterpart's dependence. On the other hand, a high-power actor can be defined as a participant in an exchange relationship that depends on the other participant for a resource that is less critical or has the capacity to build alternates (resource/source) or increase the counterpart's dependence.

The power imbalance in an inter-organisational relationship determines the way firms use to bargain exchange terms. Two bargaining perspectives are most important in managing inter-organisational relationships: positional bargaining (Stolte, 1978) and interest-based (or integrative) bargaining (Mckersie et al. 2008; Fisher and Ury, 1981). In positional bargaining, firms start bargaining based on their pre-existing positions and proceed with a win-lose proposition (Erikson and Berg-Utby, 2009). On the other hand, firms use interest-based bargaining approach to achieve mutual gains (Cutcher-Gershenfeld, Kochan and Wells, 2001). Fisher, Ury and Patton (2011) provide the following criteria to evaluate the success of interest-based bargaining: “1) It should produce a wise agreement, if the agreement is possible; 2) it should be efficient; and, 3) it should improve or at least not damage the relationships between the parties” (p. 4). High-power actors prefer positional bargaining because they can impose their terms on low-power firms (Essabbar et al. 2016). Interest-based bargaining is considered useful by low-power firms because firms proceed with a win-win proposition (Essabbar et al. 2016).

According to Cerbaro (2011), firms’ unequal dependencies lead to the power imbalance that allows the firm with high-power to take advantage of the relationship and the firm with less power may face constraints and lose the autonomy in front of its high-power counterpart. When power is imbalanced in an inter-organisational relationship, the organisation with power advantage is likely to exercise its power to control the behaver of the other party in a way that helps it to maintain or increase its power; whereas, the weaker counterpart is expected to conform to keep the access to needed resources (Zhu et al. 2008; Gulati and Sytch, 2007; Kumar et al. 1995). The high-power actor may adopt opportunistic behavior (Ireland and Webb, 2007; Frazier, 1999; Williamson, 1981) and influence its counterparts to set exchange terms in a way that serves its own interests or put pressures on counterparts to cover most of the burden about adaptations related to the relationship (Cox et al. 2007; Casciaro and Piskorski, 2005; Ramsay, 1996).

Moreover, high-power actors may avoid entering long-term collaborative commitments because long-term relationships increase mutual dependencies and reduce the power imbalance (Casciaro and Piskorski, 2005; Ramsay, 1996). On the contrary, low-power firms usually avoid entering relationships with high-power actors because they are unlikely to have sustainable advantages from the exchange and may become highly dependent on the high-power counterpart over time. Cox et al. (2007) described this phenomenon as a “treadmill to oblivion,” in which a low-power firm is continuously indulging in an unfavourable relationship with diminishing returns. However, power imbalance has negative impacts on the inter-organisational relationship in the long-run because the low-power firm loses its trust and interest in the relationship (Kumar et al.

1995; Heide, 1994) and due to an unsuccessful relationship, the high-power actor also fails to achieve its objectives in the long-run (Maloni and Benton, 2000; Kumar, 1996).

Cox's research has made significant contributions to RDT as it not only assists in mapping interactions of power and dependence in a particular relationship but also helps in understanding the negative aspects of those dependencies (Cox et al. 2007; Cox and Chicksand, 2007a, b, c; Cox, 2004; Cox et al. 2002; Cox, 2001c). Their work criticises the static view of power and suggests different strategies that help firms to change dependencies. These strategies can help dependent actors to reduce dependency by using measures such as engaging in joint ventures, building long-term relationships with agreements and seeking alternatives (Cox et al. 2002; Cox, 2001c). Mintz and Schwartz (1986) examined the relationship between banks and the firms they had financed. Using RDT arguments in their study, they found that increase in capital lent to the corporation concomitantly increased the amount of power and control, which the bank was able to exert upon the corporation. Hayward and Boeker (1998) examined the relationship that may exist between security analysts and the rating, which may provide the stock of a particular firm. They found that as corporations became larger and more powerful, they exerted considerable influence over the security analyst with the result that the security analyst generally provided higher ratings for the larger firm's stock.

RDT's arguments have been used to study dynamics of inter-firm conflicts (Benton and Maloni, 2005; Frazier, 1999; Frazier and Lassar, 1996; Gundalch and Cadote, 1994). Influence strategies have been studied as a possible mechanism through which one firm attempts to gain the compliance of the other member with the intent to achieving their desired actions (Payan and McFarland, 2005; Frazier, 1999; Mohr and Nevin, 1990; Frazier and Summers, 1986). The antecedents that have been typically studied and influence strategies include power difference (Kim, 2000; Boyle and Dweyer, 1995; Anderson and Narus, 1990) and interdependence between firms (Frazier, 1999; Gundalch and Cadote, 1994; Boyle et al. 1990). Influence strategies can be broadly distinguished as coercive and non-coercive strategies. Coercive strategies include mechanisms wherein one firm tries to gain compliance of the other firm using mechanisms such as rewards, threats, legal methods and punishments while non-coercive strategies include mechanisms where one firm attempts to modify the beliefs and attitudes of the targets (Frazier and Rody, 1991; Frazier and Summers, 1986). Coercive influence strategies are seen to be more likely used in dyads that have a high degree of the power difference between members (Lai, 2007; Mcdonald, 1999; Frazier and Rody, 1991; Dwyer and Walker, 1981).

Yamaguchi (1996) differentiates between two kinds of exchange that can exist between actors involved in a network, which include reciprocal exchange and negotiated exchange. Negotiated exchange includes relationships where the two parties establish an exchange through a process of bargaining. In contrast, reciprocal exchanges involve exchanges where each party separately decides the contributions of the two parties. Molm, Peterson and Takahashi (1999) extended Yamaguchi's (1996) model and provided experimental results demonstrating that high-power and a lower power player may typically enter into an exchange relationship that resembles a negotiated exchange. Powerful players are seen to make fewer concessions and may employ coercive strategies towards the less powerful firm (Lawler and Bacharach, 1987).

Casicairo and Piskorski (2005) in a study to find impacts of power imbalance on acquisition outcomes found that as the power imbalance between player increased, the powerful player's interest in exercising high control over the less powerful player resulted in the more powerful player acquiring a higher degree of equity stake in the less powerful player's firm. High-power differences between participants in a negotiation can also negatively affect the nature and quality of information flow (Dreu and Kleef, 2004; Giebels, Dreu and Vliert, 2000). Recently Olekalns and Smith (2006) in an experimental study compared information exchange between players having unequal power distribution and players having equal power distribution. Results indicated that asymmetrical power distribution did not always result in lower conflicts because asymmetrical power dyads were characterised by high competition and increased the likelihood of deceptive and opportunistic behaviours.

Studies in institutional theory (DiMaggio and Powell, 1991) explain in detail, the influence that powerful and high-status actors may have on strategies and actions of other smaller players in their respective networks. The institutional theory attempts to understand the processes (often referred to as isomorphic strategies) that may result in organisations adapting and becoming more homogenous and similar in nature. DiMaggio and Powell (1991) classify the isomorphism into three types to include coercive isomorphism, mimetic isomorphism and normative isomorphism. Coercive isomorphism includes processes wherein the more powerful and high-status firms force smaller and lower status firms to adopt rules and structures similar to their own. The coercive pressure to conform may also come from government bodies and other industry regulators. Normative isomorphism arises from the emergence of collective normative order among all firms in a particular industry. Finally, smaller and less powerful firms may resort to mimicking or copying rules and procedures of more successful organisations, which are referred to as mimetic isomorphism.

Levitt and Nass (1989) studied the influence of coercive isomorphism in the publishing industry. They compared the differences in the textbook styles of the fields of sociology, which was less concentrated and dominated by many low-status players, while the area of physics had a few high-status players and was, in fact, less concentrated. A high degree of coercive and normative pressures from the high-status players in the physics domain seemed to result in all physics textbooks being more homogenous than the sociology textbooks. In a study of the adoption of accounting standards, Han (1994) analysed the relationship between the status of a firm in the respective industry and the subsequent choice of competitive strategy. Han (1994) found that powerful players rarely tried to mimic each other but rather attempted to differentiate themselves by selecting different strategies to employ. The mid status players seemed to be pressed by the powerful players to follow similar strategies. However, contrary to expectations, Han (1994) found that structure and procedures followed by the low-power firms varied significantly from the high and the mid-level players, indicating that the autonomy of small firms in employing their own strategies is relatively high.

Rosenkopf and Tushman (1998) studied the evolution of computer standards in the flight simulator industry and found that the rate of acceptance of the standard is dependent on the coercive pressures exerted by the powerful firms on other organisations in the marketplace. Guler, Guillen and Macpherson, (2002) in a study of ISO 9000 adoption in developing countries found that powerful and high-status multinationals played a critical role in coercing smaller firms to adopt ISO 9000 processes. In a study of supplier integration, Ketokivi and Schroder (2004) found that institutional pressures from other high-power players seemed to be the most important factor with regards to the choice of an action that a small firm decided to undertake in comparison to other structural or cultural contingencies existing within the firm. Bala and Venkatesh (2007) considered the adoption of IT standard and found that coercive mechanisms were the most efficient mechanisms to facilitate the adoption of a standard by smaller and less dominant firms, while normative pressures seemed to play a role in influencing in the adoption of standards by bigger and more dominant firms.

In the case of a relationship between the government and firms, different types of governments (such as local authorities, national governments or state and city level authorities) collect their revenues by levying different taxes and charging fees for various services. Although, any government stands on legitimate coercive power to enforce its policies and punish those who violate the regulations or laws, the ability of the government to exercise its power is constrained by interest groups and elections. Thus, any change in governmental policies is constrained by the need to maintain political stability and majority support for its programmes. Moreover, a strong collective action also challenges the government in taking an abrupt and decisive measure that affects businesses or individuals at large (Frumkin and Galaskiewicz, 2004).

In addition, governmental institutions do not exert uniform influence on organisations without consideration of their characteristics (Oliver, 1997). The size of the organisation and the value of the resources it controls are important factors that determine organisations’ power over these institutions (Pfeffer and Salancik, 1978; Blau, 1964; Emerson, 1962). Big firms can easily adopt strategies to manipulate environmental dynamics, such as active lobbying to set regulatory standards in their favour (Lippmann, 2007). In this context, low-power firms are marginalised by high-power actors as they directly or indirectly develop strong links with important institutions that can enforce laws and regulations constraining businesses of low-power firms (Gurses and Ozcan, 2015; Aldrich and Baker, 2001). With a lack of institutional legitimacy and limited resources, low-power firms are considered highly vulnerable to environmental uncertainties (Morse et al. 2007; Singh, House and Tucker, 1986).

3.10. RDT, bargaining power and research gaps

The power imbalance is likely to have a negative influence on environment management capabilities of low-power firms (Pache and Santos, 2010; Pfeffer and Salancik, 1978) and are expected to comply with all environmental demands without even expressing their concerns (Clemente and Roulet, 2015; Emerson, 1962). Hence, the lack of capacity to build alternates of resources or their sources and inability to directly influence high-power counterparts (Aldrich and Fiol, 1994; Stinchcombe, 1965) makes it even more important for low-power firms to effectively manage their resource dependencies than high-power actors (Daily et al. 2002). However, dependency management strategies, such as creating mergers, acquisitions, developing alternatives or identifying other partners to access similar resources, described under RDT are not appropriate for low-power firms because they lack the ability and resources to use these strategies. Thus, RDT leaves only strategic options for low-power firms, and that is compliance with terms enforced by high-power actors. The power imbalance acts as a barrier to interest-based bargaining, and low-power firms have to adapt positional bargaining imposed by high-power actors. Figure 1 illustrates strategic options available to low-power firms for dependency management as described in the RDT.

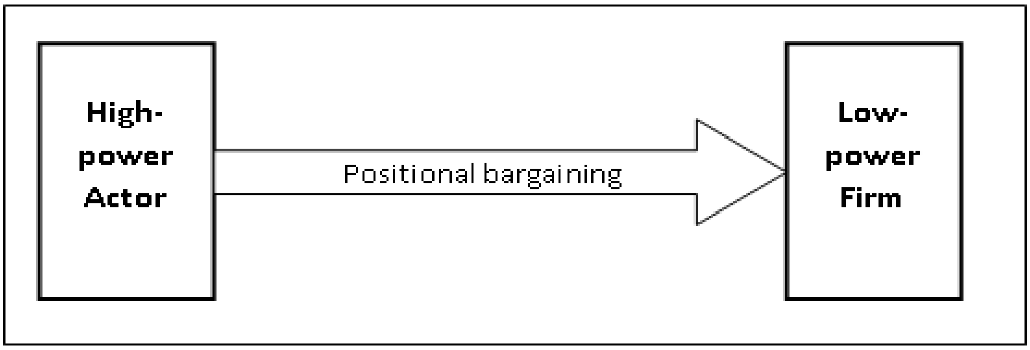

Figure 1: Low-power firms' resource dependency management model

Source: developed by the author

In chapter two, we identified that SMEs use networks to acquire necessary resources for their internationalisation but existing theories fail to address how SMEs protect themselves against opportunistic behaviour of their high-power counterparts. The above debate helps us to understand how firms manage their resource dependencies to counter any opportunistic behaviour of their exchange partners. However, strategies explained under RDT are more relevant to firms who have resources and abilities to influence the exchange relationship, but do not provide any guidance to SMEs that are stuck into a power-dependence relationship as a low-power counterpart. Pfeffer and Salancik (1978) developed the prime argument of RDT based on Emerson (1962)'s view of power, which states that the mutual dependence of firms is the underlying source of firms' power. According to power-dependence view, a firm can only increase its power by decreasing its dependence on others or increase others dependence on it. Given that, SMEs that are low-power firms have no other choice but to follow the conditions imposed by the high-power counterpart. The existing literature also does not explain how low-power firms can influence their high-power counterparts to shift from positional bargaining and engage in interest-based bargaining.

However, RDT with its limited view of power ignores other sources of power available to firms outside the exchange relationship, such as the five power bases described in the seminal research of French and Raven's (1959) viz reward, coercion, legitimate, expert, referent, and later Raven and Kruglanski (1970) added information into the framework. In other words, a firm’s sources of power are referred to assets, such as expertise, scarce resources, skills and knowledge etc., which enable the firm to control others because they need them. The power of any participant in a relationship is a function of all the sources of power available to it at any given time (El-Ansary and Stern, 1972). Hence, a firm can have the ability to control or influence others if it possesses a source of power (Crook and Combs, 2007), indicators (He, Ghobadian and Gallear, 2013; Zolghadri, Baron and Girard, 2008) or power resources (Rojot, 2006).

Table 2 summarises important studies that examine different sources of power and categorise them into sources available to firms inside and outside the exchange relationship. According to Mintzberg (2003), power is based on 1) control of a resource, 2) technical expertise, or 3) a set of crucial knowledge for the company. Keltner et al. (2008) proposed a reciprocal influence model of social power, which emphasises the collective nature of the power and states that advancing the whole group’s interests is an important base of power. According to Keltner et al. (2008), the model is based on the evolution of human hierarchies and grounded on the assumption that the subordinates’ ability to take collective actions put pressure on powerful actors and that collective power heuristically decreases the probability of conflicts within groups. Another model of social power is proposed by the Game theory (Harsanyi, 1962), which states that power can be derived from an actor’s ability to alter the structure of co-actor’s incentives to achieve particular outcomes. Just like in the game, one actor might eliminate options available to counterparts to limit their outcomes. According to Harsanyi (1962), as different actions are likely to have different consequences; the relative costs of actions also change.

Categories	Sources	Key Studies
Sources available inside the exchange relationship	Control of resource	Emerson (1962), Thompson (1967), Pfeffer and Salancik (1978)
	Capacity, the sales volume, the volume of purchases and product type.	Ramsay (1994)
	Position and resources	Cox (1999)
	Central position and connection	Cook et al. (1983)
	The number of large customers, the market share of a supplier for a given component, the number of suppliers from which a customer buys a particular component, the number of potential suppliers for a given component and the amount of revenue generated by a supplier from a single customer	Lee (1991)
	Dependence	Essabbar et al. (2014a, b) Essabbar et al. (2016)

Sources available outside the exchange relationship	Bases of power: reward, coercion, legitimate, expert and information.	French and Raven's (1959) Raven and Kruglanski (1970)
	Ability to alter the structure of co-actors' incentives.	Harsanyi (1962)
	Market share, Market Size, Legitimacy, Expertise, Technology	Thorelli, H.B. (1986)
	Expertise, control of relationships with the environment, communication, use of organisational rules.	Crozier and Friedberg (1977)
	Control of technology and information.	McDonald (1999)
	Advancing the whole group's interests is the base of power.	Keltner et al. (2008)
	Network position, network role Resources, capabilities, competencies, Resources	Kähkönen (2014)

Table 2: Sources of Power

Source: developed by the author

RDT focuses only on sources of power available to firms inside the exchange relationship; therefore, it sees the mutual dependence of firms as the only way to acquire more power. This theory suggests that firms can only acquire more power if they can get control of resources needed by counterparts, build alternates or strengthen their position by increasing their volume in the business of the counterpart. The theory in its argumentation ignores the sources of power available to firms inside the exchange relationship. For instance, a large multinational buys a very small share of a supplier’s production with a very competitive price. Even though the supplier does not make any profit from the deal, it still wants to keep the relationship intact. The supplier can use that deal as a reference to acquire market legitimacy and attract a large number of highly profitable buyers. Similar is the case in a relationship between a local tax agency (council level) and a large corporation where the large corporation contributes more than 70% of revenues of the council. However, tax agency will still have the power to exert influence on the corporation because the council’s powers are not limited to its exchange relationship with the corporation. The council’s power also comes from sources outside the exchange relationship such as legitimate power and the whole group’s interests. Given this debate, the limited emphasis on power in RDT provides underlying motivation for this study. The study will try to identify strategies options available to low power firms, which are SMEs aspiring international growth in our case.

3.11. Chapter Summary

This chapter presented a detailed literature review about dependency management strategies of firms. It first defines the Resource Dependence Theory and explains its evolution. Further basic assumptions of the theory are discussed in detail and its different components are described. It also explains dependency management strategies used by firms and identifies theoretical gaps. The chapter identified that although theory helps to explain firms inter-organisational relationships, it is always criticised for understating underlying power dynamics. The theory also traditionally assumes the perspective of actors that have the ability to use different dependency management strategies and ignores low-power firms that lack resources and ability to use these strategies. Then chapter explained the power and its different aspects related to RDT.

Chapter Four: Research Methodology

4.1. Introduction

The previous section presented a detailed literature review consists of two chapters. They reviewed the existing theories and literature about SMEs internationalisation and resource dependency management strategies of firms. The review helped to build conceptual understanding of the phenomenon under study as well as identify gaps in existing literature. This is the first chapter in section three that explains research design, data analysis, findings, discussion, contributions and conclusion. This chapter particularly discusses the available methodological choices, the adopted research design and rationale behind each methodological choice. This research addresses two main questions: "*what are the constraints faced by SMEs from Pakistan in their internationalisation?"* and *"how do low-power firms manage inter-dependencies with high-power counterparts to overcome constraints in internationalisation?"* Given these questions, the purpose of this research is to study firms that have successfully internationalised from Pakistan to identify what constraints they faced in their internationalisation process and how they managed resultant resource dependencies while overcoming constraints, on counterparts having the significant power advantage. The research purpose provided the basic rationale behind any choice made about the research design.

4.2. Research Orientation

Broadly, there are three main types of research based on its purpose: exploratory, descriptive and explanatory/causal (Saunders, Lewis and Thornhill, 2016; Ghauri and Gronhaug, 2010). Exploratory research is conducted when the purpose is to identify and understand the phenomena because the existing literature lacks necessary theoretical and empirical frameworks to define research problems and make predictions (Strauss and Corbin, 1990). The exploratory research helps in this scenario to identify and understand different perspectives of the phenomena and provides useful insights that cannot be reached through quantitative methods (Mintzberg, 1979). Researchers need to possess strong capabilities to observe, gather information and develop explanations to successfully conduct exploratory research (Ghauri and Gronhaug, 2010). On the other hand, the descriptive research is conducted when the research problem is clearly understood, precise and well-structured (Ghauri and Gronhaug, 2010). Descriptive research is more useful when the purpose is to gather general information and understand the basic characteristics of a phenomenon or population under study (Saunders et al. 2016). Finally, just like descriptive research, the explanatory/causal research is also well-structured, but researchers face cause and effect problems and need to analyse the relationship between different variables to address the phenomenon (Ghauri and Gronhaug, 2010). The purpose of explanatory research is to identify the causes and analyse them to find their effects on outcomes. First two types of research provide the foundation for the explanatory research.

This research is an exploratory study by purpose because both research questions explore an area that is not addressed in the extant empirical and theoretical literature. First, the context of Pakistan represents volatile developing economies, such as Bangladesh and Nigeria, which have strong growth potential but face high political instability, weak institutions and economic uncertainty. These features differentiate them from relatively stable developing countries, such as China and India that have political stability, sustainable economic growth and rather strong institutional systems. However, existing studies explaining SMEs' internationalisation constraints in developing countries are mostly conducted in stable developing economies and volatile developing economies are completely ignored in the extant literature. The context of volatile developing economies could provide a unique perspective of firms' management under uncertainty. Similarly, RDT has traditionally assumed the perspective of high-power actors and ignores low-power firms that face power imbalance as an obstacle to their dependency management strategies. Therefore, this study aims to build an in-depth understanding of the phenomenon from different perspectives by applying exploratory research.

