National College of Business Administration and Economics Lahore

INTERNATIONALIZATION OF SMEs: INTERPLAY OF THE MANAGER'S POLITICAL SKILL AND NETWORK RESOURCES

BY

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MASTER OF PHILOSOPHY
IN
BUSINESS ADMINISTRATION

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A dissertation submitted to
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In Partial Fulfillment oft he
Requirements for the Degree of

MASTER OF PHILOSOPHY
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February, 2016

بسم الله الرحمن الرحيم

In the name of ALLAH,
The Most Beneficial,
The Most Merciful,

NATIONAL COLLEGE OF BUSINESS ADMINISTRATION AND ECONOMICS LAHORE

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Dissertation Committee:

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Chairman

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Rector
National College of Business Administration and Economics

DECLARATION

It is to declare that this research work as not been submitted for obtaining similar degree from any other university/college.

MUHAMMAD UMER IJAZ
February, 2017

DEDICATED
TO

My Parents

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RESEARCH COMPLETION CERTIFICATE

Certified that the research work contained in this thesis entitled **"Internationalization of SMEs: Interplay of the Manager's Political Skill and Network Resources"** has been carried out and completed by **Muhammad Umer Ijaz** under my supervision during his **M.Phil. Business Administration** Programme.

(Dr. Faisal Qadeer)
Supervisor

SUMMARY

The competitive and dynamic local business environment forces SMEs to expand their business internationally. Internationalization can help SME to gain competitive position in relation to their domestic counterparts. Successful internationalization requires several critical resources e.g. foreign market knowledge, foreign customer requirements, human and financial capital etc. Unlike large multinational organizations, SMEs generally lack in such resources. Internationalization research maintains that SMEs use network resources, resources obtained from one's social networks, to promote their internationalization. Despite the acknowledged usefulness of networks, very few studies investigate the antecedents of network resources. Therefore, this study attempts to fill this gap by exploring how network resources are developed.

Based on social network theory the present study intends to empirically test the impact of SMEs owner-managers' political skill in developing network resources that facilitate SMEs internationalization. Furthermore, it also attempts to analyze the moderating effect of political skill in utilizing network resources for promoting SMEs internationalization.

Data was collected from owner-managers of exporting SMEs through delivery and collection questionnaire method in cross-sectional time frame. Owing to absence of population frame, the researcher has identified few SMEs through probability sampling and request the owner-manager of these SMEs to trace out further exporting SMEs. Data Analysis is conducted by using SPSS module 21. Regression analysis is conducted to test the impact of independent variable (political skill) on dependent variable (internationalization). In order to test mediation and moderation, the PROCESS and MACRO model suggested by Hayes (2013) is used.

Results of the study are predictable with the speculated hypotheses. The findings of the study reveal that political skill is an important individual level skill in developing and utilizing network resources.

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CHAPTER 1

INTRODUCTION

1.1 STATEMENT OF TOPIC AND AIMS

Owing to extremely competitive and dynamic local business environment, almost every business firm is looking for an opportunity to enter into international market. Not only large corporations but also small and medium enterprises (SMEs) are striving for *internationalization*, i.e. a process of expanding firms' operations internationally. Firms use internationalization strategy not only for better revenue growth but also for achieving competitive advantage over their domestic counterparts through taping vital knowledge and skills from working with demanding customers abroad. Nevertheless, it encompasses some serious challenges like liability of foreignness and newness, export barriers and most important resource constraints.

These challenges are even more severe when it comes to SMEs. In particular, managing necessary resources is a critical factor toward SMEs' internationalization. In order to overcome resource constraint issue in this context, SMEs can use different copping strategies (e.g. strategic alliances and cooperation; use of information technology; developing human capital; organizational flexibility; organizational orientations and entrepreneurial approach). Recent literature further suggests that interpersonal networks of owner-manager provide valuable resources that can facilitate the internationalization process. *Network resources* are those that are embedded within, accessible through, and derived from one's personal relationship ties. These are helpful in internationalization by providing sufficient and valuable information that are considered as pre-requisite for their entry into foreign markets. Several studies have found a significant positive relationship between SME's network resources and internationalization.

Despite the acknowledged usefulness of networks, very few studies investigate the antecedents of network resources. It is worth investigating to find out the precursors that can facilitate network resource acquisition (Stoian, Rialp, & Dimitratos, 2017). Research on social networks suggests that individual level attributes like demographics and personality traits are helpful in development of network resources. Extending the existing research, we argue that managerial skills are situation specific, flexible and learned thus may be more associated to network development over and above personality traits and demographics. Specifically, *political skill* not only helps to develop networks resources that can in turn translate into SMEs internationalization, but also these skills are also likely to positively moderate the conversion of networks resources into internationalization. Therefore, this research aims to a) examine the use of political skill by SMEs owner-manager to increase the degree of internationalization via development of network resources, and b) analyze the moderating effect of SMEs owner-manager political skill on the relationship between network resources and internationalization.