4.3. Research Approach

The research approach explains the relationship that exists between the theory and the research (Ghauri and Gronhaug, 2010). Deduction and induction are considered two main approaches in the domain of business (Saunders et al. 2016; Ghauri and Gronhaug, 2010; Gill, Johnson and Clark, 2010; Bryman and Bell, 2003). Researchers, following the deductive approach, identify theories, develop hypotheses and use appropriate research methodology to test hypotheses through empirical evidence (Bryman and Bell, 2003). On the other hand, researchers, following the inductive approach, collect empirical data, analyse it and use findings to build up theories. The main difference between both approaches is whether the theory is a starting point or an outcome of the research. The deductive approach is more suitable for scientific studies when the aim is to test theories by applying them to a phenomenon under study. According to Saunders et al. (2016), deductive research begins with a phenomenon that is being studied by the researcher to verify causal relationships. In doing so, the researcher makes a feasible hypothesis and tests using quantitative data. Researchers that adopt the deductive approach seek to generalise their findings; therefore, they collect data from a large number of respondents representing the whole population (Saunders et al. 2016). However, the inductive approach is the opposite of deductive because empirical observations are used to draw conclusions and develop propositions that lead to new theories (Ghauri and Gronhaug, 2010; Bryman and Bell, 2003). According to Saunders et al. (2016), small samples are appropriate in inductive research due to its in-depth nature and it takes a longer time to complete than deduction. Deductive research uses the rigid methodology and less likely to find alternate explanations of the phenomenon, whereas inductive approach seeks new ideas that emerge gradually based on in-depth data collection and analysis (Saunders et al. 2016). The selection of deductive or inductive approach mainly depends on the research purpose. This study adopted the inductive approach because it is exploratory research with the aim to advance the theory in two different domains. First, the research aims to explore SMEs' internationalisation constraints in volatile developing economies and add value to the existing literature on SMEs' internationalisation from developing countries. Second, the study explores the perspective of low-power firms to enrich the RDT with its findings.

4.4. Research Philosophy

Every research project is largely shaped by its underlying philosophical assumptions (Saunders et al. 2016). The identification of a precise research philosophy is fundamental to the research design because failure to address philosophical issues can potentially undermine the quality of the whole research process (Easterby-Smith et al. 2012). Saunders et al. (2016) have defined research philosophy as “a system of beliefs and assumptions about the development of knowledge” (p. 124). Understanding of philosophical assumptions at the early stage of the research process helps researchers to recognise the suitable research design for their study and even create or adopt strategies based on their knowledge and subject constraints (Easterby-Smith et al. 2012). According to Tsoukas and Knudsen (2003), there is no one best philosophy in the management and business research fields. However, disagreements are the essence of management research and can be categorised based on three types of assumptions: ontology, axiology and epistemology (Saunders et al. 2016).

Ontological assumptions are about the nature of reality and strongly influence the way researchers observe and study research objects. In the case of business and management research, objects can be artefacts, events, individuals’ working lives, management and organisations as a whole. It is also determined by underlying ontological assumptions that what to study (Saunders et al. 2016). According to Easterby-Smith, Thorpe and Jackson, (2015), the overall debate about ontological assumptions falls between the positions of realism, internal realism, relativism and nominalism. Realism suggests that the world is external and concrete; therefore, scientific contributions can only be made if the phenomenon is directly being studied. Moreover, realism also suggests that the reality is free from any externalities and we can directly observe it (Easterby-Smith et al. 2015). However, this extreme case is mostly used in natural and physical sciences. The next ontological position is internal realism. It assumes that there is a single truth, but it cannot be approached directly. Therefore, we need to collect indirect pieces of evidence to know about reality (Putnam, 1988). Relativism goes one step further and suggests that there is no single reality, but the most appropriate explanation of the reality can be discovered with several viewpoints about the same phenomenon. According to Collins (1983), different observers possess different perspectives about the same phenomenon based on their diverse relativist positions. Lastly, the nominalism takes another extreme position based on the assumption that there is no reality and facts are produced by humans to shape different versions of reality.

Axiological assumptions prescribe the relationship between personal ethics and values of researchers with the research process (Saunders et al. 2016). Values play a very important role throughout the research process and axiology talks about how to deal with differences in values of the researcher and participants. According to Heron (1996) values are the bases of all human actions and by using axiological assumptions, researchers articulate their values as a source of key judgements made throughout the project. According to Easterby-Smith et al. (2015), there are two distinct views about the engagement of the researcher in the research process. The first view suggests that the researcher should stay completely detached from the research process and should not add his or her own values and judgements, whereas the second view believes that the researcher can achieve better results with more engagement when the purpose of the research is to study social systems, such as complex organisations.

Lastly, epistemological assumptions address philosophical issues related to knowledge and describe what represents a legitimate, valid and acceptable knowledge about the reality and how a researcher can communicate it (Burrell and Morgan 1979). According to Easterby-Smith et al. (2015), epistemology prescribes several ways of studying the nature of social and physical worlds. Also, the field of management has evolved by accumulating knowledge from different other domains and it has become a multidisciplinary field that constitutes different types of legitimate knowledge, such as stories, narratives, interpretations, facts, and visuals, textual and numerical data (Saunders et al. 2016). Therefore, different epistemological positions are taken by different management researchers based on their research purposes, such as projects based on fictional literature (De Cock and Land 2006), narratives (Gabriel, Gray and Goregaokar, 2013) and archival and autobiographical accounts (Martí and Fernández 2013). However, Easterby-Smith et al. (2015) suggest that the knowledge in the social sciences is mostly obtained through two contrasting epistemological views: positivism and social constructionism. But, when it comes to methodological discussions, even researchers possessing extreme views rarely stay consistent with their one particular extreme position (Easterby-Smith et al. 2015). Researchers from one side sometimes also suggest ideas that fall on the other side. Therefore, Easterby-Smith et al. (2015) have attempted to connect ontological, axiological and epistemological assumptions by proposing stronger and normal versions of constructionism and positivism.

First, the strong positivist view is based on ontological assumptions that the social world is an external reality and objective methods should be used to measure its properties instead of subjective methods like intuition, reflection or sensation (Easterby-Smith et al. 2015). According to Saunders et al. (2016), Easterby-Smith et al. (2015), Eriksson and Kovalainen (2008) and Hatch and Cunliffe (2006) extreme form of positivism is based on values of truth, reasoning and validity and believes that the reality is objective, and knowledge is only legitimate if it is accumulated through direct observation of the reality. It only recognises facts that are collected through scientifically strong methods and measured quantitatively. It prefers experiments as a most suitable research design with the precise operationalisation of key factors to be measured (Easterby-Smith et al. 2015). Second, strong social constructionism is based on another extreme view, which assumes that reality does not exist. Social constructionists believe that the reality is neither external nor objective; rather it is socially constructed through meanings given by people (Berger and Luckmann, 1966). Therefore, researchers should focus on how people create different structures and perceptions to explain an ongoing phenomenon. Conversations and language used by people can be used as key sources of knowledge in this view. Moreover, a researcher can never be separated from the phenomenon under study because ultimately the researcher gives theoretical explanations to observations (Easterby-Smith et al. 2015).

Third, there is a normal version of positivism. It also believes that reality is independent of external factors, but it accepts that it is impossible to observe the reality directly. According to Crotty (1998), normal positivist researchers also remain neutral and detached from the research to avoid any biases. Normal positivists are not very rigid about the use of quantitative data and suggest that qualitative data can also be used to achieve research objectives (Easterby-Smith et al. 2015). Fourth, the normal constructionist view assumes that several realities may exist; therefore, the researcher's role is to collect maximum possible views by using various methods to capture diverse experiences and views about reality. Constructionists suggest using triangulation to reach the most suitable conclusion about reality by identifying replication across different sources of information (Easterby-Smith et al. 2015).

Although the difference between philosophical positions under different ontological, axiological and epistemological assumptions is quite clear, all distinctions fade when it comes to the selection of actual research method and issues pertinent to the research design (Easterby-Smith, Thorpe and Lowe, 2002). Therefore, typically no researcher follows all characteristics of one epistemological view, because researchers from one side sometimes also suggest ideas that fall on the other side. In this study, the aim is to understand constraints faced by SMEs in their internationalisation process and how they managed resource dependencies on high-power counterparts, emerged while tackling constraints. By purpose, this study assumed the ontological relativist position because different SMEs might have faced different constraints in their internationalisation process. Moreover, they might have different high-power counterparts and used different strategies to manage their resource dependencies on them. Hence, the study adopted the normal constructionist view and collected the data about internationalisation constraints and resource dependency management strategies from different sources including multiple SMEs and high-power counterparts to reach the most appropriate depiction of the reality. The replication of views across different sources can help to identify general constraints faced by SMEs in internationalisation from a volatile developing country and explain the most appropriate dependency management strategies to deal with high-power counterparts (Eisenhardt, 1989a). The researcher had a minimum attachment to the research process to the extent that different views are categorised under emerging common themes.

4.5. Research Methodology

Given that this research follows constructionist epistemology, the most suitable strategy would be qualitative research, rather than a quantitative. The study intends to explore maximum views about constraints faced by SMEs in their internationalisation process and how they managed resource dependencies emerged due to the acquisition of resources from external sources to overcome those constraints. The application of qualitative methods allows the researcher to study phenomenon from all possible aspects and analyse all available information rather than just numbers (Bryman and Bell, 2007). In the qualitative study, the researcher attempts to understand the phenomenon through the perspectives of participants, whereas quantitative research only looks at numbers to understand certain relationships between different variables (Saunders et al. 2016). Although quantitative research makes it feasible to use large datasets and achieve higher generalisability, it is mostly criticised for overlooking the contextual information in the form of behaviours, opinions and other aspects of the larger environment (de Vaus, 1999). Therefore, the chances of omission or misleading findings are always very high in the case of quantitative study. Creswell (2003) also highlighted the shortcomings of quantitative research and suggested that quantitative analysis cannot identify the relationship between observed subjects and their environment. Moreover, the researcher's background and personal biases are also ignored in quantitative research methods.

However, qualitative research helps to capture a broader perspective with a comprehensive view of the context and comprehend the hidden meaning behind the numbers (Sinkovics, Penz and Ghauri, 2008; Ghauri and Gronhaug, 2005). Most of the past research in the business domain is based on quantitative research (Faran and Wijnhoven, 2011). However, more researchers have started adopting qualitative research methods, recently, because they help to consider contextual information (Faran and Wijnhoven, 2011).

Eisenhardt (1989b) also supported the use of qualitative research methods when relationships are already supported because they help to understand the underlying dynamics of the relationship. In other words, qualitative research helps to explore the ‘why’ of ‘what’ is happening. According to Bryman and Bell (2007), quantitative research is more suitable to explore macro-phenomenon, whereas qualitative approach is more appropriate to understand the micro-phenomenon. This research is also studying the micro-phenomenon that is constraints faced by individual firms and how they manage their resource dependencies. A highly structured research approach, like quantitative, could have limited the scope of the study and prevented it from revealing diverse perspectives. Therefore, this study adopted the qualitative research. The choice of qualitative approach for this study is also supported in the review paper published by Birkinshaw, Brannen and Tung (2011), who suggests that the field of international business is largely built upon the legacy of rich qualitative research (e.g. Johanson and Vahlne, 1977; Prahalad, 1975).

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4.7. Case Study

Following the Eisenhardt (1989a)'s methodological treatments, this research adopted the case study as its primary methodology. According to Robson (1993), the case study is "a strategy for doing research, which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence" (p.146). The case study allows researchers to adopt a range of evidence, such as interviews, documents, reports, artefacts and observations, which can provide in-depth understating of processes and their contexts (Morris and Wood, 1991). Yin (2003) also emphasises the importance of case study and states that the case study helps researchers to consider holistic and important aspects of real-life events, such as maturity levels of industries, international relations, changing demographics, life cycles, managerial and organisational processes.

The case study is frequently used in the past international business research to build theories, such as the Uppsala model, which was built on the basis of the case study of four Swedish firms (Zalan and Lewis, 2004). The case study is considered very useful method when the focused research domain is not well known (Ghauri, 2004; Yin, 2009), existing theories fail to provide appropriate explanation of the phenomenon (Yin, 2009), and the researcher is not detached from the research process and engaged in the theory-building (Ghauri, 2004). This study particularly followed the inductive theory building approach, which provides foundations to further deductive research in the form of testable theoretical propositions based on rich qualitative evidence (Eisenhardt and Graebner, 2007). Piekkari, Welch and Paavilainen, (2008) further describe the theorising process from observation of the phenomena as the course of exploring causal processes that produce outcomes in certain contexts. Yin (2003) suggests that the clear design logic and structure are also important for the case study because design logic serves as the blueprint for the study. The blueprint is important because it helps to position the research within the existing theoretical debate and define research questions and identify the unit of analysis, prior to the beginning of the fieldwork (Eisenhardt, 1989b). Hence, the use of case studies is common in social sciences (Bell, Crick and Young, 2004), because it allows the researcher to get close to research objects and collect in-depth evidence.

The application of the case study is not limited to examining a single case, however. Qualitative research may also be based on comparative design, which can be in the form of multiple case studies. The multiple case study (or multi-case) involves the analysis of more than one case and allows the researcher to conduct within and cross-case comparisons, identify patterns and form general explanations (Eisenhardt, 1989a; Yin, 2009). The comparison of multiple cases improves the theory building process because the researcher can better understand the situation when the theory will or will not hold (Eisenhardt, 1989a) and infer concepts instigating new theoretical advancements (Bryman and Bell, 2007). The multiple case studies is very useful to make conclusions about what is common and what is distinctive across cases, and often aspires theoretical advancements from findings (Bryman and Bell, 2007). The comparison of findings across cases helps to clarify whether an emergent finding is merely a distinctive characteristic of a single case or consistently replicated by several cases (Eisenhardt, 1991). Replication is the underlying logic in multiple case study because each case serves as a distinct experiment to test certain hypotheses (Yin, 2009). Hence, cases that confirm the emergent finding enhance the confidence in the overall validity of the construct, whereas cases that disconfirm the emergent findings mostly provide an opportunity to refine further and enrich the theory (Eisenhardt, 1989a). Yin (2009) states, cases are just like a series of laboratory experiments that underline contrasts, replications and advancements to the emerging theory. However, unlike laboratory experiments that isolate the phenomenon from its context, multiple case studies stress upon the rich, real-world context in which phenomenon occurs. Therefore, findings emergent from multiple cases lead to robust theory because multiple empirical pieces of evidence provide deep foundations for propositions (Eisenhardt and Graebner, 2007).

However, due to its qualitative nature and small sample size, case studies may lack overall generalisability and representativeness, but this is in exchange for quality, in-depth and rich insights (Ibeh et al. 2006). However, multiple case studies can be generalised only to the theory, but not to the universe or population due to small sample size. The purpose behind the use of the case study is not to generalise findings to population; rather it aims to advance and generalise theories, called analytical generalisation (Miles and Huberman, 1994). Therefore, the purpose of research using case study is not to contribute to the knowledge by generalising the findings, rather it contributes by building the theory (Flyvbjerg, 2006). However, Yin (2009) suggests that the multiple case study design is better than a single case study because it can also improve the generalisability of the research (Miles and Huberman, 1994).

The effectiveness of case studies in illustrating theoretical insights has been proved by several authors in the domain of business and management research (Shu and Lewin, 2017; Chiambaretto, and Fernandez, 2016; Chiambaretto, 2015; Vaara and Monin, 2008; Hoffmann, 2007; Bogenrieder and Nooteboom, 2004; de Rond and Bouchikhi, 2004). This research also followed this methodological tradition and adopted the multiple case study, which is considered a popular design, particularly in studies focusing internationalisation of firms and inter-organisational relations (such as Kwong, Tasavori and Cheung, 2017; Siu and Bao, 2008; Eisenhardt, 1989a). The application of multiple case study helped to capture diversity in internationalisation constraints faced by SMEs and explore the variety of strategies used by firms to manage dependencies on high-power actors emerged while dealing with constraints. Replications across cases helped to capture common and contrasting elements from constraints and strategies of firms, which helped in building valuable propositions. Yin (2009) differentiates between theoretical replication (where cases are selected to cover different theoretical conditions) and literal replication (where similar cases are used to identify similar patterns), and I have used both types of replication for this research. In the first case, different results can be expected because of predictable reasons (Styles and Genua, 2008). To identify patterns and construct explanations, we have used cross-case comparisons (Yin, 2009).

4.8. Research Setting:

The research setting of this study is the IT sector of Pakistan. Pakistani IT sector is less established and emerging industry in the country as compared to other sectors, such as the Textile industry. For many decades, the textile sector of Pakistan holds strategic importance as the biggest exporting industry in Pakistan with extensive contributions to the national economy in the form of new employment generation and foreign remittances. However, recently this strategic importance is seen to be switching towards the IT sector because it has managed to achieve surprising growth in less than two decades, for example just from $20 million annual exports in 2000, it has crossed the $2 billion annual exports in 2017, which is 30%-40% annual growth rate (Pakistan Today, 2017). Moreover, 98% of firms in the IT sector of Pakistan are SMEs and it is emerging as one of the largest sectors that recruit graduates in the country. Pakistani IT sector has the third largest workforce in the world on freelancers.com and fifth largest country providing workforce on upwork.com (Pakistan Today, 2017). SMEs from Pakistan face relatively volatile macro-economic factors, such as fluctuating annual growth rate, weak institutions and lack of political stability. Therefore, it is surprising to see a sector that has emerged out of nothing and becoming strategically important in the national economy (ProPakistani.Pk, 2016; PKrevenue.com, 2017). The government of Pakistan has announced tax exemption on exports and a comprehensive support package for IT firms (PKrevenue.com, 2017). How these firms managed to secure vital resources and controlled environmental uncertainties in a country suffering from dysfunctional institutions and a highly volatile economic and political environment is an important setting that needs to be explored. Therefore, I have purposefully selected the IT sector of Pakistan to understand how low-power firms managed dependencies on high-power counterparts for necessary resources to achieve this startling international growth.

4.9. Data Collection Tool

This research used interviews as the primary data collection tool. According to Bryman and Bell (2007), the interview is "the most widely employed method in qualitative research and it is the flexibility of the interview that makes it so attractive" (472). This study used interviews because the interest is to understand the interviewee's perspective. The use of interviews allowed the researcher to involve in the research process and ask any emerging questions the interview process to probe maximum information from the interviewee. Interviews are mostly used as a primary data collection tool, especially when the phenomenon under study is episodic and infrequent (Eisenhardt and Graebner, 2007). During open-ended dialogue in the interview (Yin, 2009), interventions were made by the researcher through different spontaneous probing questions opening with words like 'what?', 'how?' and 'why?' to seek an explanation of respondents' answers. The interview guide was also sometimes amended during the interview process and questions were revised to elicit dissimilar and unhesitant responses. The process of interviewing ended when ideas and answers became repetitive and the saturation point was reached (Lindgreen et al. 2010). Along with interviews as the primary research design, the study also used documents such as news, press releases, public documents, and reports. According to Yin (2009) both interviews and documents are commonly used research strategies. The use of documentation enables researchers to develop a more holistic understanding of the phenomena and incorporate detailed information that could not be extracted within the short time of an interview (de Geer, Borglund and Frostenson, 2004).

4.10. Data Collection Process

Data collection process in this research is divided into three different phases. Phase one of data collection was designed to collect information about the constraints faced by firms in their internationalisation process, resources and help that they obtained from other organisations in the environment to overcome their constraints and identify their high-power counterparts. Given that this study needed to collect primary data from low-power SMEs and their high-power counterparts. In order to select low-power SMEs, firms were approached using two separate databases about the IT firms in Pakistan. The first database is developed by Pakistan Software Houses Association, which includes information about its 300 plus member firms. This database includes information about firms' start date, founders' details, current executives, focused domain, key markets (national or international), number of employees, number of offices and locations. However, not all the members of the association are engaged in international business. Hence, to ensure research credibility, information was cross checked with another database maintained by the government agency Pakistan Software Export Board. The government agency has more than 1,200 registered members and in some cases, it is mandatory for firms to register with the government agency, such as call centres. The use of two separate databases to access information allowed elimination of firms that have outdated or mismatched information.

The research used purposeful and theory-driven sampling (Miles and Huberman, 1994), which means cases are selected because they are particularly suitable to address research questions. However, some important characteristics were considered while identifying suitable cases to make sure that they not only have differences but also possess some similarities that make them comparable (Ghauri, 2004). The common characteristics are: a) firms are from the IT sector, b) they are engaged in the international business, and, c) they are considered SMEs by Small and Medium Enterprises Authority (SMEDA) of Pakistan that recognise a firm as SME if it has 250 or fewer employees. Distinctive characteristics are: a) all firms should not belong to one geographical region, b) must vary in age, and, c) must have different numbers of employees. The use of distinctive characteristics as selection criteria allowed to capture diversity in responses and enriched data because firms from one location face different obstacles/opportunities as compared to firms from other location. For example, firms in Islamabad (national capital) have strong links to policy makers but firms from Karachi (economic hub) show focus on national market along with international markets. Similarly, younger firms face different problems/opportunities as compared to older firms. IT firms have different dynamics and numbers of employees and IT firms have different prospects. Identification of number of employees allowed to capture variability in firms' sizes and strengthen the SMEs domain.

Following the above-mentioned criteria, 95 firms were identified to make initial contacts because they qualified all defined conditions. Out of 95 firms contacted, 54 firms agreed to participate in the study in the first round of interviews. However, firms were excluded where top executives (CEO, General Manager, Founder or Director) were not available for the interview or available for the first interview but not for the second round of interview. After elimination, 22 firms were finally interviewed (Table 3) and they became our final sample. Two interviews were conducted in each of these 22 firms at different times and all the interviews were done with top executives that include Founders, CEOs and directors etc.

Characteristics	Year	Location	Employees	Interviews
LPA 1	2009	Lahore	25	2
LPA 2	2012	Karachi	11	2
LPA 3	2000	Lahore	28	2
LPA 4	2007	Karachi	36	2
LPA 5	2010	Lahore	40	2
LPA 6	2004	Islamabad	120	2
LPA 7	2004	Islamabad	35	2
LPA 8	2006	Islamabad	70	2
LPA 9	2007	Lahore	130	2
LPA 10	2004	Islamabad	50	2
LPA 11	2014	Karachi	10	2
LPA 12	2011	Karachi	13	2
LPA 13	2011	Lahore	75	2
LPA 14	2003	Lahore	21	2
LPA 15	2003	Islamabad	29	2
LPA 16	2013	Lahore	25	2
LPA 17	2016	Lahore	15	2
LPA 18	2007	Islamabad	72	2

LPA 19	2011	Karachi	27	2
LPA 20	2017	Karachi	5	2
LPA 21	2002	Lahore	40	2
LPA 22	2015	Lahore	12	2

Table 3: Description of Low-power firms

Source: developed by the author

On the other hand, this study adopted the relative power (Child and Rodrigues, 2011; Dahl, 1957) to identify low-power and high-power actors in a relationship. Previous studies have adopted fundamentally weak methodologies while studying low-power and high-power actors, such as Shu and Lewin (2017) regarded all SMEs low-power firms and Casciaro and Piskorski (2005) used industry level approach to find low-power and high-power actors. Both are limited approaches because not all SMEs are low-power firms against large firms, neither all firms from one industry could be regarded as low-power firms against firms from another industry. Therefore, this study developed a framework, adopted from Hofstede, Hofstede and Minkov (2010) and Emerson (1962), to separate low-power firms from high-power actors in a relationship. The study suggests that a firm is considered a low-power firm and its counterpart is a high-power actor, if their relationship fulfils three conditions, which are: 1) the firm is dependent on another organisation and exchange terms are solely or forcefully decided by the partner organisation; 2) the firm does not have the capacity to terminate the relationship or afraid to do so; therefore accepts the exchange terms; and, 3) the firm prefers to establish exchange relationship with collaboration and mutual consent.

In the first phase of interviews, respondents were asked questions related to following themes: general business, international business activities, obstacles they faced during internationalisation or after; and, how they managed to overcome these obstacles, what resources they needed and how they acquired these resources. After the first round of interview, initial data analysis was done case-by-case to identify internationalisation constraints faced by SMEs and their high-power counterparts. Then a cross-case comparison was used to find emerging themes about constraints and replication about high-power counterparts. Based on replication across cases, first four high-power counterparts were selected to further use in the study. They are the business association of IT firms, the government, higher education institutions, and telecom service providers (Table 4). The business association of IT firms in Pakistan represents all types of IT firms in the country including SMEs, big companies etc. The national government is the second important high-power actor of this study and it includes different ministries, governmental departments and agencies. The third high-power actor selected for this study is higher education institutions that are a key source for IT firms to recruit resource persons. The fourth high-power actor is a telecom service provider, which is one of the leading telecom service companies in the country. Each low-power firm and its high-power counterpart provided a dyad to be analysed to identify low-power firms' dependency management strategies. The study found 75 total dyads based on mutual relationships between 22 low-power and their four high-power counterparts (Table 4).

High-power actors	Sector	Informant	Interviews	Dyads: Low-power vs High-power
Business Association	Social	Top level officials	7	22
Government	Government	Top Management	4	22
Higher Education Institution	Semi-government	Top Management	2	20
Telecom service provider	Commercial	Top Management, Leaders, Ex leaders, Large Firms	1	11

Table 4: Description of High-power Actors

Source: developed by the author

The data collection in phase two is designed to collect further information about the strategies used by low-power firms to manage their dependencies on selected high-power counterparts. It particularly studied the impact of these strategies on the exchange relationship with their high-power actors by comparing the exchange terms before and after the application of these strategies. In the second phase of interviews, respondents were asked questions related to following themes: the relationship of the firm with high-power counterparts (business association, government, higher education institutions and telecom service providers), how they set exchange terms, how they provide inputs to them, how they address issues in the relationship, and whether they have conflicts and how they handle them.

Phase three is about collecting the data to triangulate findings of phase one and phase two about high-power actors and low-power firms dependency management strategies. In the third phase, interviews were conducted in all four selected high-power actors. In the third phase of interviews, respondents were asked about their relationship with low-power firms and how this relationship changed over time, what were the reasons for the change, how firms provide them inputs and how they set the conditions of the relationship. In total fourteen interviews were conducted with top executives that included managing directors and other top level officials. The snowball technique was used to achieve a high response rate.

4.11. Data Analysis and Unit of Analysis

In order to address the research questions, the data analysis of the study is divided into three different parts. Each part applies different analysis techniques and serves different objectives. Moreover, multiple units of analysis are used in this study. Yin (2009) describes four different units of analysis in the case study design: 1) complete single case, 2) single case with multiple units of analysis, 3) multiple cases with only one unit of analysis, and 4) multiple cases with multiple units of analysis. This study used multiple cases and multiple units of analysis that best suit the research question being addressed.

The first part of the data analysis helped to identify internationalisation constraints faced by SMEs. Therefore, the unit of analysis used is the individual firm and data is analysed using Gioia methodology (Gioia, Corley and Hamilton, 2012). Gioia et al. (2012) provided a systematic approach to develop new concepts by using inductive research following qualitative rigour. The Gioia method involves three steps. In the 1st step of the analysis, individual codes are developed based on in-depth case analysis and combined under emerging concepts. In the 2nd step of the analysis, nascent concepts are analysed against existing theories and framed into emerging themes. Themes that emerged in the 2nd step are further aggregated into different dimensions. The second part of the data analysis helped to identify high-power counterparts of SMEs. The unit of analysis in this step is the firm because the framework used to differentiate between low-power firms and their high-power counterparts adopts the firm-level approach. The data is analysed using theoretical thematic data analysis technique (Braun and Clarke, 2006) because it helps to analyse the data against above mentioned thematic guidelines discussed by the framework used to identify high-power actors of firms. Theoretical thematic data analysis attempts to ‘‘identify or examine underlying ideas, assumptions and conceptualisations—and ideologies—that are theorised as shaping or informing the semantic content of the data’’ (Braun and Clarke 2006, p. 84). The third part of data analysis helped to find strategies used by low-power firms to manage their dependencies on high-power counterparts. As the aim of this part is to evaluate the relationship and low-power firms’ strategies to manage that relationship; thus, the unit of analysis used is the dyad between low-power and high-power actors. As mentioned earlier, the study got 75 dyads, representing the mutual relationship of 22 low-power and four high-power actors, to be analysed. Again, theoretical thematic data analysis was used (Braun and Clarke, 2006) because the aim is to identify strategies used by firms to manage their dependencies on high-power actors. In doing so, matrix analysis portraying each low-power firm against its high-power counterpart helped to identify dyads and low-power firms’ dependency management strategies in each dyad.

While doing analysis, first, the full description of each case was prepared using Eisenhardt’s (1989a) recommended framework (Table 3). I assigned pseudonyms to ensure the anonymity of respondents. In each step of data analysis, initially, in-depth case analysis was done in the light of research questions. I had no hypotheses or theoretical preferences before data collection and analysis. I read interview transcripts and other data several times to identify patterns, high-power actors and constructs within each case. Then I performed a cross-case analysis to identify patterns and emerging themes across cases (Santos and Eisenhardt, 2009; Eisenhardt and Graebner, 2007). While addressing the first research question, Gioia method allowed to present findings under 1st order concepts, 2nd order themes and aggregate dimension related to internationalisation constraints faced by SMEs from Pakistan. Whereas, four case scenarios were formed by grouping 75 dyads in order to address the second research question to identify low-power firms dependency management strategies. Each case scenario includes one high-power actor and its corresponding low-power firms, such as the first case scenario comprises the business association and its low-power counterparts, the second case scenario comprises the government and its low-power counterparts, the third case scenario comprises the higher education institution and its low-power counterparts and fourth case scenario comprises the telecom service provider and its low-power counterparts.

The analysis process was supported by NVivo™ software. The coding was done following the technique suggested by Thomas (2006) and Miles and Huberman (1994), which explains that coding process should involve spotting data items, which can include sections of the interview transcript, field notes, news items, press releases and reports, etc. Figure 2 shows the structure of nodes that emerged after analysis in NVivo. Moreover, agreements and discrepancies in the emerging theory were identified and further investigated by revisiting the data. I used the interactive process of cycling between the literature and data to improve my findings and enlighten the existing theory.

Figure 2: Nodes summary

4.12. Research credibility

Ying (2009) describes four tests to ensure the credibility of any empirical social research, which are: internal validity, construct validity, external validity and reliability. This study applied all four tests to ensure the credibility of its findings. First, internal validity is ensured by using a single industry within a single country to avoid variations across industries and countries (Klein and Wocke, 2007). Moreover, patterns were matched with previous studies undertaken in the same domain (Gibbert, Ruigrok and Wicki, 2008). Construct validity is ensured by using triangulation. This study is based on constructionist view and aims to build theory; therefore, triangulation is very important. According to Denzin (1978), triangulation is “the combination of methodologies in the study of the same phenomenon” (p.291). Triangulation involves different types of data collected from different sources to study the same phenomenon. Therefore, it is recognised as a critical characteristic of case studies. The use of various data sources allows the researcher to make precise conclusions based on varying opinions. One of the important features of triangulation is that it improves the research validity by cross-checking facts; therefore, it provides a more holistic, complete and contextual description of the phenomenon under study (Ghauri, 2004). The research validity is significantly improved in this study (Yin, 2009; Sinkovics et al. 2008; Halinen and Törnroos, 2005) by triangulating the data collected through interviews with information gathered through other sources. These included news items, public documents and reports, such as the Pakistan IT Policy and Action Plan 2000, the Draft IT policy of Pakistan 2017, External Trade statistics from Pakistan Bureau of Statistics, Pakistan Software Houses Association’s industry reports etc. The external validity of this study is ensured by using multiple case study design (Gibbert et al. 2008) and findings are generalised to the theory, which is analytical generalisation rather than statistical generalisation (Yin, 2009; Miles and Huberman, 1994). Finally, the reliability of the study is ensured by making sure that each procedure used in the case study is authentic and replicable in a similar situation and clear rationale is explained behind each methodological choice. All together these measures helped to make sure that the findings of this study are highly credible and authentic.

4.13. Research limitations

Although maximum measures were taken to address any possible methodological issues, still no study can be completely free from limitation. The study has employed qualitative exploratory methodology with the aim to build new insights about the relevant theory. The study has used purposeful sampling, which does not represent all the firms in the population. Therefore, the findings need to be tested with a larger sample size and further research is needed to replicate this study in other national and industrial contexts to check if these deductions are context specific. Moreover, semi-structured interviews were used with theoretical thematic data analysis and there are chances that some pertinent aspects are overlooked or remain unexploited. Future, research can employ more open-ended techniques to reveal further new insights about the phenomenon. Finally, the aim of the study was purely exploratory to probe new aspects, strategies and approaches that are not discovered in the past and no attempt was made to test any emerging relationship at this stage. Future research can certainly review these insights by using a more structured approach to test findings.

4.14. Chapter Summary

This chapter particularly discusses the available methodological choices, the adopted research design and rationale behind each methodological choice. It begins with a research purpose and then explains the research orientation of the study, which is exploratory. The chapter also discussed different theory building approaches and selected inductive approach for this study. Different research philosophies and their underlying assumptions are reviewed in detailed and based on the research purpose; the normal constructionist epistemological view is selected with relativist ontological position. The study used qualitative methodology with multiple case study method focusing on the IT sector's firms from Pakistan as the research setting. The questionnaire is used as a primary data collection tool with other methods such as documents, news, reports, etc. to capture all possible perspectives. Data analysis is performed in different steps using Gioia methods and theoretical thematic data analysis technique with multiple units of analysis that include firms and dyads. The chapter also described measures to ensure research credibility and limitations of the research design. The next chapter will present the data analysis and findings of the study.

Chapter Five: Data Analysis and Findings

5.1. Introduction

This chapter presents the data analysis and findings of the study. The chapter is mainly divided into three major sections. Section one will explore internationalisation constraints faced by SMEs from Pakistan. Section two will identify actors on which SMEs depend on to overcome their internationalisation constraints and they have power advantage against SMEs. Finally, section three presents findings of strategies used by SMEs to manage dependencies on their high-power counterparts.

5.2. Internationalisation constraints of Pakistani SMEs

This section presents the findings related to internationalisation constraints faced by SMEs from Pakistan. The analysis is performed using Gioia methodology (Gioia et al. 2012) and Figure 3 summarises findings. The analysis reveals that firms face many barriers in the internationalisation process, which are grouped into seven second-order themes: functional, informational, marketing, environmental, governmental, task and procedural constraints. These constraints are further categorised as micro and macro constraints. Firms face micro constraints due to their own factors, such as limited resources and the lack of capabilities, etc. On the other hand, firms face macro constraints due to their outside environment in which they operate, which can be home country's environment as well as the foreign country's environment, where firms intend to internationalise. Micro constraints are in the control of the firm, but firms cannot directly control macro constraints because they are due to the larger environment.

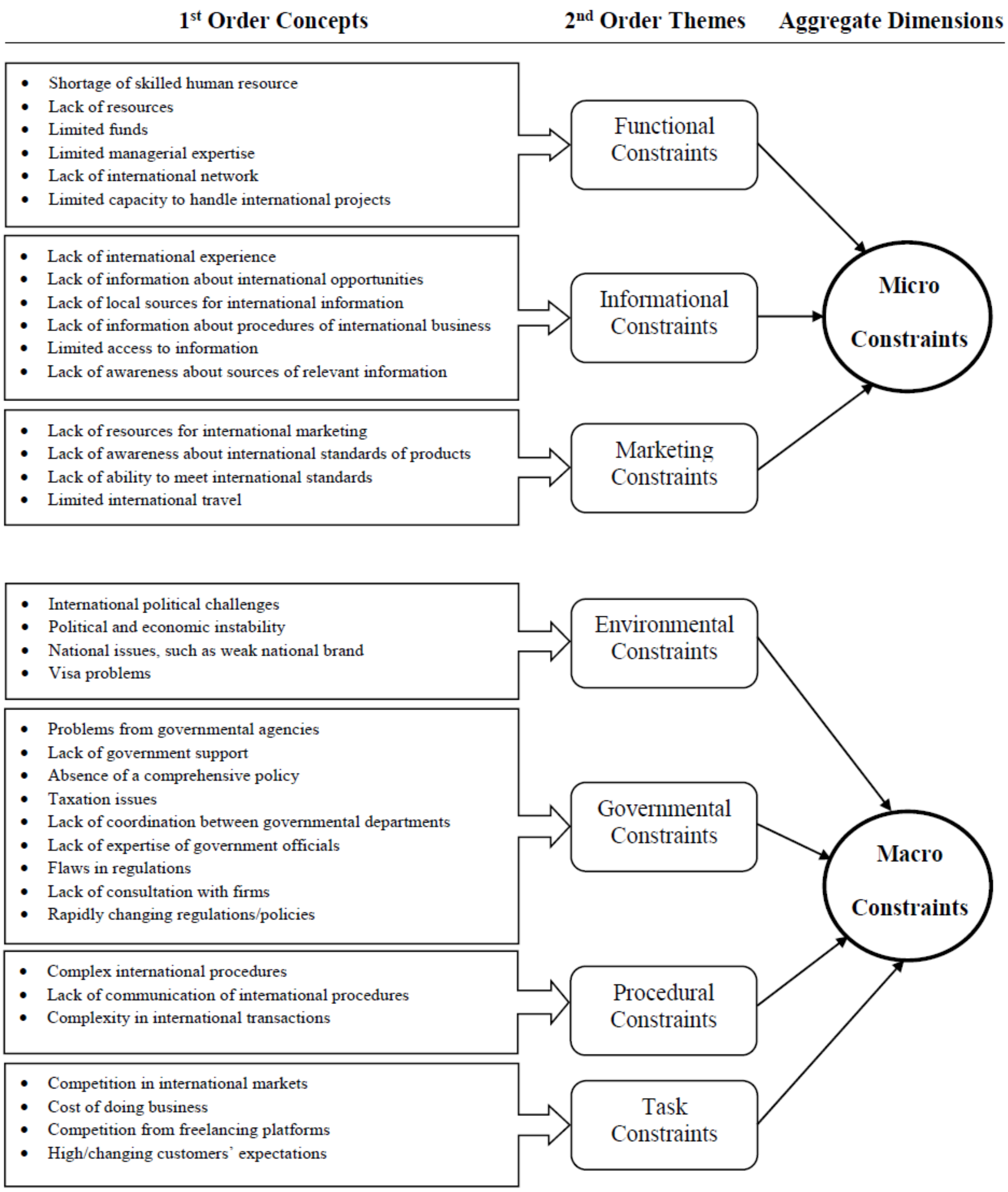

Figure 3: Internationalisation constraints

5.2.1. Functional Constraints

Functional constraints in the internationalisation of SMEs are related to their incompetence in different enterprise functions, such as resources, operations and human resource management (Leonidou, 2004; Vozikis and Mescon, 1985). This research has identified four different types of functional constraints related to the internationalisation of SMEs from Pakistan.

The major issue, which is highlighted by firms, is the shortage of skilled human resource available to small firms. According to Donnie Earl (Pseudonym, LPA 10), *"hiring IT experts in Pakistan is a big problem these days because there is more demand than its supply for many years. Moreover, people who enter the job market of the IT industry are not well trained and lack skills".* The problem related to the human resource is not about the shortage of human resource in the country, but it is about the availability of the skilled human resource. For instance, Michael Cameron (LPA 11) returned from abroad to start a company in Pakistan and he was surprised to discover the shortage of skilled employees in the country. He described his reaction as, *"I never thought there is a shortage of good quality developers in Pakistan. Although we have a big chunk as the young population, we still face challenges as a country to raise the capacity of our education system to compete at international level. I am very concerned about the quality of my work and in the IT sector, it depends on the quality of human capital you have. I hired experienced people in the start through headhunting and later hired few graduates. This mix helped me to save costs and develop team simultaneously."* The analysis shows that challenges related to human resource availability are more detrimental for firms in the early stage of their business. Carl Law (LPA 14) shared his experience with challenges emerged due to the lack of skilled human resource in the beginning of his international business activities, and said that, *"when we received our first international client, we realised that though we have cheaper manpower and ability to provide services in low cost, our human resource is not experienced enough to handle latest technologies being used in international projects. It was a big setback for us at the start because we lost our 2nd important international order just because of that. We handled our first order because it was a small project, but the second project was closed before completion. It was good paying project and when we delivered the first milestone; our client raised issues in the backend technology and wanted us to develop his application in a different framework. We tried to hire a new staff member but failed because hiring experienced staff was very expensive and new graduates had no skills in that technology."*

Just like skilled employees, firms also emphasised the lack of resources as a big challenge for their international business. Lack of resources includes limited funds, expertise in management, the burden on individual entrepreneurs and the lack of family's support. According to Paul Grant (LPA 1), *"we started business with very limited financial resources and a small office in Pakistan and then we had to spend our limited resources on the training of new staff to make them capable of working on international projects...however the problem is when we train someone with years of investment, they just leave us and join some big company."* With limited resources firms struggle to spend on the training of their employees and when they leave them after getting experience, it weakens the firm's overall strength. Similarly, Benjamin Smith (LPA 18) described the lack of resources as the major hurdle in the international operations of his firm, *"I started my career with just Rs.200/day and that was the biggest challenge for me to run the family and set-up the company. I did not get any support from my family and friends regarding guidance or financial investment for the business. Because of these challenges we struggled to expand internationally...I still believe that I don't have enough knowledge and investment to pursue international operations more effectively."* Due to their limited resources, small firms even struggle to retain their employees, such as Jeffrey Davis (LPA 21) said, *"attracting experienced employees is very hard for small firms like us because even though we offer higher pay, we do not have resources to offer other benefits like big companies do. Therefore, big companies always have more attraction for experienced employees."*

Firms also identified the lack of international network as a significant hurdle in the start of their international activities, for example, Benny Russell (LPA 14) stated that *"when we decided to expand globally we did not have significant international contacts and no one from our partners had prior international experience either."* In the same way, Jeffrey Davis (LPA 21) also described the absence of international contacts as a major barrier in their internationalisation and they launched an international business when they got some relative in the UK to create a partnership. According to Jeffrey Davis (LPA 21), *"We had organic growth. We were only focusing on the local market for all these years because we did not have any resources to market our products abroad. Most importantly no one from* *us had the international background or contacts...We started internationally when we got a contact in the UK and he started marketing for us."*

The analysis reveals that firms also face challenges, because of their limited capacity to handle international projects. Jackie Cliff (LPA 3) described the reason behind the delay in entering international markets as, *"there was a thinking in the back of our mind that our firm might not be able to handle international projects and we should develop our capacity in the home market... during all that time we were strengthening our product in the home market, and established a very strong foothold."* Billy Turner (LPA 4) also highlighted the lack of the firm's capacity as a big barrier and followed the same approach as Jackie Cliff (LPA 3). According to Billy Turner (LPA 4), *"Our aim to start this firm was to target international markets, but we did not want to exploit our potential clients because you lose your client forever if you fail to deliver on expectations. We decided to build our product by focusing national market, developed capabilities in enterprise software and then started contacting international clients."*

The analysis shows that 91% of sample firms face functional barriers in their internationalisation. These barriers are largely related to the availability of the human resource, directly or indirectly. Because of the high demand for skilled employees, small firms struggle to hire skilled people due to their limited resources as compared to big companies in the industry. Therefore, small firms also lack the capacity to handle international projects. Lack of international contacts also creates obstacles for them to internationalise.

5.2.2. Informational Constraints

The analysis reveals that small firms also face informational barriers in internationalisation. Informational constraints related to lack of information to identify, select and approach international markets (Morgan and Katsikeas, 1997; Katsikeas, 1994; Katsikeas and Morgan, 1994). This study has particularly revealed two types of information related barriers faced by Pakistani SMEs, which are the lack of international experience and the lack of information about international opportunities. According to Jackie Cliff (LPA 3), *"we entered into international markets after many years of business in the local market mainly because no one of our partners had prior international experience and we knew nothing about the international market."* One important source of international information for Pakistani SMEs is the prior experience of managers in international markets. Therefore, most of the firms where managers had no prior international experience, found it very challenging to get information about international opportunities. Jeffrey Davis also highlighted the lack of international experience as a major challenge, "*no one of us had international background or contacts and the product we developed was focused on local customers' needs. We did not know international customers' requirements and their standards. Following our first international lead, we started making an investment in attending conferences abroad to learn about international markets and introduce our products there."* This shows that firms with the lack of international experience and information were also interested in international opportunities; therefore, as soon as they got the first bit of information, they became more focused on building their understanding about international markets. This also highlights that although firms lack international information, the real problem is the lack of sources available locally to access international information. For example, Billy Turner (LPA 4) mentioned that *"starting the business in the international market from Pakistan is a very difficult task, especially, when you do not have any prior experience in international markets. It is very difficult in Pakistan that you can find information about how to export services, where to export and what potential markets are for Pakistani companies."*

The data analysis also reveals another perspective of international barriers. Apart from lack of information or prior experience of managers about international markets, managers of some firms highlighted that they returned from abroad with international experience and a good understanding of international opportunities, but the main challenge they faced was accessing information in Pakistan about starting a company and procedures related to doing international business from Pakistan. For example, Carl Law (LPA 13) highlighted the aspect mentioned above and said, *"I returned to Pakistan after a long stay abroad, so adjustment back was never easy for me. I had very little information about regulations* *pertaining to the establishment of the company and all that."* Similarly, Paul Grant (LPA 1) also stated that "*A big problem, which I believe was the most important obstacle in starting a company with international operations for us, was no information available about procedures, regulations and taxes pertinent to international operations from Pakistan.*" However, it does not necessarily mean that the information is not there, perhaps the underlying challenge is the firms' limited access to information or the lack of awareness about sources of relevant information, such as Trevor Hawk (LPA 2) pointed to this aspect by saying that, *"If we need some information about international business opportunities or procedures, apparently there is no source to get such information or small firms like us have no access to these sources. Only big companies with connections in the relevant departments get to know about these opportunities."* Similarly, Billy Turner (LPA 4) also identified the identical problem and said, "*I don't say we don't have this information available, we even have departments, but they are not doing their jobs and we (entrepreneurs) don't know where we can get such information."*

The analysis reveals that the lack of information and prior international experience is an important barrier in the internationalisation of SMEs from Pakistan. Firms also highlighted the lack of information available inside Pakistan about international business opportunities and procedures in starting the international business as an important restraint.