1.2 STUDY BACKGROUND

As today's business becomes more global, it's important to sort out the ways of improving international business performance Werner (2002). Adopting successful internationalization can benefit a firm by widening the scope of its products and services in international market and offering access to diverse resources that can reinforce its local competitive position (Autio, George, & Alexy, 2011; Sapienza, Autio, George, & Zahra, 2006). Since turn of the century, several SMEs have grown up in multifarious and uncertain business environment with increased involvement in international markets (Raymond, Bergeron, Croteau, & St-Pierre, 2015). Engagement in international business activities has put pressure on owner-manager of these firms to develop capability of competing globally (Lu & Beamish, 2001) and in a high uncertain environment (Autio et al., 2011).

Although the internationalization of SMEs bring up with numerous benefits, it also encompass several challenges like shortage of critical resources (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009). Generally SMEs are considered as resource constrained firms and lack financial, managerial and technical resources limiting their international activities (Brouthers, Nakos, & Dimitratos, 2015). Because of this, a number of studies have paid attention in understanding the means of improving SMEs internationalization (Batsakis & Mohr, 2016; Marano, Arregle, Hitt, Spadafora, & van Essen, 2016; Sapienza et al., 2006; Tang, 2011). Recognizing the importance of internationalization as a growth strategy (Sapienza et al., 2006) it would be appealing to explore how owners from small firms internationalize their ventures (Nowiński & Rialp, 2016).

Prior studies in this area have examined how different factors; strategic alliances (Brouthers et al., 2015) innovation (Wernz & Samant, 2015), e-business (Raymond et al., 2015) and human capital (Onkelinx, Manolova, & Edelman, 2016) can help SMEs to internationalize their activities. However, for a resource constraint firm, it is hard to adopt those strategies that require sizeable investment. Therefore, more recently, the scholars have proposed that access to network resources through owner-managers' social networks, may be critical factor that can explain difference in degree of internationalization (Forsgren, 2016; Stoian et al., 2017).

The basic principle in social networking literature is that social connections hold several benefits for their actors (Nahapiet & Ghoshal, 1998). Internationalization Scholars view network theory as enabler of SMEs internationalization (Dimitratos, Amorós, Etchebarne, & Felzensztein, 2014; Hilmersson, 2014). From the viewpoint of small resource constrained firms, social ties represent important and valuable resources (Musteen, Datta, & Butts, 2014). The researchers (Oviatt & McDougall, 1994; Zahra, 2005) have identified social network theory as a useful lens in elucidating initial internationalization by SMEs. The key postulation of the theory states that networks are rich source of valuable resources that facilitate SMEs internationalization without regard to experiential learning and psychosocial distance. In fact, the literature on small firms' internationalization offers plentiful evidence that network resources play critical role in expanding SMEs operations in international markets.

Notwithstanding the benefits of network resources for internationalization, studies focusing on exploring the precursors of network resources are very sparse (Zhang, Zheng, & Wei, 2009). Similarly, Fang, Chi, Chen, and Baron (2015) revealed that our understanding is limited about the process through which entrepreneurs develop networks and then utilize these networks for achieving personal and venture objectives. Although the literature has identified important impacts of social networks on SMEs internationalization, two essentially important questions remained unanswered. First, how the owner-managers of small firms actually pile-up network resources through their social ties?. Most of the studies on social networks focused the impacts of social networks and hardly seen networks as dependent variable (Hoang & Antoncic, 2003). Therefore, it is important to find out the antecedents of network resources.

The second untapped question relates to the utilization of network resources by SMEs owner-managers. Research work on social networks is silent to answer whether all owner-managers are equally proficient in utilizing network resources for attaining required business performance (Baron, 2007). So for, the networking research presumes that all owner-managers utilize their available network resources up-to their maximum capacity. However, social capital scholars (Lin, 1999) proposed that not all players can maximally utilize their available network resources. For that reason, the aim of current research is to answer these two largely unanswered questions.

In current study, the researcher uses the social network theory to address the abovementioned un-explored questions in SMEs literature. Since resource development is a function of interactions among network actors one's competency to effectively interact with social groups is a key to acquire benefits from network membership. Scholars agreed that individual level traits are most influential in developing networks (Burt, 2005; Ferris et al., 2007). Prior studies on this issue mostly focused on demographic attributes and personality traits. While, Wei, Chiang, and Wu (2012) suggested that personality traits and demographic characteristics are static in nature and thus difficult to ignite action or pose significant influence in constructing network resources. On the other hand, managerial skills are situation specific, flexible and learned (Epstein, 1983) thus may be more associated to network development over and above personality traits and demographics.