5.2.3. Marketing Constraints

Firms face marketing barriers to internationalisation linked to their marketing functions, such as products, pricing, promotional and distribution activities in foreign markets (Moini 1997; Kedia and Chhokar, 1986). The analysis has revealed two barriers associated with international marketing functions of SMEs from Pakistan, which are high international product standards and lack of international marketing capacity of SMEs.

The analysis shows that SMEs in Pakistan struggle to invest in their international marketing activities due to their limited resources. Marvin Stevens (LPA 12) described his firm's international marketing activities as *"we lack in marketing and the major source of* *our international marketing is word of mouth. We get new clients referred by existing satisfied customers. We believe we could have achieved much more international success if we could focus more on international marketing but as I started this company as an individual so did not have enough resources to fund our international marketing operations."* Similarly, Jackie Cliff (LPA 3) also highlighted the lack of resources as a barrier to invest in international marketing activities, *"we did not have funds because if you want to do marketing, you need to have sufficient funds available for that. We have grown organically and neither venture investment, nor any other funding source was available...We are not doing anything specific to market our product to international clients; this is purely through networks."* Some firms raised that they faced the challenges with marketing at the early stage of their startup but successfully arranged resources to better manage it in the later stages of their business. For example, Alexander West (LPA 8) stated that "*Our major challenge in the start was marketing. We did not have resources to effectively market our products and services, but now we have accumulated a great wealth of network. We got our representatives in many countries and getting orders on a regular basis. This has given us sustainable growth."*

The analysis also reveals that limited resources are not the only factor behind the lack of firms' capacity for international marketing. Firms also highlighted that the lack of international experience of managers limits firms' abilities to develop their products that can compete internationally and that pushes them more towards software development services for international clients rather than introducing their own software in international markets. According to Ian Laine (LPA 15), *"it is very difficult to make products for international markets and excel with them because my international exposure is very limited, whereas marketing a product in the international market is very challenging. You need to understand the customer and then create products that best fit customers' needs. Therefore, the services business is going well because we have clients from different regions. They understand their customers' expectations and guide us about what to build and we just build for them. There are problems in that business too but less than the products."* Jeffrey Davis (LPA 21) also noted the same issue and said, "*no one of us had international background or contacts. Therefore, our existing products are developed with* *a focus on local customers' needs. We did not know international customers' requirements and their standards; therefore, they were not in mind while building out existing software solutions."*

Some firms highlighted problems with visa processing and international travel as factors obstructing their international marketing functions, which ultimately limits their customer relationship management efforts and creates barriers in international growth. According to Benny Russell (LPA 14), "*In order to get full customer satisfaction, you need to approach them, meet them and build a relationship but it takes time. Unfortunately, visa processing is very difficult for many countries from Pakistan. Therefore, we get little opportunities to personally meet our customers to discuss their feedback and do proper customer relationship management. Though we still build connections with our customers over the years, they are not strong enough."* Likewise, Scott Harris (LPA 22) shared his experience about the same issue and described, *"Some issues are big enough to do international business with a proper company. I got a few clients... now they send work consistently, but the problem is their orders are very small. I tried to visit the USA to meet our clients and market to new clients as well, but unfortunately, my visa is refused two times."*

The study has revealed that firms lack the capacity to meet international standards for their products and it is due to many different reasons, such as the lack of information about standards, the lack of resources, etc. According to Benjamin Smith (LPA 18), *"International customers don't compromise on the quality standards as we do in the local market. We launch products with a commitment to improve it during the course or later stages. However, by working with international customers, we get the chance to improve our standards and teams' as well. We get confidence that we can sell our local product to international markets as well. Moreover, we get a feeling that we have to think big as we are targeting a very small segment of the market, currently."* The analysis shows that firms lack international standards of their products and they try to adopt new standards while working with international customers. This is a risky strategy because anything that goes wrong sometimes creates more damages than the benefits of international business activities.

5.2.4. Environmental Constraints

Environmental constraints are internationalisation barriers faced by firms due to factors which are not directly linked to firms, but the larger environment in which firms operate and affect the firms' performance (Moini, 1997; Kedia and Chhokar, 1986), such as the political situation, the socio-cultural environment, etc. It is very difficult for firms to control or predict these barriers because they change rapidly. The analysis shows two main types of environmental barriers that SMEs face in Pakistan while internationalising, which are national issues and visa problems.

It is revealed by the analysis that after the 9/11, Pakistan has faced many international political challenges, such as an overall image of the country in international media was portrayed negatively. This affected Pakistani businesses negatively, especially small firms and startups engaged in international business activities. Ian Laine (LPA 15) described this situation in his case as, *"After the 9/11, the IT industry in Pakistan was in really deep problems. There were many big companies that went bankrupt and closed their operations. This was the situation when I started my company with dismal time but with a hope for good. However, just like any other business we also struggled during that time."* Donnie Earl (LPA 10) also related himself to national challenges and highlighted another identical issue, *"The brand of Pakistan in the international market is not very strong. People do not remember Pakistan for good reasons and there is a lack of awareness about the potential of the IT sector in Pakistan in the global market. In short, starting international business in Pakistan is not very easy and you face many challenges."*

In addition, firms also highlighted that Pakistan has a very volatile political and economic environment and it has direct impacts on business operations in foreign markets. According to Marvin Stevens (LPA 12), *"there is a lack of overall political and economic stability in Pakistan for many years, in fact for decades [democracy vs dictatorship]. When the whole system is changed, it brings new policies nationally and internationally, which affect our business. You know one day our currency exchange rate is different and the other day it is completely changed. This creates uncertainty and we do not know what* *to do and what rate should we decide with our international clients."* Due to the national volatility of the country, firms find it very challenging to attract and retain international customers. Will Miller (LPA 7) also shared a similar experience, *"Working for international customers is not easy from Pakistan, and people from abroad don't have good knowledge about our country. Our country's situation makes it very hard to find clients, build trust and start a long-term business relationship. This limits our capabilities to market our services in the international market."*

The visa issues are also highlighted by firms as a big environmental barrier to internationalise. According to Billy Turner (LPA 4), *"When you are a Pakistani company and want to enter into the international market, you normally face so many problems which are even not directly linked to your business, instead related to your overall country. I applied my first visa to travel to the UK and it was rejected even though I had enough funds in my bank and fulfilled all the requirements. This is faced by almost every other Pakistani because the international community somehow does not have a good image of Pakistan."* A very similar experience is shared by Trevor Hawk (LPA 2), *"I personally needed to visit a client in Bangladesh. Even though Bangladesh is not a developed country as compared to Pakistan, my visa was refused straight away. It left a very bad image on my client. I wanted to approach relevant people in foreign ministry but had no one to talk about this problem."* Walter Edwards (LPA 6) described this problem as, *"Pakistan has a very bad international image and I never had travelled abroad before starting my company, so it was very difficult to find good clients and retain them at the beginning of the business."* The analysis reveals that firms with travel limitations cannot approach their customers at their door-step, and therefore have to build relationships at arm's length, which makes it difficult to manage business across borders.

5.2.5. Governmental Constraints

Governmental constraints are the actions taken by the home government related to international business activities of firms. The analysis reveals five different types of internationalisation barriers faced by SMEs due to actions of the government, which are problems from different governmental agencies, lack of support from the government, the absence of a comprehensive policy for the sector and issues related to taxation. According to Paul Grant (LPA 1), *“government departments do not provide needed support to IT firms. If I am facing some problem, I don’t know if there is any governmental forum that can provide me with the necessary information to deal with that... I tried to look at information from different government agencies, but the information, which I got, was too generic and rarely helpful.”* Paul Grant (LPA 1) further identified the reason behind this lack of support and stated that *“the problems are because of the lack of clarity in the government's policies about the IT sector of Pakistan.”* The lack of cooperation by governmental agencies creates barriers for firms to effectively manage their businesses across borders. SMEs identified many challenges related to internationalisation procedures and firms’ operations, which are directly caused by governmental agencies. According to Donnie Earl (LPA 10), *“as our business is expanding across borders, we face many problems from different agencies. Such as, when the size of our payments grew, our troubles increased because people from the tax department started trolling us. We never hide anything, but the tax system of Pakistan is fundamentally flawed. If you are not paying tax, you are fine, but if you start paying you will be in trouble because many times they impose a very heavy tax even more than what you have earned to balance their books and then we get our over-charged tax refund after incurring the legal cost and wasting quality time.”*

Besides direct problems, firms also face internationalisation hurdles due to lack of coordination between different governmental departments. It increases the time and effort of firms spent to access information, resources or necessary support for their business. Sometimes the level of efforts needed makes these available resources unattractive for SMEs because of the lack of human resource to spend time on that. For example, Marvin Stevens (LPA 12) explained that *“there are so many different governmental agencies, and everyone interferes with our business. It is very difficult to confront them, and it is very costly and complex to meet the demands of all the agencies. I normally say they should stay out of our way if they want the industry to flourish and bring international earning in the country.”* Firms also described that due to the lack of coordination between different governmental departments, they usually lack awareness about other departments' policies. Sometimes staff working at the ground is not aware of the changing policies and regulations. However, SMEs suffer most due to the lack of coordination among governmental agencies. Trevor Hawk (LPA 2) shared his experience in this regard and stated that "*when we started international activities, suddenly someone came to my office from the tax department and served a notice of tax. It was extremely distressing. I even asked him, why this notice? because my company does not have any local business. All our revenues come from international clients and there is no tax on international earnings. He probably did not know that or did not want to hear me. The case was closed after the waste of time, effort and money just to visit offices and courts to close that case. These kinds of things are time-consuming and distract our focus from the business because being a small firm we cannot afford to have a fulltime legal team."*

The IT industry in Pakistan is evolving and many things are happening, which never happened before. New regulations are being created and the government is trying to control the industry with regulatory reforms. However, the lack of expertise of government officials and flaws in regulations are creating additional challenges for firms. For example, Walter Edwards (LPA 6) stated that "g*overnment was never favourable for the industry and it is very difficult to deal with different governmental departments...there was also a case where FIA had wrongly implicated a software entrepreneur in an illegal exchange."* In addition, rapidly changing regulations add more complexity and firms have to update their knowledge about changes frequently. Marvin Stevens (LPA 12) explained that *"we face many problems in Pakistan that directly affect our business abroad. Like we are continuously being challenged by changing government regulations and new taxes are imposed after every budget. Our business comes from international market and we have to stay up to date with government rules and regulations because any small mistake or ignorance can damage our whole business."* In the same way, Charles Rhodes (LPA 9) also noted that frequent changes in government policies create unnecessary hurdles for firms to operate internationally. He stated that *"the overall environment for the business community in Pakistan is not very supportive. There is a lack of support from the government. The most challenging issue for us is regularly changing tax policies and* *when they are suddenly introduced without any inputs from the industry, it damages our whole business and contracts."*

The analysis shows that firms suffer from sudden changes in government policies if they are developed without any consultation process or inputs from IT firms. It creates panic in the industry and SMEs struggle more than big companies. Big firms can always absorb such shocks and even get access to information through their connections. Small firms struggle because mostly they lack connections to get access to information and even their owners are so much busy in managing operations due to the lack of human resource and could not find time to network or research policies regularly. It also reveals that sometimes the government has resources reserved for firms but just because of complexity in the system and lack of coordination between different agencies; make it very difficult for SMEs to access those resources.

5.2.6. Procedural Constraints

Barriers related to international operations of firms are called procedural constraints (Moini 1997; Kedia and Chhokar, 1986). The analysis shows that firms identified constraints pertinent to complex international procedures and the lack of communication about international procedures. This analysis shows that SMEs lack information about international procedures or have limited access to that information and it is highlighted as a major hurdle in their international operations. According to Paul Grant (LPA 1), *"A big problem, which I believe was the most important obstacle in starting a company with international operations, was no information available about procedures, regulations and taxes pertinent to international operations from Pakistan."* Some firms even identified the lack of knowledge of core business functions in the perspective of international business as a challenge for them, such as Thomas Joyce (LPA 20) stated that *"I had no idea about team building, what products are needed internationally etc. Starting a company is not very difficult, but the problem that we face in Pakistan is the lack of information available about procedures and even about basic functions."* However, the problem is not only linked to the lack of information. It is also revealed in the analysis that information is available, but it is difficult for SMEs to access that information. According to Trevor Hawk (LPA 2), *"I think there is a big communication gap between the government agencies and the IT firms. If we need some information about international trade or procedures, apparently there is no source to get such information even if the information is there."*

Besides information about internationalisation procedures, the analysis shows that the complexity of procedures is also a hurdle for SMEs in Pakistan. In order to be successful in international markets, firms need to understand the procedures and manage effectively. According to Walter Edwards (LPA 6), "*regulations related to international business are very complex in Pakistan and firms need to have good prior experience to successfully manage business abroad."* Firms also identified complex procedures related to international transactions as a challenge for SMEs in operating internationally. IT sector in Pakistan is an emerging industry and procedures are evolving with the industry's growth. However, managing international transactions is still a major barrier, especially for small firms. According to Benny Russell (LPA 14), *"there are many complications in operating internationally from Pakistan. For instance, we realised when you need to send money abroad, it takes ages to get procedural approvals because of problems with the balance of payment being faced at the national level."*

Complex procedures related to international transactions have detrimental effects on firms' ability to manage operations abroad because many challenges related to international business are interlinked. For example, Allen Lake (LPA 17) shared his experience of internationalisation and highlighted the link between different procedural challenges faced by SMEs. He stated that *"I wanted to visit Canada to market my services, but I couldn't get the visa. Therefore, I hired a Canadian national as my sales representative there to take care of my business operations. I did not know, but when I needed to send the salary to my employee there, it was a very complex procedure. It is easy to bring money in, but when you need to send money abroad, you first need to send money to State Bank, if they approve then money is converted, and the procedure takes 2 to 3 weeks."* This complexity of procedures coupled with other challenges like visa issue makes it very difficult for small firms to compete with other international firms. Even big firms with resources and a better position to overcome these challenges can create strong competition for small firms abroad.

5.2.7. Task Constraints

Barriers related to competitors and customers abroad are called task constraints (Leonidou, 2004). The analysis reveals that SMEs face task barriers related to competition in international markets. IT firms from Pakistan face strong international competition based on cost factors. According to Paul Grant (LPA 1), *"while operating abroad, you have to give the best price and best results to your clients. Or else, you cannot survive in the tough competition, most importantly, when you are targeting a country like the USA. Your prices should be reasonable, and your quality should be the best."* The international market is very competitive, especially for firms in IT services because IT companies from different countries compete to win contracts. In addition, more competition is added by different freelancing platforms where firms can hire international workforce with easy to manage online tools. Marvin Stevens (LPA 12) identified this issue and stated that *"major competition for us in the international market is on cost because other countries like Bangladesh and India are providing low-cost solutions and we need to remain cost-effective for customers to attract more business."* The analysis shows that factors creating task constraints for firms are also linked with other barriers faced by SMEs. SMEs that fail to get a visa and internationalise abroad normally turn to Middle Eastern markets to initiate their international operations but again these markets are also very competitive. For example, Scott Harris (LPA 22) stated that *"I tried to visit the USA to hunt potential clients, but unfortunately my visa was refused two times. Then I decided to visit UAE. I got the visa and made some good leads there. However, competition is also high in UAE because companies from Philippine, Bangladesh, Vietnam and India compete on price."* Similarly, Will Gilmore (LPA 5) also highlighted the potential of Middle Eastern market and challenges linked to that, *"although, the Middle Eastern market has significant potential, there is also strong competition among players because it is very close to Asian countries like India, Philippine and Bangladesh. Therefore, labour supply from these* *countries is relatively easier in the Middle East than in the USA. In this situation, the price is a big concern along with quality because the competition is high."*

Different challenges faced by SMEs increase their cost of business and have damaging effects on their international competitiveness. This again shows that challenges of SMEs are interlinked, and overall firms face barriers on multiple dimensions. Allen Lake (LPA 17) stated, *"due to the lack of good workforce, I hired experienced staff by offering them a large number of perks. This significantly increased my cost of business and damaged our competitiveness in the international market, because people from the Philippine, India and Bangladesh offer very low prices." Similarly,* Benny Russell (LPA 14) noted that *"when we received our first international client, we thought we have cheaper manpower and can provide services in low cost, but our human resource was not experienced enough to handle latest technologies being used in international projects. We had to outsource many elements of our project to experienced people, but it reduced our profits significantly."* It also shows that firms sometimes overestimate their capacity to handle international contracts but struggle to meet customers' expectations. This creates extra burden and increases their costs significantly.

5.3. High-power actors of SMEs

This section presents data analysis and findings to identify high-power actors of SMEs. Power in relative terms is used to identify the high-power actors and the selection framework is developed on the basis of Hofstede et al. (2010) and Emerson (1962). According to the framework, a firm is considered a low-power firm and its counterpart a high-power actor, if their relationship fulfils three conditions, which are: 1) the firm is dependent on another organisation and exchange terms are solely or forcefully decided by the partner organisation; 2) the firm does not have the capacity to terminate the relationship or afraid to do so; therefore accepts the exchange terms; and, 3) the firm prefers to establish exchange relationship with collaboration and mutual consent. Based on these conditions, firms' relationships with different partners were analysed and then the cross-case analysis is conducted to separate high-power actors, which were most repetitively identified. Following this analysis, four high-power actors are identified for the purpose of this study, which are the business association of IT firms, the government, higher education institutions, and telecom service providers.

5.3.1. The business association

Based on the responses of SMEs, we have identified the business association of IT firms in Pakistan as an important high-power counterpart of SMEs. Figure 4 shows SMEs that identified the business association as their high-power counterpart. SMEs depend on the business association to access important resources and achieve different objectives. The business association provides information, capacity development initiatives, networking opportunities for SMEs. It helps SMEs to take collective actions against external organisations and achieve common success for the whole industry. Thus, SMEs use the business association to build networks, get information, deal with external organisations, find business leads and market their products. Broadly, SMEs use the business association to deal with their all micro and macro barriers to internationalisation mentioned above and to deal with other high-power counterparts.

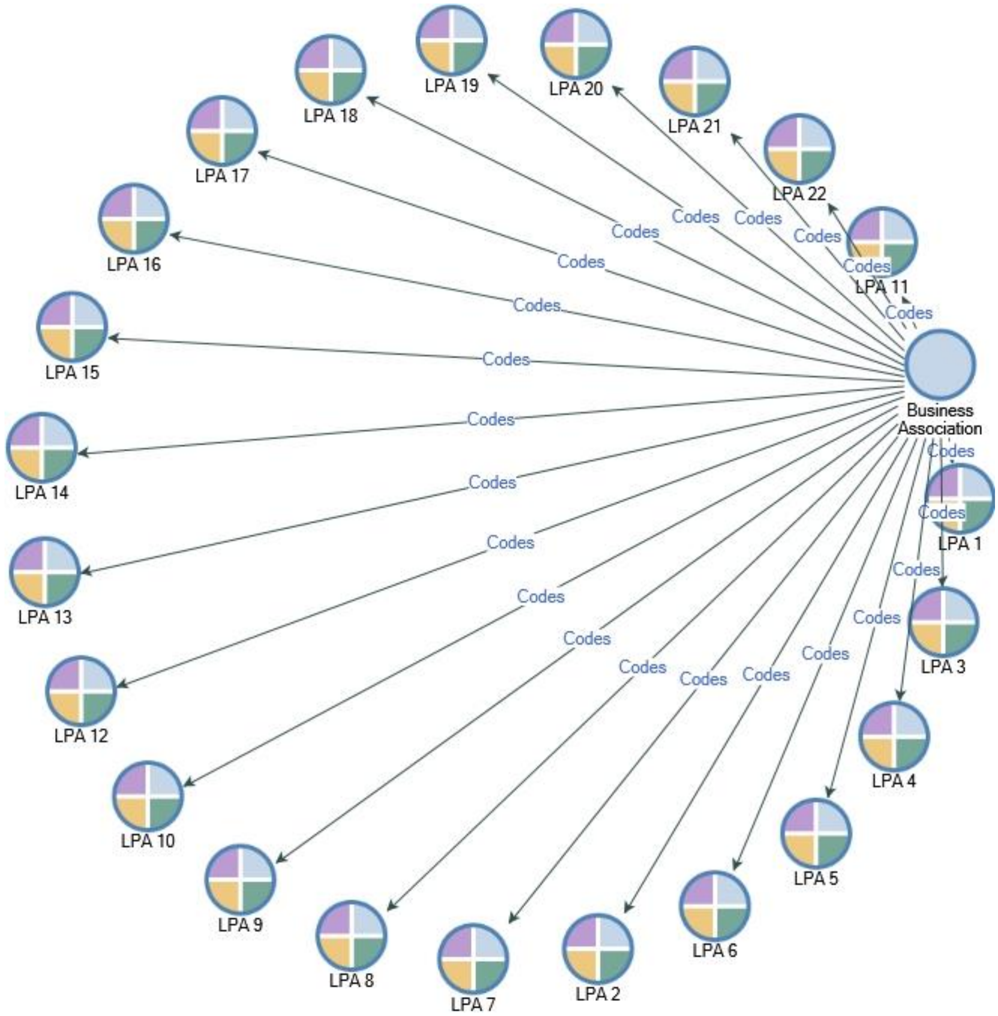

Figure 4: Dyads between the business association and low-power firms

As the business association represents all firms in the IT industry of Pakistan, including SMEs and large firms, SMEs believe that large firms can potentially take over the control in the association to achieve their agenda and leave the SMEs to face challenges. Large companies can use their influence to lead the association, highlight their issues as the industry's problems and create resources, which may have importance for large firms but no value for SMEs. However, firms do not want to terminate the relationship with the industry because it may completely isolate them in the industry. Therefore, I have regarded the business association as a high-power counterpart of SMEs.

	HPA identification criteria		
	(1) The *focal firm is dependent on another organisation and exchange terms are solely or forcefully decided by the partner organisation.	**(2) The *focal firm does not have the capacity to terminate the relationship or afraid to do so; therefore, accepts the exchange terms.**	**(3) The *focal firm prefers to establish an exchange relationship with collaboration and mutual consent.**
Business Association	"BA is also working in the image building of Pakistan." (LPA 3) "This is a very good forum to have lots of exposure and information about what is happening in Pakistan and what are the government policies for the software industry." (LPA 1) "I got the contacts through members of Business Association, which were very helpful to get investments and finances." (LPA 12) "It is also very effective in dealing with the government." (LPA 13) "I attend their regular seminars, CEOs Meet-ups and conferences and try to develop a connection with other members. It also helps me to learn and identify new opportunities. (LPA 10) "When I joined, I thought it is just like any other association controlled by a few big players and being used by them to pursue their own agenda, but it is not." (LPA 22) "People said the association is about big companies and the decision making is always between big companies...people said it's just a	"Without Business Association, I don't think that the government will ever listen to our concerns." (LPA 5) "Business Association has helped me to build links that I have developed by being connected. I have drawn a lot of value from it. Otherwise, I could not." (LPA 6) "The business association is a platform where players from the IT industry can gather and take collective measures." (LPA 18) "We joined the association just as a formality in the start but now after few years as members we have realised that this is very valuable. Maybe not effective to help individual members but it is a very strong body to help whole industry prosper. Through this association, many steps have been taken that I believe firms in their individual capacities cannot achieve" (LPA 22) "I don't think we can achieve all the things without the	"All the members of the business association are very helpful. They are working collaboratively for the overall growth of the IT sector." (LPA 11) "Like other industries (such as textile and poultry) that have very strong associations, we also need to have a very strong association." (LPA 8) "The best thing about our association is that any company can participate in the election and if people in the industry trust them, they can get votes and lead the industry. This gives every member a unique position and everyone feels equally important and engaged." (LPA 1) "We used to believe that it is controlled by a few big players in the industry. We have joined recently and noticed that it is not as we

	group of friends." (LPA 6) "we were not foreseeing any benefits in the past... Generally, from SMEs perspective, the association does not have a good reputation. (LPA 8)	business association. Our association is the backbone of our IT industry and you can say that it creates opportunities for all IT companies." (LPA 19)	expected." (LPA 21)

Table 5: Firms identifying the business association as an HPA

5.3.2. The government

Second, SMEs identified the government as a high-power actor. The data analysis shows that all the SMEs included in the sample recognise the government as their higher power counterpart. Figure 5 shows SMEs that identified the government as their high-power counterpart. SMEs depend on the government for different resources that include information, infrastructure, subsidies, regulations, marketing and tax matters. They believe that the government and its different agencies create regulations, set rules and even design support packages without any consultation with firms. This makes internationalisation a challenge for firms because they have to comply with rules and pay imposed taxes. It increases their cost of doing business and weakens their competitiveness against other players in the international markets. Moreover, SMEs cannot directly confront the government due to their small size and less power. It does not mean that firms do not want to pay taxes or follow the rules; rather they just want that these regulations must be developed after consultation with the industry. By working together, SMEs and the government can achieve their objectives more effectively and design better solutions that suit the needs of all stakeholders. Therefore, I have regarded the government as a high-power counterpart of SMEs.

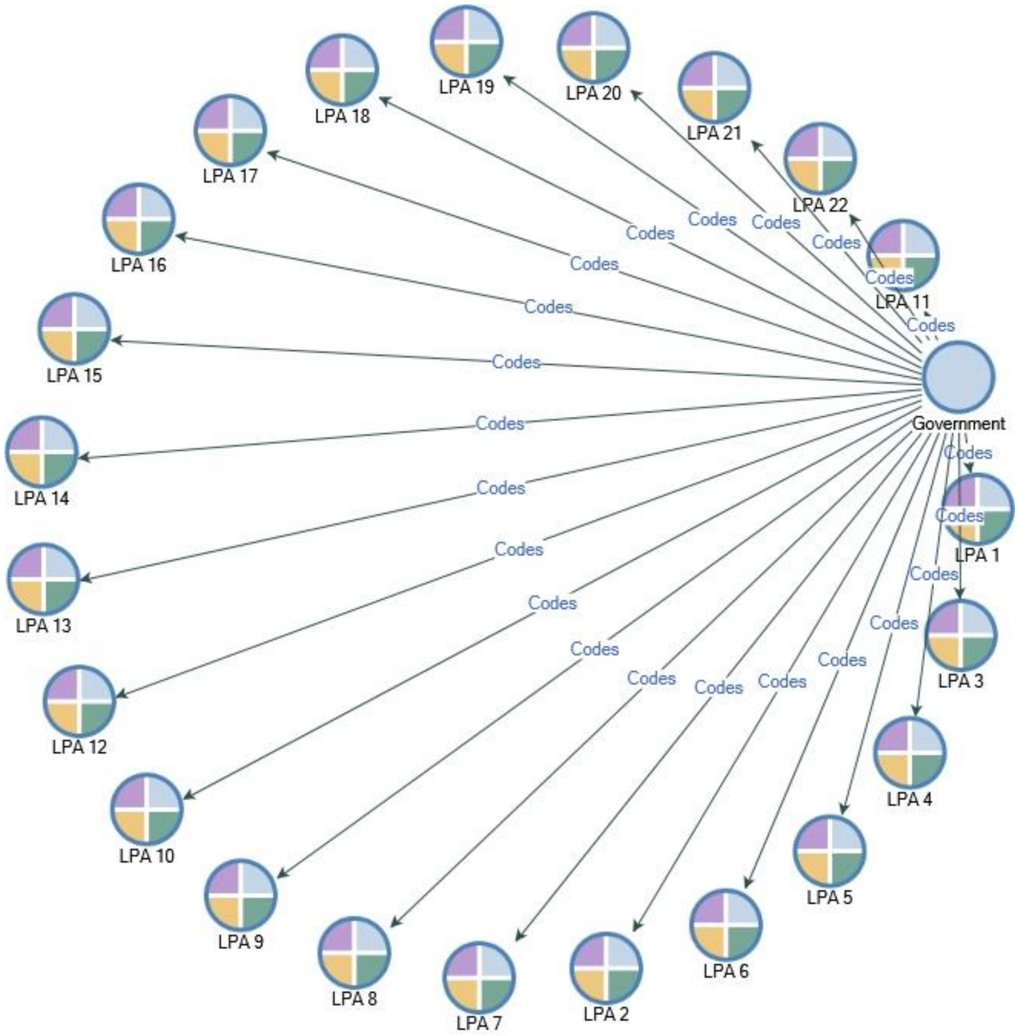

Figure 5: Dyads between the government and low-power firms

	HPA identification criteria		
	(1) The *focal firm is dependent on another organisation and exchange terms are solely or forcefully decided by the partner organisation.	**(2) The *focal firm does not have the capacity to terminate the relationship or afraid to do so; therefore, accepts the exchange terms.**	**(3) The *focal firm prefers to establish an exchange relationship with collaboration and mutual consent.**
Government	"Infrastructure provision is the responsibility of the	"We cannot confront directly with the government." (LPA 3)	"We need support from the government in tax rebates and

	Government" (LPA 3) "The government agency is offering a considerable subsidy to IT firms to participate in international events and present their work. I have used that facility in the past." (LPA 10) "Recently the government has introduced a range of measures to support IT sector." (LPA 14) "We believe, the government's support will allow us to stay more competitive in the international market and bring more earnings in the country." (LPA 13) "Government policies, mostly create so much complexity that I generally say if the Government keeps itself away and do not interfere with our businesses, we will be very happy." (LPA 3) "Government does not listen to small companies like us." (LPA 1) "Many companies are facing problems from [Tax department], as they send you to notice at a just 11th hour and they withdraw money from your account". (LPA 8) "Government policies change very frequently, and IT firms were not involved in the policy-making process." (LPA 7)	"Nothing is going to happen. The government does not care about you". (LPA 6) "Dealing with the government is always a very difficult part; especially changing tax regulations is a big problem." (LPA 8) "It was never possible for firms to influence the government to change mind and remove the extra burden of taxes." (LPA 2) "There are so many different departments, and everyone interferes with our business. It is very difficult to confront with them." (LPA 12) "I think we cannot achieve robust growth without the government support." (LPA 1) "I think firms like mine cannot directly deal with the government and neither have we time because we are very busy to achieve business sustainability. (LPA 14) "Anyone who has power tries to exploit others and the same thing is true for the government. Every now and then they try to increase taxes and harm businesses. (LPA 4)	other forms to achieve high growth rate targets. This will also be beneficial for the government as well. We need to sit together" (LPA 1) "Most of the issues that I was facing need strong government support, but no one gets our inputs" (LPA 4) "I think it would be great if the government and the business association work in collaboration for the IT sector growth. It would be more helpful for people who are entrepreneurs and moving to other international markets." (LPA 7) "If the government's policies cannot assist us in the growth of our businesses, then at least they should not create hurdles for us. For example, there are many companies who are facing problems from the tax agency, as they send you the notice at the 11th hour and withdraw money from your account without noticing that we will have our whole cash flow troubled." (LPA 8)

Table 6: SMEs identifying the government as an HPA

5.3.3. Higher education institutions

The analysis shows that SMEs also identify the higher education institutions as the high-power actor. Figure 6 shows SMEs that identified the higher education institutions as their high-power counterpart. Firms recognise human capital as their most important resource to successfully operate in the global IT industry. Higher education institutions provide training and develop human resource in the form of graduates for firms. However, unlike big companies having a strong human resource department and huge training budgets; the lack of resources limits the SMEs' ability to invest in the training and development of their employees. Therefore, they have to completely rely on the capabilities and skills developed in the students by higher education institutions.

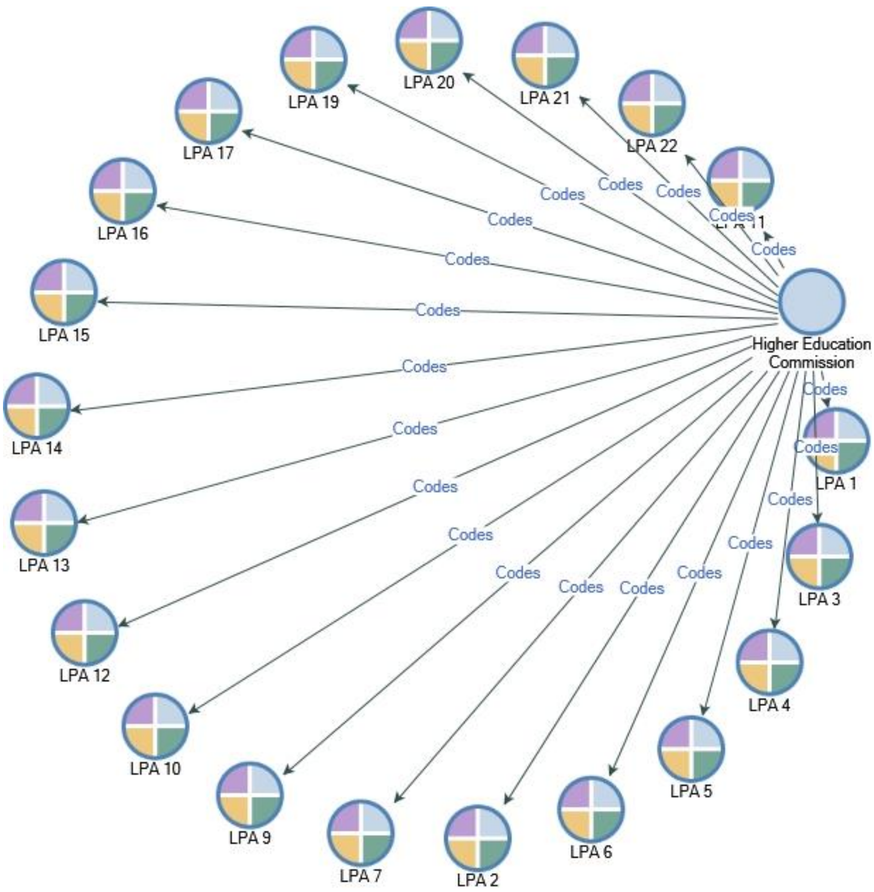

Figure 6: Dyads between the higher education institution and low-power firms

On the other hand, the quality of programs offered in higher education institutions in Pakistan is still not up to the international standard. Few firms even made serious attempts to establish a collaborative relationship with educational institutions and help them update their courses and content according to international standards. However, they could not achieve success in this regard because the basic curriculum in Pakistan is defined at the national level by higher education commission and firms did not have any way to reach concerned department in their individual capacity. They also believe that no one in the commission will consider their recommendations. Nevertheless, SMEs demand that higher education institutions must involve firms in the development of programs because firms are the ultimate buyers of their output in the form of graduates. Hence, I have selected higher education institutions and commission as the high-power counterpart of SMEs.

	HPA identification criteria		
	(1) The *focal firm is dependent on another organisation and exchange terms are solely or forcefully decided by the partner organisation.	**(2) The *focal firm does not have the capacity to terminate the relationship or afraid to do so; therefore, accepts the exchange terms.**	**(3) The *focal firm prefers to establish an exchange relationship with collaboration and mutual consent.**
Higher Education Institutions	"I believe in the potential of this industry in Pakistan. We have one of the best human resources in the world and most importantly the cost of hiring someone in Pakistan is much lower than many competing countries like India for the same level of expertise. But our education system is still far behind the international standards, and we are not producing the quality of graduates in IT." (LPA 1) Though I was able to hire fresh	"I don't think it is possible for small firms to collaborate with universities. Maybe some big companies have that scale to negotiate and deal with university management." (LPA 2) "I found it very difficult, so I just stopped wasting my time there because it is very hard for a small company to bring any big change." (LPA 1) "Bringing change to the higher education courses or training is	"We need to focus more on updating our degree programs, introduce innovative technologies and train our academics in international environments." (LPA 11) "Universities should add that specific subject in their curriculum so that we can get well-trained people rather than we hired people and trained them later on." (LPA 9) "Universities need to review their policies and curriculum

	graduates easily, they did not have the quality mostly needed for projects being done at international standards. (LPA 5) "In Pakistan, you have to work with young graduates because hiring experienced people from the start of business is not cost-effective." (LPA 17) "The syllabus and facilities in universities are not up to date with international standards, and by the time we have a graduate, the technology in the market has been changed already." (LPA 1) "Unfortunately, our universities do not put great efforts in their graduates, and they know very little about international standards and a good understanding of development practices." (LPA 2) "Many firms have tried to engage universities to update their course content, but unfortunately they did not get any success because it is very difficult to reach concerned people in the universities. Even if they reached, sometimes, they said they could not do any major changes in the courses because guidelines are prepared at the national level in higher education commission." (LPA 22)	very difficult unless something comes from the top level. They don't care as it is based on a very strong bureaucratic structure." LPA 12) "Many new companies are emerging. However, it has a big burden on hiring new people because there is a big demand for IT professionals, but new IT graduates are not well trained. Even it is very costly for startups to hire experienced people and therefore, they rely on untrained fresh graduates." (LPA 20) "Personally, I don't have any connections or links to influence the higher education institutions. I really don't know how we can do this... That doesn't mean I have not tried. I regularly participate in job fairs organised by universities and always encourage them to contact us and offer my help in curriculum development, but no one contacts back." (LPA 13)	development. They should update it." (LPA 2) "I think efforts to collaborate with industry should come from universities because we are hiring their students and if they develop better curriculum, their students will have better prospects." (LPA 13) "Higher education institutions directly do not listen to us, so the best way was to meet with the management of Higher Education Commission and convince them to update their courses." (LPA 14) "The training need can significantly reduce if universities will consult with industry and train students with skills required in the market. This is not a onetime activity; they need to stay up to date with the latest technologies and emerging demand." (LPA 19) "We need to encourage universities to produce more graduates with computer science training and offer more computer study programs. We have a large young population and it needs to be adjusted in this side." (LPA 20)

Table 7: SMEs identifying the higher education institutions as HPA

5.3.4. Telecom service providers

IT firms provide different solutions, and most of these services are provided online or developed using online resources. For that reason, firms need different telecom and data services to develop and deliver solutions to their customers. They acquire these services from telecom service providers, who charge them based on the amount of data consumed. Big companies can easily negotiate better prices for data services because they buy in bulks. However, SMEs suffer and end up paying more for each unit of data used as compared to any large company. Due to their small scale, SMEs do not have the access to the management of telecom service providers. Prices and conditions are defined by the service providers solely and firms have to buy at the offered price. If they don't want, they can leave the deal and buy from some other local service providers, who offer less expensive but low-quality data services. Due to the sensitivity of their business, SMEs avoid buying from small scale-service providers. Therefore, they pay a higher price for the data as compared to big companies, and this ultimately affects their cost effectiveness. Many firms in my dataset have identified telecom service providers as their high-power counterparts. Therefore, I have also regarded the telecom service providers as high-power actors (Table 8). Figure 7 shows SMEs that identified the telecom services provider as their high-power counterpart.

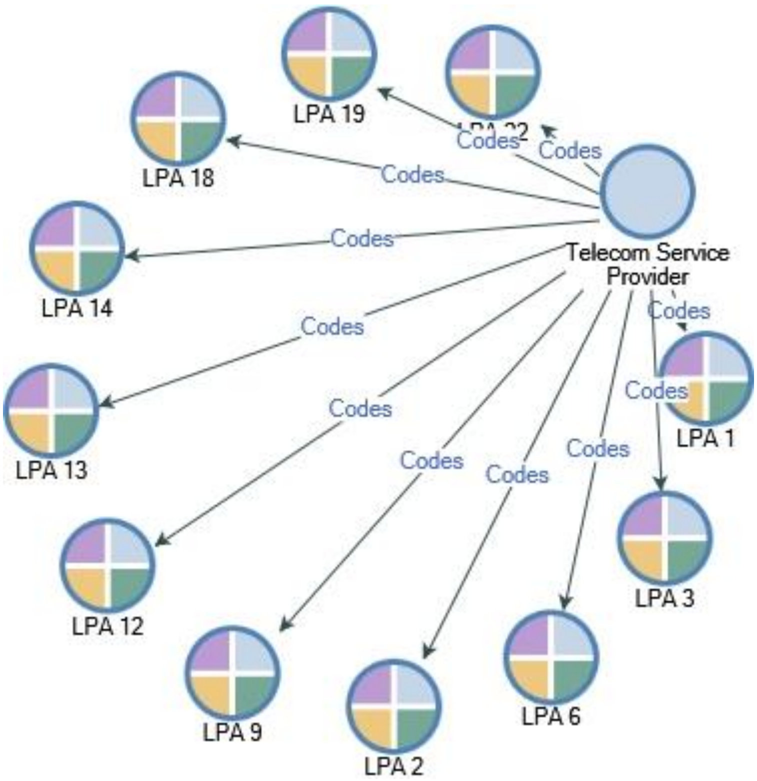

Figure 7: Dyads between the telecom service provider and low-power firms

	HPA identification criteria		
	(1) The *focal firm is dependent on another organisation and exchange terms are solely or forcefully decided by the partner organisation.	**(2) The *focal firm does not have the capacity to terminate the relationship or afraid to do so; therefore, accepts the exchange terms.**	**(3) The *focal firm prefers to establish an exchange relationship with collaboration and mutual consent.**
Telecom Service Provider	"Besides human-related costs, our major expense is paying data services" (LPA 1) "We compete on cost and every bit of extra cost significantly damages our international competitiveness. One of the key costs is internet expense, and we pay commercial	"This is a take it or leave it situation. If we can afford it, we can buy, but if we cannot afford it, we have to look for other options, and normally they are very poor in quality." (LPA 1) "Small companies have to	"We cannot afford to buy large packages and usually have to rely on expensive service or choose other service providers with poor quality services. In any way, we struggle, and it hurt our potential and capacity to

	prices." (LPA 12) "The telecom sector in Pakistan is dominated by a few big players and they charge very high prices for commercial packages. They normally offer a range of products and determine prices based on the total amount of data usage." (LPA 1) "We were facing a problem that internet companies were charging a very high price to small companies as compared to large firms." (LPA 14) "Telecom companies do not offer negotiated prices, they have plans, and they vary depending on data and prices for those plans." (LPA 1) "We receive internet packages very costly." (LPA 2) "They used to charge very high from small firms... In the past, they never gave us the opportunity to negotiate and always set prices without consultation from firms." (LPA 12) "One of our key cost is internet services and we pay a very high cost for that and this is normally a lot more than what big companies pay because of their scale of contract." (LPA 22)	rely on the prices offered because internet companies do not negotiate with us." (LPA 12) "We are not big enough to be important for these companies." (LPA 2) "We receive very expensive data packages from telecom companies as compared to big IT companies." (LPA 19) "Small firms usually get fixed prices and have to pay or go for other options. This is because of the monopoly in the telecom industry." (LPA 22) "[MOU with the Telecom service provider] was difficult in individual capacities because these organisations are too big to deal in individual capacities. It was not possible for small firms in the past to influence their decisions and they were setting their terms and all the firms had to follow them." (LPA 6)	handle international orders. They demand, competitive prices with guarantees of timely completion." (LPA 1) "Many companies offer different prices for different levels of the package. Big companies successfully negotiate a better price for them, but they are not flexible towards small firms" (LPA 12) "we use internet data and the cost that we pay for internet services is much higher than what many large companies pay. This is because of the dominance of a few players in the country. They set their own prices and charge a premium from small firms like us without any bargaining. We must get the chance to negotiate like big companies, but unfortunately, we don't." (LPA 9)

Table 8: SMEs identifying the Telecom Service Provider as an HPA

5.4. Dependency management strategies

In previous sections, I identified challenges faced by SMEs in internationalisation and high-power actors on which SMEs depend to overcome these challenges. The power imbalance creates uncertainty for firms. This section will present findings related to strategies used by SMEs to manage their dependencies on higher power actors. As we have already identified four main high-power counterparts of SMEs (the business association, the government, higher education institutions and telecom service providers), we will only focus strategies used by firms to manage their dependencies, particularly on these four high-power actors. It gives us four case scenarios, and each case scenario includes one high-power actor and its corresponding lower-power firms. Further, the analysis is done on 75 dyads formed due to the relationship of 22 low-power firms with their corresponding high-power actors. We used matrix analysis to analyse strategies used by low-power firms to manage dependencies on their high-power counterparts in each dyad. Findings are summarised in table 9.

Low-power firms	**High-power Actors**			
	Business Association (BA)	**The Government (GOV)**	**Higher Education Institution (HEI)**	**Telecom Service Provider (TSP)**
LPA1	"Anyone can participate in the elections…everyone feels equally important and engaged."	"we have to use resources at BA to deal with the GOV."	"BA actively pursued this issue with HEIs."	"BA was very helpful."
LPA2	"BA is a democratic organisation."	"BA allows all firms to collaboratively pitch all of our problems to GOV."	"BA is the right platform to collaborate as a group with them."	"through BA we are negotiating with TSP."
LPA3	"Through BA we are part of a community… IT has regular elections and all members have the right to compete for a position in the Central Executive Committee."	"We have fought a lot from the platform of BA...because we cannot confront directly with the GOV."	"Another good example of the success of BA is engaging the higher education commission and HEIs."	"We negotiated with them through BA...It was not possible without BA, because these companies are too big."
LPA4	"we were having a belief that just like others, our BA is	"Through BA we can negotiate with the GOV	"Through BA we are pushing our government	N/A

	also led and controlled by large companies and there is no room for small firms, but when we joined, we realised, small firms can really make a difference."	and other agencies as one unit."	to take measures that can result in an increased supply of skilled employees in the country."	
LPA5	"BA is providing a platform to network and after meeting, again and again, we actually come close to each other. Members start to know and trust each other."	"Others block roads to pressure GOV, but we cannot do that. The only way we are left with is to have a strong BA to influence the GOV."	"we raised the issue regarding quality of fresh university graduates several times in BA's meetings and invited HEIs"	N/A
LPA6	"I thought BA was not being serious about some issues. I came in and made sure that they get serious about it...I contested elections and became chairman."	"Besides, negotiating with the GOV on policies and regulations...We also got a board position for PASHA in a GOV agency."	"We got our BA's representatives in the curriculum development committee."	"Recently, we have signed an MOU with one of the leading TSP and got discounted price for all the members of BA."
LPA7	"BA is a non-profit, made to benefit the industry.	"BA allowed the firms to work with the GOV and negotiate policies in their favour."	"BA is doing efforts towards this and many times invited people from HEIs to discuss education standards."	N/A
LPA8	"We joined BA because of my friend who encouraged us to join and support him. He asked many small companies to join and later, he became chairman."	"After lots of efforts, GOV brought the tax down with the help of BA and more specifically, efforts of my friend."	N/A	N/A
LPA9	"BA is a forum that brings all people at one platform where we can sit together and share our experiences."	"The GOV support was not in the past, but because of our BA, the whole industry emerged as an important sector and jointly dealt with	"We have used the forum of BA to talk with HEIs and higher education commission."	"There is the dominance of few players in the country. Therefore, industry leaders decided to use the

		the GOV."		forum of BA to talk with TSPs."
LPA10	"In our BA more members are small companies and in fact, we have greater power because everyone has an equal vote when it comes to elect leadership."	"BA has dealt with GOV for a tax rebate, a support package for IT companies and several other benefits."	"BA has invited an important person from higher education commission in CEO meetings and now we also got a representation of the industry in a committee that will review education issues for IT."	N/A
LPA11	"All members in BA are very helpful and they work like a one family unit. They are working collaboratively for the overall growth of the IT sector."	"Our BA is trying to push GOV departments towards this and few good initiatives have already started appearing."	"We are trying to combine our needs and approach concerned departments with industry level approach."	N/A
LPA12	"After the regular interval, we have elections to select new management team and each member has an equal say with one vote irrespective of the size...not one firm can change anything."	"The BA is negotiating with the GOV and has experienced members to discuss various issues."	"I heard some news that BA is putting some efforts into it and trying to collaborate with concerned institutions to set high standards of graduates."	"Recently we have finished negotiation with a TSP and finalised a very favourable deal for the industry."
LPA13	"BA builds trust because all the members, large or small firms, have equal participation with transparency. This is very necessary because it allows all members to support and get support."	"BA's Chairman is the member of different GOV's agencies' board and has a good say in the policies. I don't think they can give the same power to each firm because there are so many firms."	"Recently, one thing has been initiated through BA that they invited some people from HEIs to speak with industry members. We all raised our issues and concerns and a first good step is taken towards this long journey."	"BA has signed a deal with TSP for a discounted price of CIRC bandwidth. Now all BA members can get discounted price."

LPA14	"In order to create team effort, first you need to combine the interests of everyone and bring all the players on a single platform."	"I think firms like mine cannot directly deal with GOV and neither have we time... Big firms may be able to directly deal with the GOV, but for our small companies the only way is through BA."	"HEIs directly do not listen to us, so the best way was to meet with management of higher education commission and convince them...we raised this issue at the platform of BA and encouraged our industry leaders to use a combined approach to deal with this."	"See this is the power of unity, the same company is offering us a highly discounted price, which used to offer very high. I won't say they are in the loss; they get more customers because now more companies will buy their packages."
LPA15	"BA elects its executive committee's member with democracy and votes, but I think the real difference is due to the transparent election process."	"BA has lobbied on behalf of all members to get tax exception from the GOV."	"BA did some work with the concerned GOV agencies and HEIs regarding upgrading the education system according to international standards."	N/A
LPA16	"BA has built an environment based on trust and it did not happen in days."	"One of my main intentions to join this union was to approach GOV and other policy-making bodies in Pakistan."	"This is something beyond individual firms' power; however, an industry level combined approach is proving very effective to deal with this."	N/A
LPA17	"This is something only BA can do and not possible for individual firms alone."	"The GOV needs to play its role and we are lobbying through BA for that."	"BA has organised collective talks with universities and the GOV to stress the need to improve the quality of graduates."	N/A
LPA18	"BA is a platform, where players from the IT industry	"BA is a platform we have used to	N/A	"The capabilities of BA can be used

	can gather and take collective measure…We are building our strengths within the network."	communicate our issues related to taxation... hopefully we will also get some good support package."		in any way and in any field where you can find people have similar problems... Recently we got MOU signed between BA and the TSP."
LPA19	"BA is the backbone of our IT industry...it has the representation of IT firms and anyone can speak for any issue in meetings. All members are invited, however some join and some not."	"As a company, if I go to GOV it is not going to listen to my problems and issue. We are lucky to have a very active union...When we go through union GOV listens to our problems and suggestions."	Recently, BA has invited a senior representative of higher education commission and we all discussed our experience and expectations from HEIs."	"We took collective action and jointly discussed the problem with TSP and see we got MOU and the whole member community of BA got a much-discounted price for the services."
LPA20	"I take this forum as a platform to introduce my business. Even my company is in the beginning, I have the complete right to speak and raise issues in meetings."	BA provides a forum where we can also communicate problems with GOV, and they deal with them collectively. We always find other people having similar issues."	HR issues are even more for start-ups and we pushed BA to work on it. HEIs are also involved, but I like most the internship program launched by GOV department, where BA share board seat."	N/A
LPA21	We used to believe that BA is controlled by a few big players. We joined recently and noticed that it is not as we expected… This allows all members to cast their votes and elect their new leaders and executive	"Our industry association has taken a very firm step against heavy taxation and now not only tax rate is reduced, but we also raised issues of the industry in front of	"We can also see steps being taken towards the quality of human resource in Pakistan and BA has collaborated with higher education body and other departments to train IT, specialists."	N/A

	committee.”	different GOV agencies."		
LPA22	"No one got a veto or any other discretionary power. This is the key thing behind its success when everyone has an equal say...They help firms to raise their issues at different levels and when actions are taken collectively, they produce real impact."	“If we try to reach GOV individually, no one even gives us time for the meeting...but BA negotiated with the GOV for better taxation and policies to promote the IT industry internationalisation."	With continued pressure from the BA, many great initiatives have already been taken. Commission decided to revise the curriculum for computer studies and first time ever included some industry representatives in the curriculum development committee."	"Issues regarding TSPs were identified by many members and leadership decided to pursue this as a common agenda. This was a very effective strategy and a TSP agreed to provide industry-wide discounts."

Table 9: Low-power firms managing dependencies on high-power counterparts

5.4.1. Case Scenario 1: business association and low-power firms

First case scenario that emerges from the data analysis is the interaction between low-power firms and the business association. All firms included in the sample identified the business association as their high-power counterpart, which gives us 22 dyads to analyse the low-power firm's strategies to manage their resource dependencies. Low-power SMEs depend on the association to access different resources, such as information, dealing with other organisations, etc. The business association represents all firms including SMEs and big companies in the industry. Low-power SMEs used to have concerns that it is an association of a few big players or friends, and they take the lead in everything that the association does. As big companies have more resources to contribute to the association, they could always control the association and use its resources in their own advantage. According to Billy Turner (LPA 4), *“before joining the association, we were having a belief that just like others, our business association is also led and controlled by large companies and there is no room for small firms.”* However, low-power SMEs collaborated within the business association and ceased the leadership positions. Walter

Edwards (LPA 6) contested the leadership election in the business association and won. He explained his views, *"People who criticise the association for not doing anything, actually, they have never been involved in it. I always say that they should own the association and if they think that the association is not doing anything, it means they are not doing anything. I am a good example for them. When I realised that the business association is not serious about many issues faced by small firms, such challenges related to subsidised office spaces, new laws and unfair pressure from government agencies, I decided to get into the leadership of the business association to make some noise and make sure that it is also working for us."*

However, what is most interesting here is how low-power SMEs seized the position of leadership in the presence of many large companies in the industry. The structure of the association played a very important role in this regard. Donnie Earl (LPA 10) highlighted the value of the business association's structure and said, *"I think the success of our business association depends on its transparent structure. It is not like any other association, where big players lead the whole industry and small companies have no say."* Jackie Cliff (LPA 3) also identified the structure as the success factor behind the business association and shared his own experience, *"the business association is controlled by its central executive committee. We have regular elections, where all the member companies have the right to compete for a position in the central executive committee. I was annoyed that the association is not doing enough and participated in the elections. I won the elections and joined the central executive committee to explore what is happening inside. That means even a very small company like me can easily compete in the election and become part of the leadership of the association."*

The transparent democratic structure allows all the members to participate in the selection of leadership of the industry. According to Donnie Earl (LPA 10), *"the business association has more small members than large firms, which gives small firms greater power because everyone has an equal vote when it comes to elect leadership but only if small firms decide to collaborate. Several times we have had small members elected in the central executive committee and it ensures that our voices are being heard at all levels."*

SMEs are not only collaborating within the industry but also encouraging other SMEs outside the association to join the association and growing the size of their cluster, such as Jackie Cliff (LPA 3) stated, *"I always try to make efforts that more companies join the business association, especially small firms. They will only be able to see the affairs once they will be inside and will be able to better communicate their issues and suggestions."* This structure also creates a favourable environment based on trust for firms to collaborate with each other and take collective actions. According to Paul Grant (LPA 1), *"The structure based on transparency, fairness and mutual trust places every member of the association in a unique position, where everyone feels equally important and engaged."*

Given that the structure of the business association is democratic, fair and transparent, which stops any member to seize the leadership position through influence or exploitation. All the members of the association have equal rights, and any firm can practically lead the industry if it can gather more members' support in the election. However, it does not mean that only SMEs get the leadership position because they are more in numbers. Both, SMEs and large firms use different strategies to attract members' support in the election. Ted Legend (Chairman of the Business Association and runs a large company) explained his intention to contest the election and strategy used to win the position of chairman as, *"I am one of the founding members of the association and always contribute to its different activities in all means. The industry needed someone experienced to take the leadership control, who can also add value to the industry based on his experience, connections and resources. I accepted this challenge and took part in the elections."* Whereas Walter Edwards (Ex-Chairman; LPA 6) shared a different strategy that he used to seize the leadership position in the business association, *"I am a kind of person, who classifies himself as an activist. When I see any problem, I try to solve it. I identified many problems faced by SMEs and reached out to the business association. However, I felt that nobody was taking this request seriously. I highlighted my concerns in CEO meetings and other industry gatherings. That was the time when I realised that people in the leading positions were too big to be affected by those issues, which were very critical for small firms. I realised that I could not make my voice heard from outside and therefore decided to get on the board and make sure that I get heard."* He further explained his strategy to win the elections, which was completely different from the large firm in the industry. He persuaded SMEs to collaborate with him and help him to seize the leadership role in the association so that he can address their issues from inside. Walter Edwards (Ex-Chairman; LPA 6) quoted, *"I was confident that we will win the election because SMEs face many similar issues, which are not challenges of large firms or they do not understand them very well. I also encouraged firms from outside the association to join and actively participate, which worked, and I won the election."* This shows that both large firms and SMEs have equal opportunities to lead the association but depending on who can convince more members to receive their support. It also depends on who can address specific issues faced by large number of firms at that time. Some challenges may need a large firm's support in the form of resources, experience and connections, whereas other issues may need to be addressed by someone who better understands them.

5.4.2. Case Scenario 2: government and low-power firms

The data analysis shows that SMEs have low-power to influence the government and its different agencies. However, they depend on the government for the provision of vital resources and support to grow their business internationally. Due to their small size and the lack of capacity to influence governmental policies, SMEs have to follow policies and regulations that come from the government and its different agencies. All 22 sample firms identified the government as their high-power counterpart, which gave us 22 dyads to analyse the low-power firm's strategies to manage dependencies on the government. The analysis shows that low-power SMEs adopted the collective approach to deal with the government. They collaborated with other firms through the business association and presented their case to the government as one big unit. According to Trevor Hawk (LPA 2), *"business association allows all firms to collaboratively pitch all of our problems to the government and even also to other players."* Similarly, Benny Russell (LPA 14) stated that *"I think firms like mine cannot directly deal with the government and neither have we time to this because mostly we are very busy to achieve business sustainability. Big firms may be able to directly deal with the government, but for our small companies the only way is through the business association."*

The power imbalance between the government and SMEs is very significant. However, SMEs achieved success with their strategy to adopt a combined approach, which allowed them to accumulate their individual power to deal with the government as one powerful community. According to Seth Clark (LPA 19), *"if I go to the government as an individual company, no one is going to listen to my problems and issue. We are lucky to have a very active union [business association] ...When we go through the union, the government listens to our problems and suggestions. Recently, the business association has lobbied to get an extension for tax exemption from international export revenues."* Paul Grant (LPA 1) also explained the achievement of the business association with the recent tax exemption and shared, *"the government has provided us tax rebate. This tax exemption helps us save costs of operating in the international market and offering good salaries to our workers. The business association has played a very active role in this regard, and I attended different roundtable meetings organised for that purpose. I believe we could only achieve this because we all were together on this issue and the association was able to deliver a combined perspective with more strength."*

The business association is a social organisation created to support the industry and help firms flourish. According to Liam Josh (senior manager, business association), *"the business association is the largest single representative of IT firms in Pakistan. It aims to protect the rights of its members and work with different stakeholders to create a facilitative environment for firms to flourish. Over the years, we have addressed many issues of firms with the government, which no firm could manage single-handedly, such as developing policy recommendations, lobbying for legislation and incentives to facilitate the industry, conduct research and deal with different industry stakeholders to assist in the growth of a dynamic sector."* The business association got success in dealing with the government because the government also recognises this association as the representative body of the industry. According to Criss Shawn (senior government official), *"we involved the business association of IT industry in the policy-making process and considered their recommendations while drafting the policy."*

The analysis reveals that firms have achieved great success by effectively using the business association to negotiate on behalf of the whole industry. According to Scott Harris (LPA 22), *"the business associated has negotiated with the government for better taxation and policies to facilitate the IT firms' internationalisation. It has successfully secured full tax exemption for IT exports and many other supportive measures, such as capacity development programs, internship programs, etc. The pressure from the business association has also influenced the government to make government agencies more responsive to the IT firm's needs."*

This success of business association in dealing with the government helped to attract more members and accumulate more power against players outside the association. Members believe they can address their many challenges by adopting a collective approach through the business association. The analysis shows that firms used the same approach against other high-power counterparts as well.

5.4.3. Case Scenario 3: higher education institutions and low-power firms

The analysis reveals that 20 SMEs from the sample identified higher education institutions as their high-power counterparts. Firms recognise human resource as a highly critical resource for them and depend on higher education institutions in Pakistan to hire their resource persons. However, SMEs are highly unsatisfied with the quality of fresh graduates as they lack basic knowledge of different modern technologies. Based on 20 dyadic interactions, the analysis revealed that firms used collective action through business association to engage higher education institutions and other governmental agencies to address this issue. According to Benny Russell (LPA 14), *"we raised human resource related issues at the platform of business association and encouraged our industry leaders to take actions in this regard. Universities directly do not listen to us, so the best way was to meet with the management of the higher education commission and convince them to update their curriculum. It took time due to bureaucratic problems, but it worked, and we saw many good initiatives introduced recently."* Following this pressure, higher education commission decided to review the curriculum for courses related to computer science and a new national curriculum revision committee is formed. It is the first time that the higher education commission also added representatives from the IT industry in the committee along with members from HEIs to make sure that their concerns are effectively addressed in the new curriculum. Karl Ellis (a senior official of higher education commission) also shared that, *“the government has also revised its education policy after 2009 and ensured that technology programs are introduced right from the school to students.”*

Firms stated that these initiatives are introduced because of continues pressure through business association to address this issue. According to Ian Laine (LPA 15*), “business association did some work with the government and universities regarding updating the content for courses according to international standards. This is a good initiate, but I think the importance of on-the-job training cannot be undermined.”* Thomas Joyce (LPA 20) added to this point and said, *“Higher education institutions are also involved now to some extent, but I like most the internship program launched by a government agency, where BA share board seat."* A government agency has introduced a comprehensive internship program to support the firms in the capacity building of human resource. The program is widely appreciated by firms and it is believed that the business association has contributed towards this too because of its important leadership position in the board of the agency. According to Marvin Stevens (LPA 12), *“the government agency is funding graduates for their internships and taking the cost burden to help firms hire and train people simultaneously.”* Paul Grant (LPA 1) further explained the benefits of this program and stated that *“as our primary cost is a human hour and we used to spend many human hours on training new staff. Which is a big cost for us but with new initiatives firms will save extra cost and can better compete in international markets.”* The analysis reveals that firms have successfully used business association to combine their concerns and approach higher education institutions and concerned government departments. It helped them, and they secured more representation and more resources as a result of this strategy.

5.4.4. Case Scenario 4: telecom services providers and low-power firms

Due to the nature of the industry, firms need many telecom services and the market of telecom services in Pakistan is dominated by few big players. This gives them extra power and they charge higher prices of their services from SMEs as compared to large firms. According to Marvin Steven (LPA 12), *"One of the key costs for us is related to internet expenses and we pay commercial prices. Many companies offer different prices for different levels of the package. Big companies successfully negotiate a better price for them, but small companies have to rely on the prices offered because internet companies do not negotiate with us."* Big companies can easily buy large packages and pay less per MB (megabyte) cost, but small companies suffer because they buy small packages and pay higher per MB cost. The analysis shows that firms used collective action through business association to deal with telecom service providers. According to Carl Law (LPA 13), *"the business association has negotiated a deal for everyone who is a member of the association."* The collective action is further explained by Benny Russell (LPA 14), *"We collectively raised this issue during our meeting in Lahore and asked the chairman to make a committee to look into this matter. Even though our chairman runs a big IT company, he agreed to our position and he himself participated in the negotiation with internet companies for the industry. Recently he signed a deal with a leading telecom service provider for a discount for all the members of the business association, irrespective of firm size. It has reduced our internet cost amazingly."*

The telecom service provider that signed the deal with business association provides all different services including, data packages, GSM Voice, Digital Payment Gateways, CIR internet and office 360 solutions. They offer different packages to customers and customers select their package that best suits their business needs. Jeffrey Faire (senior manager of the telecom service provider) discussed the deal and stated that *"we have recently signed an agreement with the business association and offer a discounted price on our all services…these discounts are specially designed for their members."* Ted Legend (Chairman of the Business Association and a large company) elaborated on this deal, *"we were approached by industry members and they highlighted their concerns. I decided to personally pursue this issue and we have successfully signed an MOU with a telecom company to offer good discounts to all the members on its services."*

The success of the association in achieving these benefits has significantly increased the confidence of members. Such as Paul Grant (LPA 1) stated that *"using business association was very helpful because sometimes you alone cannot deal with large counterparts and you decide to use collective power. Through business association, we combined our interests and negotiated with these organisations as a big group and they responded differently. We were successful in getting better terms from them and safeguarded the interest of each member."* This shows the potential for collective actions. The analysis reveals that low-power firms faced completely different behaviours while dealing with their high-power counterparts individually and when they approached the same high-power counterpart through their business association as a larger group, both times the response of counterparts was completely different. They secured more beneficial deals by using collective approach.

5.5. Chapter Summary

This chapter presents data analysis and findings of the research. The findings show that firms face different types of constraints in internationalisation such as functional, informational, marketing, environmental, governmental, task and procedural constraints. It also shows that these challenges are somehow interlinked because one challenge affects the other and so on. The analysis reveals that SMEs depend on other organisations, such as the business association, the government, higher education institutions and telecom service providers, in their environment to overcome these constraints and these actors have significant power advantage against SMEs. These high-power actors influence the relationship with SMEs and decide exchange terms without or limited consultation with them. The analysis shows that low-power SMEs have managed to create balance in the relationship by using collective actions and collective power to lessen their counterpart's power advantage. The next chapter will discuss the findings in detail and present conclusion.

Chapter Six: Discussion

6.1. Introduction

This chapter presents the discussion on findings. It will discuss the findings in the light of my original research questions and qualify, extend or challenge the extant literature in the domain. The discussion will be divided into two main sections according to the research questions of the study: First, internationalisation constraints of SMEs from Pakistan and second firms' strategies to manage dependencies on high-power actors.

6.2. Internationalisation constraints of SMEs from Pakistan

This section discusses the findings related to the first research question, which is:

> *Research Question 1: What are the constraints faced by SMEs in their internationalisation?*

The context of Pakistani SMEs is used to address this question. The study has identified several barriers to the internationalisation of SMEs, such as human capital related issues, governmental problems, lack of resources, lack of information and limited international exposure etc. Past studies have categorised barriers to the internationalisation of SMEs differently. Such as Katsikeas and Morgan (1994) conducted a detailed literature review of internationalisation barriers faced by SMEs and divided them into four categories: informational, operational, external and internal barriers. Whereas, Leonidou (2004) categorised barriers into two main categories: internal and external, and seven different sub-categories. Paul et al. (2017) used different categorisation and divided barriers into micro and macro problems faced by SMEs. However, all these studies are largely focused on export-related barriers. Following Paul et al. (2017) and Leonidou (2004), this research has categorised internationalisation barriers into two major groups, micro and macro barriers, and then seven subgroups, which are: functional, informational, marketing, environmental, governmental, task and procedural constraints.

6.2.1. Micro constraints

Firms face micro constraints to internationalisation due to internal factors. Largely they include barriers related to firms' operations such as enterprise functions, marketing and information. The analysis reveals that most of SMEs in the sample face functional constraints and the most significant barrier to the internationalisation of Pakistani SMEs is the shortage of skilled human resource available for the IT sector. Even though Pakistan has a large population with the majority under the age of 30, still the country lacks trained human resource for the IT sector. Human resource-related issues are also highlighted in past studies focused on internationalisation of SMEs. Such as Baron (2003) analysed SMEs from the USA and noted that poor human resource management practice is one of the major reasons behind SMEs' failure. Senyucel (2009) studied challenges encountered by SMEs in the 21st century and concluded that the biggest challenge for SMEs operating internationally is to create a conducive environment that helps obtain maximum output from employees. Similarly, Ganotakis and Love (2012) observed that SMEs lack employees with skills to successfully manage the internationalisation process and sustain international success, which creates a major hurdle to their international business activities. However, all these studies have approached human resource problems with a slightly different perspective than this research. However, the study reveals that the major problem of SMEs from Pakistani is not the management of human resource, neither it is about the limited knowledge of international operations, rather firms struggle to hire skilled human resource due to the lack of skilled human resource available in the IT sector.

The study also reveals that even though many students are studying computer science subjects, but the standard of education is far behind international standards and education institutions fail to equip students with modern technologies. Hiring experienced human resource is quite expensive; therefore, SMEs incur huge costs on training and development of fresh graduates. However, firms also identified that employees' churn rate in the industry is very high because employees leave after gaining experience and join other big companies, which is also observed in the findings of past research (Delerue and Lejeune, 2010). Some other functional challenges highlighted in the findings include limited resources, lack of capacity to handle international projects and the absence of an international network, which are also evidenced in previous studies (Paul et al. 2017; Leonidou, 2004).

The analysis reveals that SMEs from Pakistan also struggle in international marketing. The major problem behind marketing barriers is the lack of resources to invest in international marketing activities. SMEs already struggling with limited resources, do not get enough opportunities to market their products abroad. Requirements for the intensity and the nature of marketing activities differ from industry to industry (Porter, 1980). The analysis reveals that the marketing challenges faced by firms in Pakistan are largely linked to the macro environment in which they operate, such as restricted international travel limits their opportunities for international marketing. As a result, firms lack the understanding of international standards and struggle to meet them. Previous studies also noted that marketing problems create strong challenges for SMEs to internationalise, more specifically they find barriers in ensuring global quality standards, coping with international transportation of products and identifying reliable representatives abroad (Leonidou, 2004). However, this research has revealed slightly different marketing challenges, which are more related to resources or capacity to market internationally.

Kuivalainen, Sundqvist and Servais, (2007) conducted a longitudinal study to evaluate international marketing efforts of SMEs and revealed that firms like born global, which are relatively in the early stage of internationalisation, have a tendency to take more risk and commit more resources to towards international marketing in the start. Whereas, the analysis shows a different behaviour of SMEs from Pakistan as they tend to invest less on international marketing in the start and prefer to utilise networks to introduce their services/products in foreign markets. They invest more in later stages of internationalisation to expand into more dimensions, such as the firm offering IT services to international clients may launch its own product in the later stages of internationalisation.

Firms also highlighted a broad range of informational barriers to internationalisation from Pakistan. However, they are not as significant as functional or marketing barriers. The analysis shows that not many managers of SMEs got prior international experience. Therefore, they lack awareness about international opportunities. Informational barriers are also to some extent linked to the macro environment because firms that do not have prior international experience and neither have travelled abroad lack a good understanding of international markets. In addition, firms highlighted that there are not many agencies or departments that can provide information about international markets or at least they are not aware of them. This highlights a bigger challenge that is the access to important information needed for internationalisation, which is normally easily available to big companies, but SMEs struggle to get that.

Similar information-related issues regarding SMEs' internationalisation are also observed in previous studies. Such as Leonidou (2004) identified that SMEs lack information to locate or analyse foreign markets for their products or find it difficult to access that market data. It limits their ability to identify opportunities in foreign markets and contact overseas clients. Past studies also noted that the lack of information about opportunities and challenges in foreign markets also create sometimes misconception among managers of SMEs that maybe they are too little to handle international orders; thus, they avoid any attempt to internationalise (Paul et al. 2017; Baykal and Gunes, 2004). A similar misunderstanding is also observed in many SMEs that started an international business at a later stage of their business. They believed that they should build their strengths in the home market first before targeting any international market. A common belief underlying this thinking is that their firms are very small to handle international standard work and any mistake can weaken their strengths and limit their potential to achieve success in the foreign markets.

6.2.2. Macro constraints

Firms face macro constraints to internationalisation due to factors that are considered external and mostly they are outside the firm's control. Mostly macro constraints to internationalisation include challenges encountered by firms due to barriers in the larger environment, problems with the government or different governmental agencies, procedural issues and constraints related to international tasks. The analysis reveals that SMEs encountered most of their macro-barriers due to problems related to government policies and different governmental agencies.

Firms highlighted that the lack of governmental support in the process of internationalisation creates many challenges for them. Previous studies also emphasise the lack of support from the government and other institutional barriers as a constraint to internationalisation of SMEs because liability of smallness limits their ability to deal with these institutions (Elg, Ghauri and Schaumann, 2015; Manolova, Manev and Gyoshev, 2010; Roxas et al. 2009). Extant research shows moderate effects of governmental barriers on firms' internationalisation (Leonidou, 2004). Contradicting to that, the analysis shows that firms consider problems created by the government and its different agencies as challenges that have very strong impacts on their business.

In addition, the analysis reveals that the lack of awareness about available governmental support is an important problem because many firms even do not know what resources and support, they can obtain from different government agencies to internationalise. Firms need to develop the capability to effectively navigate institutional support available to them or build networks that can keep them updated with such information is very important (Paul et al. 2017; Landau et al. 2016; Paul and Shrivastava, 2016; Torres, Clegg and Varum, 2016). The analysis reveals that there is not only a lack of awareness about government policies among SMEs, but also many governmental agencies are not up-to-date about changing policies of other agencies. This limited coordination between governmental agencies creates more problems for SMEs than big firms. For example, if a government agency mistakenly imposed an extra tax on an SME, even though they refund that, by that time it has already created damages in addition to the cost of legal actions to get a refund. Whereas, big firms usually have their in-house legal teams and abundant resources to absorb any extra shock.

Moreover, the absence of a long-term comprehensive policy or rapid changes in regulations creates unnecessary complexities for firms. International business operations involve many regulations that need to be followed and if they are frequently changed without even consultation of the industry, it makes international business even more challenging. Firms need to remain updated about changes and anything overlooked can create many legal and other implications for the business. Most of the past studies focus firms from developed countries with relatively sustainable policies and developed institutions (Paul et al. 2017); therefore, the lack of coordination between governmental agencies and rapidly changing policies are not emphasised as important challenges to the internationalisation of SMEs.

Environmental issues that hinder internationalisation of SMEs are widely studied in the extant literature. According to Leonidou (2004) firms face a wide range of barriers from their sociocultural, political and economic environments, such as lack of awareness with foreign business practices, different cultures, and political instability in the international market, foreign currency risks and weak economic conditions abroad. SMEs cannot make heavy resource commitments like big companies to learn about foreign markets; therefore, they have to enter into a foreign market with limited knowledge and they operate into unknown cultural, political and economic environments, which make it very challenging for them to operate successfully in international markets (OECD, 2006). Paul et al. (2017) also emphasised that legal issues and political instability in foreign markets create hurdles for SMEs.

However, the study reveals that environmental issues encountered by SMEs from Pakistan are very specific to the country. The major issue that Pakistani firms face is difficulties in getting a foreign visa and it restricts their international travel. This has far-reaching implications for their business abroad because if they cannot travel, they cannot market their products or services effectively. This also has impacts on their knowledge of foreign markets because the lack of international exposure limits their understating of preferences and standards of foreign markets. In addition, firms also highlighted the political instability as a big issue for the country, but it is not in the same sense as we see in the extant literature. The analysis shows that the political insatiability in Pakistan is more about changing national governance structure due to the tag of war for power between the democracy and the dictatorship. Both systems have their own policies, regulations and power structures and when they change frequently, it creates uncertainty in the business sector. Foreign clients feel reluctant to establish long-term partnerships and avoid making any big commitments. However, this issue is largely ignored in the existing literature, maybe because these studies were focusing more stable and advanced markets (Paul et al. 2017; Leonidou, 2004).

The analysis shows that firms also face barriers due to operating aspects of business with international customers. Firms highlighted that the lack of awareness about procedures is a big issue, which is also evidenced in previous studies (Leonidou, 2004). Besides that, the study reveals that firms face complex procedures related to international transactions. However, they are different from what past studies have also observed that SMEs struggle due to a slow collection of international payments (Moini 1997; Kedia and Chhokar 1986). The analysis reveals that the economy of Pakistan struggles with a negative balance of payment; therefore, firms find it easy to bring money in the country but sending money back to pay international expenses is a very complex procedure. This affects more SMEs than large firms because they usually get rare chances to travel abroad due to difficult visa processing from Pakistan and when they hire someone abroad to market their services, complex procedures of international money take weeks in the processing. This is again a challenge, which is country specific and not observed in previous studies.

In addition, firms face task barriers due to customers' attitude and competition in foreign markets. Past studies have also observed customers' attitude and foreign competition as challenges faced by SMEs (Paul et al. 2017; Leonidou, 2004; Cateora and Graham, 2001). The analysis reveals that SMEs from Pakistan encounter competition based on cost in foreign markets. Therefore, any change in the cost of doing business in the home market directly affects their international performance. They find it challenging to maintain cost advantage because their cost of business is higher than large firms in many areas. However, their customer segments are normally different from large firms because they target small customers, whereas large firms go after big customers that bring long-term contracts and better payments. SMEs face more competition from freelancing platforms, where individuals work on projects remotely. Due to the freelancing nature of these individuals, they have many cost benefits as compared to SMEs because they do not have offices, neither pay big salaries nor sometimes operate in the informal economy. They can afford to work at exceptionally low prices and give strong competition to SMEs in international markets.

Overall, the analysis shows that many of SMEs' micro challenges are also linked to their macro environment. It also reveals many country-specific barriers to internationalisation encountered by SMEs from Pakistan. For example, SMEs from Pakistan highlighted many barriers, which are either completely different from the existing literature or give different level of importance to various constraints as compared to firms from developed countries observed in previous studies.

6.3. Firms' strategies to manage dependencies on high-power counterparts

This section discusses findings related to the second research question, which is:

> *Research Question 2: "How do low-power firms manage inter-dependencies with high-power counterparts to overcome constraints in internationalisation?"*

Herein, while addressing the question about strategies of low-power firms that are SMEs in this case, this study specifically contributes to the literature on SMEs' internationalisation by explaining how SMEs deal with externalities of networks and inter-organisational relationships. Network perspective describes how resource-constrained SMEs use inter-organisational relationships to overcome barriers in their international business activities, but it fails to address how SMEs protect themselves against opportunistic behaviour of their high-power counterparts while using inter-organisational relations and networks. This study adopted the perspective of SMEs as low-power firms and fills this gap by articulating SMEs strategies to deal with high-power counterparts. However, I approached the power in this study differently as compared to previous studies. I used the power in relative terms to identify high-power and low-power firms, whereas past studies that attempted to evaluate the low-power firms' resource dependency management strategies used power with a narrow perspective.

For instance, Casciaro and Piskorski (2005) conducted a seminal study to evaluate the resource dependency management in the case of mergers and acquisitions and differentiated low-power firms from high-power actors by using the industry-level approach. They believed that all firms from one industry can be considered low-power firms and firms from another industry can be treated as high-power actors. For example, the automotive industry buys most of the production of auto-parts manufacturing industry; therefore, firms from auto-parts manufacturing can be considered as low-power firms against firms from the automotive industry. However, this perspective of power is based on a fundamentally flawed argument, because it is unlikely that all firms in an industry are low-power or high-power actors. French and Raven (1959) suggest that firms gain power from diverse sources, such as legitimate power, reward power, coercive power, expert power and referent power. Following French and Raven (1959)' assumption, a subsidiary of a large group in an industry may have different power as compared to another firm in the same industry without any association with a large group. Therefore, selecting all firms, from one industry, as low-power or high-power actors is a fundamentally weak approach.

Similarly, Shu and Lewin (2017) also focused on the perspective of low-power firms to evaluate dependency management strategies. They used the firms' size as the main criteria to differentiate between low-power and high-power actors. However, power is essentially a relative phenomenon (Child and Rodrigues, 2011; Dahl, 1957); therefore, Shu and Lewin (2017)'s approach to power is also weak and innately misleading. Given that firms accumulate power from different bases (French and Raven, 1959), all SMEs cannot be regarded as low-power firms and all large firms cannot be considered high-power actors because one SME and a large firm that are low-power and high-power actors to each other, perhaps both are low-power firms against the government agency that has a different base of its power. Considering limitations in existing studies, the use of power as a relative notion adds a unique perspective to the existing literature on resource dependency management. Therefore, I first selected SMEs and then used the relative power framework (explained below) to identify their high-power counterparts.

In order to use the power in relative terms, the study has introduced a framework to separate low-power firm and high-power actor in a dyadic relationship. The framework includes three underlying conditions that must prevail in a relationship to declare one firm low-power against the other firm. A firm will essentially be a low-power if: 1) it is dependent on another organisation for resources and exchange terms are solely or forcefully decided by the partner organisation; 2) it does not have the capacity to terminate the relationship or afraid to do so; therefore accepts the exchange terms; and, 3) it prefers to establish exchange relationship with collaboration and mutual consent. By applying this framework, four high-power actors of sample firms are identified in this study, namely the business association, the government, higher education institutions and telecom service providers. Figure 8 illustrates the theoretical model emerged from the findings of this study concerning low-power firms’ strategies to manage inter-dependencies with high-power counterparts.

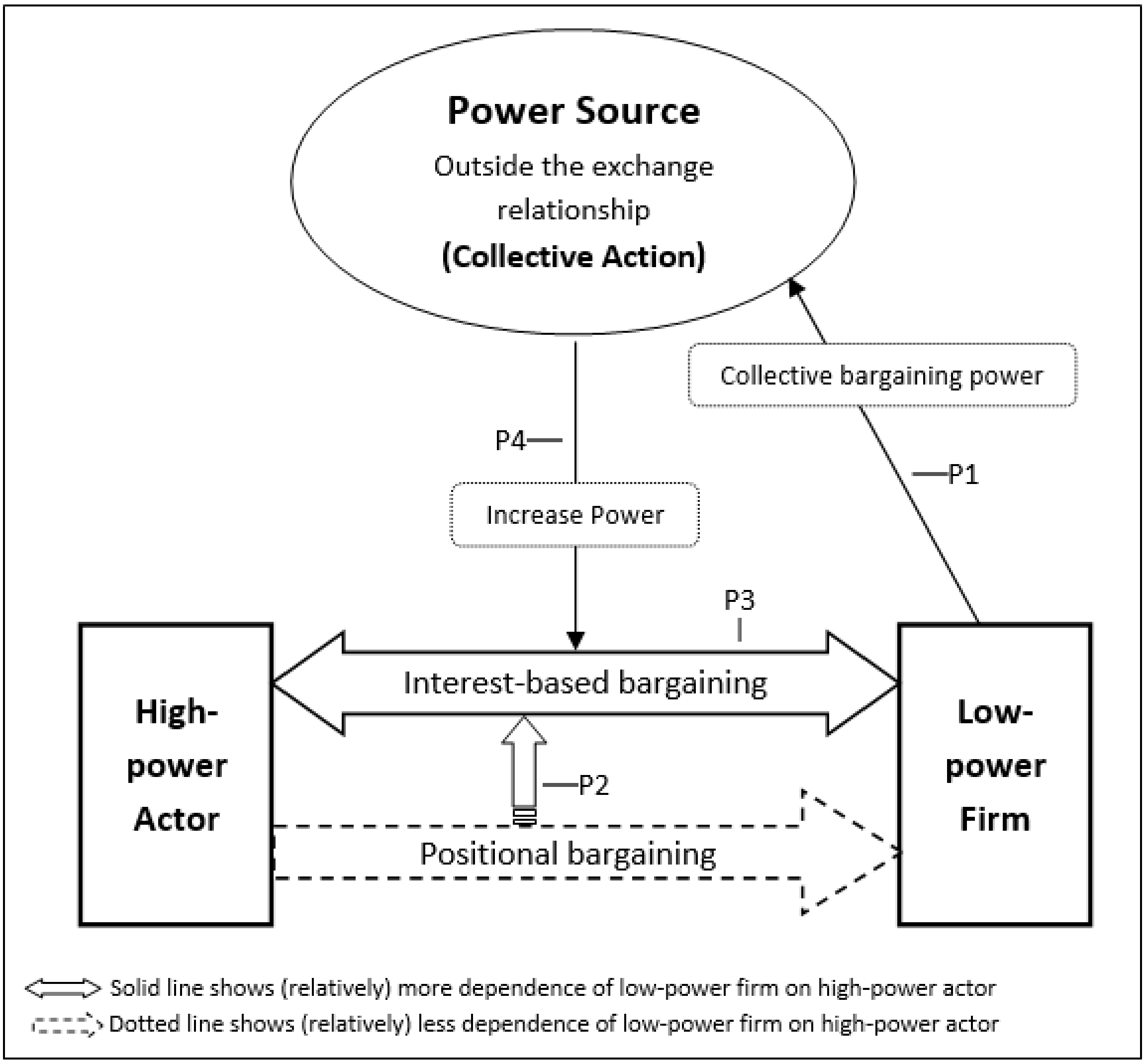

Figure 8: Extended model regarding low-power firms' dependency management

Findings show that firms depend on different organisations in the environment to access critical resources and, as a result of that, a dyadic exchange relationship is established between them. Exchange relationship allows participating organisations to share resources according to negotiated terms and conditions of the exchange. If both organisations in the relationship are equally dependent on each other, they negotiate exchange on equal terms. However, it rarely happens because each organisation in the relationship tries to set exchange terms in its own favour and get a better deal. According to Emerson (1962)'s power dependence view, organisation's dependence on each other is the underlying mechanism that determines their power against each other. Therefore, RDT suggests that organisations use different strategies to decrease their dependence on others or increase others' dependence on them, for example, mergers, acquisitions or creating alternate resources or new sources of the resources.

However, the study revealed that RDT's assumptions do not always stand true because a firm may not have the capacity to create alternates, make acquisitions or do mergers. In this situation, firms with lack of capacity are likely to stuck into a vicious circle of power-dependence relationship. For example, findings show that SMEs acquire certain resources from other organisations in their environment, such as the business association, the government, the higher education commission and the telecom service provider. SMEs' dependence on these organisations is significantly high due to their small size and the lack of capacity to create alternates. As a result, SMEs stuck into a power-dependence relationship in which unequal dependence creates a power imbalance in favour of counterparts.

Power advantage allows high-power actors to use their position to forcefully impose exchange terms in their own favour and ignore the needs of low-power firms. Erikson and Berg-Utby (2009) named this situation positional bargaining, in which firms negotiate the exchange relationship with their pre-existing positions and bargain based on the win-lose proposition. Positional bargaining is preferred by high-power actors because they can use their position of power to impose their terms on low-power firms (Essabbar et al. 2016). On the other hand, low-power firms intend to bargain with high-power actors in a way that allows them to discuss their concerns and mutually decide the exchange deal that fits with the needs of all participating organisations. The bargaining style that allows participating organisations to decide exchange terms with a win-win proposition that serve the interests of all parties is called the interest-based bargaining (Cutcher-Gershenfeld et al. 2001). However, high-power imbalance acts as a barrier for low-power firms to achieve interest-based bargaining. Therefore, the dependence with significant power advantage of the counterpart increases environmental uncertainty and makes low-power firms vulnerable in front of their high-power counterparts.

Herein, RDT suggests that low-power firms can only cope with this situation by decreasing their dependence on the high-power counterpart or increasing the high-power counterpart's dependence on them because it is the only way to reduce the power imbalance in the exchange relationship (Pfeffer and Salancik, 1978; Emerson, 1962). Based on this power-dependence logic, low-power firms that lack alternative sources of resources to reduce dependencies on high-power actors have no other choice but to accept all demands of their high-power counterparts (Clemente and Roulet, 2015; Emerson, 1962) and agree upon exchange terms enforced on them. However, low-power firms in this study revealed a completely different approach. Instead of decreasing their dependence or increasing high-power actors' dependence in the exchange relationship to reduce the power imbalance, they used sources of power from outside the exchange relationship to increase their power inside the exchange relationship. This is evidenced by all four case scenarios that firms were stuck into power-dependence relationships with the business association, the government, higher education institutions and telecom service providers.

In each case, firms were significantly dependent on the high-power counterpart and had no choice to reduce dependence due to the critical nature of resources that they were acquiring and their limited capacity to create alternates. In order to break this power-dependence nexus, the study reveals that low-power firms repeatedly used collective action by collaborating with other actors from outside the exchange relationship to deal with high-power counterpart within the exchange relationship and redefine their exchange terms with mutual consent. This allowed low-power firms to shift from positional bargaining to interest-based bargaining. Pfeffer and Salancik (1978) have also used power as an underlying mechanism in RDT but with a narrow and overly simplistic view that is power from dependence relationship (Emerson, 1962), in which control over resources is the only base of power. They ignored the multiplicity of the power and its different bases outside the exchange relationship such as reward power, coercion power, legitimate power, expert power, information power (French and Raven, 1959), bargaining power (Taylor, McLarty and Henderson, 2018), the volume of purchases/sales power (Ramsay, 1994) and social/collective power (Keltner et al. 2008).

The study reveals that the underlying objective to accumulate power from outside the exchange relationship was to reduce the power imbalance without reducing their dependence because they could not afford to terminate the supply of resources from the existing counterpart. They did not have the alternative to that resource and neither the capacity to increase the counterparts' dependence on them due to their small size. Therefore, they did not terminate the relationship or reduce dependency in the exchange relationship, rather they increased their power to push existing high-power actors towards interest-based bargaining and reconsider exchange terms. Evidence shows that power from outside the exchange relationship helped them to achieve the interest-based bargaining with existing high-power counterpart and mutually set terms and conditions that suit both parties. Shu and Lewin (2017) also support the importance of power from outside the exchange relationship, but prior studies do not explain the impacts of this strategy on the relationship between low-power and high-power actors. Hence, contradicting with RDT, this study reveals that low-power firms accumulate power from outside the exchange relationship to reduce the power imbalance inside the existing relationship, which helps them to influence their high-power counterparts to engage in interest-based bargaining and stop imposing their conditions forcefully. I propose following two propositions based on the evidence discussed above.

P1: Low-power firms accumulate power from sources outside the exchange relationship to reduce power imbalance inside the exchange relationship.

P2: Decreased power imbalance enables low-power firms to shove the high-power counterpart towards interest-based bargaining from positional bargaining.

In order to accumulate power from outside the exchange relationship, the study reveals that low-power firms collaborated with other firms dependent on the environment for similar resources and facing significant power imbalance against their counterpart. The collaboration allowed them to combine their interests and build collective bargaining power against their common high-power counterparts (Taylor et al. 2018; Keltner et al. 2008; Ramsay, 1994). For instance, the business association represents all firms including

SMEs and big companies in the industry and it was having significant power imbalance against SMEs. Instead of finding a new association for them, creating a completely new body or terminating their relationship with the existing association, SMEs collaborated with other SMEs in the association and encouraged more SMEs from outside the association to become members. This strategy helped them to form a big chunk of SMEs having similar interests and build collective bargaining power (Taylor et al. 2018; Keltner et al. 2008) within the association to reduce the power imbalance against large member firms. Similarly, SMEs were dependent on the government for important resources and regulations, but their small size and high-power imbalance limit the SMEs' ability to influence the government's policies. However, rather than following policies and rules as they were being imposed by the government, they decided to resist by collaborating with other firms through the business association and present their case to the government as one big unit. In this case, they derived the power against the government by advancing the interests of the entire group (Keltner et al. 2008).

In the third case scenario, firms recognised their employees as the most important resource for them. Unlike large companies, small firms lack in-house training and development facilities and depend on higher education institutions to provide a skilled human resource. However, firms show strong concerns regarding the quality of human resource being developed in higher education institutions because they do not update their curricula according to changing market needs. Therefore, they produce graduates with a lack of basic knowledge about different modern technologies. This does not affect large firms because of their capacity to invest in the training of their new employees; however, the lack of resources undermines the SMEs' ability to develop human capital according to international standards. To deal with this situation, the study reveals that SMEs collaborated at the business association's platform and used collective bargaining power (Taylor et al. 2018) to engage the higher education's regulatory bodies to advance interests of the whole group. As a result of this strategy, many initiatives were introduced to address the concerns of small firms such as infrastructure provision related to computer studies is focused on the revised national education policy, new national curriculum revision committee is constituted with the addition of members representing the industry to review the curriculum of programs related to computer science and government-funded internship program was launched to provide training for new IT graduates.

Likewise, the study reveals in the fourth case scenario that telecom services are one of the major costs for firms engaged in IT businesses, but the telecom industry in Pakistan is dominated by few large players. The dominance allows telecom service providers to enjoy the significant power advantage against small buyers because SMEs buy small packages and, therefore, ended up paying higher per MB cost as compared to large companies that can negotiate a better price for their large volume of purchases. As the volume of purchases directly effects the buyers' power against the suppliers (Ramsay, 1994), the study shows that SMEs once again used the collective approach through the business association and combined their demand to build the volume and negotiated a discounted price for all member firms as one unit. The collective bargaining strategy helped firms to receive a major discount from one of the leading telecom service providers irrespective of their individual data needs. This deal did not affect the purchase volume of many individual firms; therefore, it did not change the telecom service provider's dependency on any individual firm. However, it certainly increased individual firms' power against the supplier because of collective action. The telecom service provider also benefited from the deal because it attracted more firms that are members of the business association and increased overall sales.

The one thing that is common in all four case scenarios is the collective strategy, which is used by low-power firms to accumulate the bargaining power from outside the exchange relationship and review exchange terms with high-power counterparts. Table 10 summarises the impacts of collective action on the exchange relationship. In doing so, it analyses the exchange relationship before and after the application of collective action. The collective strategy allowed firms to pool their individual powers into collective bargaining power, which serves the interests of member firms in a particular context (Lawton, Rajwani and Minto, 2018; Rajwani, Lawton and Phillips, 2015; Aldrich and Staber, 1988). Collective bargaining power helps firms to reduce the power imbalance within the exchange relationship and use interest-based bargaining to renegotiate exchange terms. According to Fisher et al. (2011), the successful interest-based bargaining is more likely to improve the relationship between involved parties or at least not damage it.

	Exchange relationship before the collective action	Exchange relationship after the collective action
Bargaining Style	Positional	Interest-based
Power distance between the focal firm and its counterpart	High	Low
Availability of resources to the focal firm from its counterpart	Fewer	Higher
Focal firm's dependence on its counterpart	Less	More
Perceived environmental uncertainty	High	Less

Table 10: Relationship between low-power firms and their high-power counterparts

The evidence shows that interest-based bargaining helped low-power firms to establish a new collaborative exchange relationship with their counterparts. It is also observed that the decreased power imbalance with their high-power counterparts has reduced the uncertainty in the environment and improved the access to resources for low-power firms. For example, in the case of the government as a high-power actor, low-power firms received more government support, additional tax benefits and participation in the policy-making process, etc. as a result of the successful collective strategy. In the case of higher education institutions, low-power firms achieved participation in the curriculum development process and subsidised training programs for new employees, etc. Similarly, the evidence shows that low-power firms secured a new deal with a telecom service provider that offers the same services with discounted price and reduced their cost of business. In all three above mentioned cases, low-power firms accumulated power against their high-power counterparts through the business association and as a result of that their dependence on the association is also increased.

The study reveals that in all four case scenarios, the access to resources is improved for low-power firms from their existing high-power counterparts and low-power firms did not create any alternates. That means low-power firms become more dependent on their existing counterparts. However, by accumulating power from outside the exchange relationship, they reduced the power imbalance within the exchange relationship and faced less environmental uncertainty. The finding challenges the underlying assumption of RDT that suggests that firms attempt to reduce their dependence on others or increase others dependence on them. Contrarily, it shows that firms increased their dependence by accumulating the power from outside the exchange relationship. The evidence discussed above leads to the formation of following third and fourth propositions.

P3: Interest-based bargaining increases dependency of low-power firms on the high-power counterparts.

P4: The underlying objective of low-power firms in employing inter-dependencies management strategies is to increase their power or at least achieve power balance rather than reduce their dependency on the high-power counterpart.

6.4. Resource Dependency management and international growth

The study reveals that SMEs' face different micro and macro constraints in international growth. This section will elaborate on how SMEs' overcome their internationalisation constraints by using resource dependency management strategies. Findings reveal that internationalisation constraints faced by SMEs from Pakistan are largely related to human capital issues, governmental problems, lack of resources, lack of information and limited international exposure etc.

The shortage of human resource trained according to international standards is one of the most significant barriers to the internationalisation of Pakistani SMEs. Although many students adopt computer science subjects, higher education institutions are largely failed to equip their graduates with modern technologies and international standards. Thus, firms need to make a significant investment in training their new employees according to international standards, which increases the cost of business for SMEs and affects their competitiveness in international markets. The use of collective action against the high-power higher education institutions and concerned departments as a resource dependency management strategy, helped firms to secure government-funded internship program to train new employees and representation in the national curriculum development process to review the curriculum for computer science subjects according to industry needs. Both programs, together, provide significant support to SMEs to overcome human resource related internationalisation constraints. Not only higher education institutions will start updating their curriculum according to international standards, but SMEs can also join the government funded internship program to hire young graduates as internees and train them according to their international requirements. This has significantly reduced the burden of training cost on SMEs and they can commit more resources towards other important functions.

The analysis reveals that SMEs encounter many internationalisation barriers due to problems related to government policies and different governmental agencies. Firms highlighted that the lack of governmental support in the process of internationalisation creates many challenges for them. Firms used a combined approach from the platform of the business association to deal with the government and its different agencies. The success of the strategy is evident from the fact that IT firms received a comprehensive support package from the government that not only improves the SMEs competitiveness in international markets but also reduces their cost of business significantly. The package was introduced after the active role played by the business association to engage the government in bargaining to support the IT sector for international growth.

The business association of IT firms first organised several round-table discussions on policy to engage all IT firms in creating policy recommendations and then negotiated on behalf of the whole group. As a result, the government of Pakistan launched the Digital Pakistan Policy 2017 with a holistic strategy to position the IT sector of Pakistan in the global technology industry by taking measures to facilitate local IT firms' participation in international forums, organizing conferences in the country and inviting international stakeholders, facilitating firms to acquire international certification (such as ISO 27001 and CMMI) programs by providing necessary technical and financial support.

The government also announced tax exemption on IT firms' export revenues, an internship program for young graduates, national incubation centres across the country, subsidised office spaces in dedicated software technology parks and startup funding. The business association also convinced the government to introduce large scale regulatory reforms that include creating new laws and rules to build a sustainable environment for IT firms in Pakistan that also facilitate their international activities including enactment of data protection law. The government's agencies have also become more responsive to the needs of IT firms after the pressure from the business association. The business association also participates in the policymaking process as a key stakeholder on behalf of IT firms in Pakistan.

The lack of resources, limited information and international exposure are also highlighted by firms as important hurdles to the internationalisation of SMEs. They reveal that the lack of resources limits the firm's ability to invest in international marketing, access necessary information, gain international exposure or build competencies necessary for international business. The analysis reveals that collective action through the business association helped SMEs acquire many resources that are necessary to overcome these hurdles. Gnyawali and Park, (2011/2009) also revealed firms' collaboration with their competitors to achieve shared resources.

The business association organise regular CEO's meet-ups that provide an opportunity for managers of SMEs to learn from the experiences of large firms' managers. They build social networks, share their problems with industry leaders and get advice in the form of their experience in similar situations. This smooth transition of innate information between large successful players and SMEs' managers is facilitated by the open and inclusive structure of the business association. Large firms, which are less in numbers as compared to SMEs in the association, attract SMEs' support to advance their interests through the business association by supporting them on challenges that they face. The data analysis also reveals that many SMEs initially internationalised because some large members of the association shared their international contacts or leads with them because the orders were too small for them or they were working in a different domain.

In addition, the business association also organises annual Information and Communication Technologies (ICT) awards and the winners from each award category are then taken to the Asia Pacific ICT Alliance (APICTA) Awards. APICTA is a super-national organisation that has seventeen members including Pakistan, Australia, China, Hong Kong, Japan, Sri Lanka, etc. The business association facilitates the winners of Pakistani award by providing them funding to participate in an international award ceremony and engages large firms' experienced leadership to advise award participants. Findings show that this initiative has also enabled many SMEs from Pakistan to get their initial international experience by presenting at a global platform and helped them in the internationalisation of their business. The business association has also launched its incubation centre, where new start-ups and firms in the early stage of business are provided complete support for their business. The incubation also partnered with international players to engage Pakistani startups in international markets and help them to access knowledge and business from international markets.

The association also allow firms to combine their demand and build volumes to negotiate as a group with different suppliers of the industry, as evidenced in the case scenario four. In the case scenario four, SMEs combined their demand to negotiate with a leading telecom service provider in the country and secured across the board discount for all member firms irrespective of the firm's size. This has significantly lowered the cost of business for SMEs, who were not previously availing such discounts. The role of the association is also revealed in securing the government support for IT firms and these measures have also significantly reduced the cost of business for SMEs in many areas such as tax exemption on export revenues, financial and technical support to acquire international certifications, support in human resource training and subsidy to attend international events.

The study reveals that SMEs strategy to manage resources dependencies through collective actions allowed them to not only secure the sustainable access to resources, but the interest-based bargaining also helped them to acquire more resources or save costs to overcome obstacles in the internationalisation process. Pfeffer and Salancik (1978) built the primary argument of RDT around the firm's concern for survival and suggested that firms manage their dependencies on other organisations mainly to ensure their survival. However, this study applies the RDT to firms' internationalisation and adds value to the theory by suggesting that managing resource dependencies is also important for firms in their international growth aspirations. The finding seems to contradict the RDT based on the underlying argument that all the resources that firms secured through managing resource dependencies are important for their international growth, but the lack of these resources is not a threat to their survival. For example, the tax exemption on export revenues of all IT firms by the government has significantly reduced the cost of international business for firms, but it is only relevant to their international growth. IT firms operating in the domestic market did not get such exemption. The exemption gives an extra advantage to firms and if it is lifted, there is no threat to firms' survival.

6.5. Chapter Summary

Chapter discusses the research findings in relation to the existing literature and attempts to address research questions. It shows that SMEs from developing countries face various challenges which are specific to the macro environment of the country. It presents the extended theoretical model, which reveals that low-power firms use inter-dependencies management strategies to increase their power rather than to decrease dependency. They achieve their underlying objective by using sources of power available to them outside the exchange relationship, which were overlooked by the RDT. Contradicting the RDT, the study also shows that firms not only use dependency management strategies to survive but also to achieve international growth.

Chapter Seven: Conclusion and implications

7.1. Introduction

This chapter concludes the study. The chapter will highlight the theoretical and practical implications of the study. It will sum up the debate in conclusion, underline the limitations of this research and propose future research ideas that further need to be explored.

7.2. Theoretical contributions

This study contributes to the theory in different ways. It contributes to the literature on SMEs' internationalisation by highlighting how SMEs build defence mechanism against dark sides of networks. Existing theories of SMEs' internationalisation, such as network perspective, help us understand the way resource-constrained SMEs access network resources and leapfrog international growth stages (Hessels and Parker, 2013; Sirmon et al., 2011; Street and Cameron, 2007; Haahti et al. 2005; Das and Teng, 2000; Eisenhardt and Schoonhoven, 1996). However, they do not talk about vulnerability and risks that arise for SMEs when they become extensively dependent on external networks for critical resources. Extant literature fails to address how SMEs protect themselves against opportunistic behaviour of their network partners. This study attempts to answer this gap by combining RDT and bargaining theory to highlight SMEs' strategies to manage network externalities and opportunistic behaviours of their partners. The combination of these theories helps towards better understanding of underlying bargaining power dynamics when firms use dependency management strategies.

The study also adds value to RDT by providing insights into low-power firms' resource dependency management strategies. Though RDT is considered one of the most important theoretical frameworks to understand firms' relationship with the environment, it has traditionally assumed the perspective of high-power actors and largely ignored how low-power firms manage their resource dependencies on the environment. For instance, RDT suggests that firms adopt various strategies, such as mergers, acquisitions or creating alternates, to manage their dependencies on other organisations. Nevertheless, RDT disregards the fact that not all firms can have the power to do mergers, acquisitions, or build alternates, etc. and ignores their perspective in the main tenet of the theory. High-power actors always have choices to control resources and manage environmental factors, but how low-power firms that have limited strategic choices managed their environment is an important perspective introduced by this study. In doing so, the study highlights the underlying power dynamics of resource dependency management strategies.

Traditionally, RDT relies upon a narrow perspective of power, which assumes that firms' dependence on each other is the basic mechanism that determines their power against each other. Following this argument, a firm can only increase its power by decreasing its dependency on others or increasing others' dependency on it. Nevertheless, this argument ignores the importance of other sources of power from outside the exchange relationship, such as collective power, legitimate power etc. The study reveals that low-power firms use collective action to accumulate power from outside the exchange relationship to reduce their power imbalance within the exchange relationship. Consequently, low-power firms receive more resources and become more dependent on the counterpart, but with decreased power imbalance. The finding challenges the underlying assumption of RDT that dependence is the only determinant of firms' power against each other. The finding also contradicts the main argument of the theory, which states that firms try to decrease their dependence on others or increase others' dependence on them by using dependency management strategies. The study contributes to the literature by suggesting that the firm can increase its power or achieves the balance of power in the relationship without decreasing their dependence or increasing the counterpart's dependence on them.

The study also enriches the bargaining theory by unfolding strategic options for low-power firms that enable them to influence their high-power counterparts to change the positional bargaining and engage in the desired interest-based bargaining. Bargaining theory suggests that firms negotiate the exchange relationship by using positional bargaining or interest-based bargaining. Existing literature on the bargaining theory reveals that high-power actors prefer positional bargaining to impose their terms on low-power firms, whereas low-power firms intend to use interest-based bargaining to proceed with a win-win proposition (Essabbar et al. 2016). However, extant literature does not explain any mechanism that low-power firms can use to influence their high-power counterparts to shift them from positional bargaining to interest-based bargaining. In other words, low-power firms have to follow whatever the bargaining style adopted by their high-power counterparts, as long as there is a relationship being built on equal power terms. This study combines the bargaining theory with RDT to articulate the mechanism for low-power firms and suggests that collective power from outside the exchange relationship helps low-power firms to shift from positional bargaining to interest-based bargaining and review exchange terms with their high-power counterparts.

In addition, the study evaluates power in relative terms, which is also a distinct contribution to the RDT literature. Past studies that attempted to explore low-power firms' perspective in RDT produced inconsistent results because they used absolute power to differentiate between low-power and high-power actors (Shu and Lewin, 2017; Casciaro and Piskorski, 2005). They used firms' size or industry affiliation as determinants to separate low-power firms from high-power actors, for example, all SMEs are considered low-power firms or all firms from one industry named low-power firms and firms from another industry named high-power actors. Both determinates are fundamentally weak because all SMEs are not low-power firms, neither all firms from one industry can be low/high-power actors. Therefore, the study used relative power and contributed to the literature by proposing a framework to differentiate between low-power and high-power actors in a dyadic relationship. That is precisely the contribution of the study into literature about inter-organisational power dynamics.

Last but not least, the study adds value to the developing countries' multinationals literature. Most of the existing theories that explain firms' internationalisation are derived on the basis of experiences from developed countries. However, firms from developing countries face different challenges and institutional arrangements. Studying SMEs internationalisation and resource dependency management strategies using samples from developing countries is important. This study contributes to the literature by studying the

SMEs' internationalisation and resource dependency management strategies in the context of Pakistan because the unique context of Pakistan brings a different perspective into the existing literature, which is more relevant to firms operating in volatile economies.

7.3. Practical contributions

Findings of the study also have many implications for practitioners and policymakers. The study lifts limits on strategic choices available to managers of low-power firms while dealing with their high-power counterparts and suggests various strategic options. It informs managers that they do not always need to reduce dependencies to increase their power against their counterparts because they can access power from sources outside the exchange relationship to change the power imbalance within the exchange relationship. Findings act as a guideline for managers of low-power firms on how they can accumulate power from outside the exchange relationship by using collective actions and collective bargaining power and affect the exchange negotiation with high-power actors. It also alerts SMEs' managers in particular that accessing resources from the environment and networks is never without risks and vulnerability; therefore, they need to be conscious about underlying power dynamics in any external exchange relationship and adopt suitable dependency management strategies accordingly. Firms operate under the network of dependencies; therefore, the power distance from each organisation should be the main determinant of their strategic options to deal with different counterparts.

The study also has important implications for governments, policy makers and development agencies operating to create a friendly ecosystem for businesses and encourage international business activities. Intended outcomes of any policy can only be achieved if all stakeholders are given proper opportunity to share their concerns and provide inputs. In doing so, organisations like business associations can play a very important role because their primary purpose to advance collective good and inclusive structure allow them to set priorities, redistribute resources and change power centres in the industry in a way that advances the interests of the whole group. The government and policymakers can achieve across the board development by supporting business associations and engaging them in the policy-making process. However, the government or any regulatory body should not interfere in the internal mechanisms of these organisations to mould them in favour of the government’s vision. They can only produce their results as long as they maintain their independence, inclusive structure and their primary purpose is the welfare of the whole group. Nevertheless, the government should externally monitor them to make sure that their structure is inclusive, democratic and purpose remains the welfare of the whole group, not individuals.

7.4. Conclusion

The study concludes that SMEs from Pakistan face different constraints in internationalisation as compared to SMEs from developed countries and other developing countries. Challenges that SMEs face in Pakistan are more linked to their macro environment that is not in control of SMEs or even the government in some cases. Whereas, the lack of resources further intensifies their adverse impacts on SMEs internationalisation. SMEs accumulate these resources from the environment, but they come with high risks and vulnerabilities because the weak institutional system of the country allows a few organisations to control resources and exploit their low-power counterparts. Effective resource dependency management strategies become even more important for low-power firms that are sucked into this situation. The study reveals that low-power firms having limited strategic options use unconventional strategies to deal with their high-power counterparts. They accumulate power from outside the exchange relationship to reduce the power imbalance within the exchange relationship without decreasing their dependency on the counterpart. The reduced power imbalance helps them to engage their high-power counterpart in interest-based bargaining and renegotiate exchange terms to ensure sustainable access to the resources with even better conditions. This increases their dependence on the same counterpart. Thus, the study contradicts the RDT and concludes that firms use dependency management strategies not to decrease their dependence on high-power counterpart or counterpart’s dependency on them, but to reduce their power imbalance and reduce uncertainty.

7.5. Limitations and future research

The study adds value to different pieces of literature and more research can further validate these findings. However, it is still unclear whether these findings are context specific or can be generalised to other countries and sectors. Future research can replicate the study to different sectors and different national contexts to compare the results, which will better explain the generalizability of the study. The study uses qualitative methods and the sample size is not very big; therefore, future research can adopt the same research questions and build quantitative research with a large sample. Future studies with different methods and context will help to understand whether firms facing high-power imbalance from different settings behave differently or follow the same pattern. Further research can analyse whether small low-power firms engaged in interntional business can change their home institutions by using environment management strategies. Future research that brings in institutional theory and combines it with RDT and bargaining theory can further contribute to the knowledge by particularly looking into how firms negotiate their relationship with institutions.

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