Political skill and other alike that allow individuals to effectively interact with others, play vital role in network building process. Network resources are embedded in social ties which are about persuasion and influence. Politically skilled individuals are socially astute (Ferris, 2012) and therefore are adept in presenting positive impressions in social interactions which helps them to harness favorable ties with others and also to use them for their own benefits. As a result, these individuals can easily get access to network resources (Treadway et al., 2004) that facilitate them to achieve higher degree of internationalization (Felzensztein, Ciravegna, Robson, & Amorós, 2015). That is why, it is imperative to explain the precursor role of political skill in developing and utilization of network resources.

1.2.1 Objectives of the Study

By incorporating the previous research on the topic, this study has mainly three objectives to achieve:

a) To analyze the role of network resources in promotion of SMEs internationalization.

b) To understand the influence political skill of SMEs owner-managers while building up network resources which in turn help in internationalization process.

c) To examine the moderating function of owner-managers' political skill role in utilization and leveraging of network resources in facilitation of SMEs internationalization.

1.3 EFFECTIVITY OF THE TOPIC

Over the past four to five decades, the context in which organizations are operating has been changed dramatically and firms are forced to modify their strategies accordingly to survive and grow in their global, competitive and dynamic environment (Axinn & Matthyssens, 2001). This unstoppable impact of globalization is not limited to large multinational organizations but also to small and medium enterprises (Rialp & Rialp, 2001). Today, a huge number of SMEs are getting involved in internationalization. Though researchers view internationalization as a performance enhancing strategy (Li, 2001), they also see internationalization as a challenging task. Therefore, this study is an important contribution in SMEs internationalization literature by offering viable solution to SMEs owner-manager to get higher degree of internationalization by using their political skill.

Studies on SMEs internationalization are not limited. However, our understanding about the role of owner-manager specific skills (e.g. political skill) in achieving successful internationalization is limited. On the other hand, the political skill literature largely focused on developing relationships within the organization and to use them for career and promotional purposes (Wei et al., 2012). We could hardly find out a study in which political skill was used by SMEs owner-managers to develop network resources lying outside of the organization. Thus, this study is novel in a sense as it merges two literatures in field of small business management. It advances prior knowledge by suggesting political skill as an antecedent of network resources which in turn facilitate SMEs internationalization.

The study is adorned well with the element of action ability by providing practical solution for exporting SMEs. Vermeulen (2007) suggested that a relevant research topic should engender insights that practitioners find helpful in understanding their specific organizational facts, more specifically if it is related to variables which are under the control of managers. This research fulfills the criteria suggested by (Vermeulen, 2007) as the antecedent of developing network resources (i.e. political skill) is totally within the control of SMEs owner-managers. Hence the study offers a significant actionable solution for owner-managers of small exporting firms.

1.4 STUDY VARIABLES

The study mainly deals with three variables. A brief description of each is presented below.

1.4.1 Internationalization

Internationalization is the expansion of firms' operations internationally (Rosenzweig & Shaner, 2001). Being an important growth strategy, very large numbers of SMEs are reported to engage in internationalization. It is reasonable to inquire in detail the necessary actions that lead to higher degree of internationalization. Because of this, the present study takes internationalization as a dependent variable.

1.4.2 Network Resources

Network resources are those that are embedded within, accessible through, and derived from one's personal relationship ties (Nahapiet & Ghoshal, 1998). Network resources are considered vital for many important organizational outcomes like performance, promotion and career growth (Li, Sun, & Cheng, 2015). In present study, the network resources act as mediation between political skill and SMEs internationalization.

1.4.3 Political Skill

Political skill is one's personal competency in social interactions and expertise of applying situational-suitable behavior and tactics to influence others, especially in environment of high uncertainty (Ferris et al., 2005). Identifying the value of politics in business setting, the researchers are increasingly interested to know the impact of managers' political skill in understanding political and social aspects of their business environment. (Ferris et al., 2007) argued that to be successful in today's' political environment, it is necessary to have political skills. Therefore, it is of great importance to see political skill as precursor of critical organizational factors. In current study, the researcher is interested to see the political skill as an antecedent of network resources and internationalization.

1.5 STUDY HYPOTHESES

On the basis of previous research on the topic, study objectives and study background, this study has postulated five hypotheses. The detailed grounding of these hypotheses and testing is presented in chapter 2 and 4 respectively

H1: Political skill of SMEs' owner-manager is positively associated with SMEs degree of internationalization

H2: Political skill of SMEs' owner managers is helpful in gaining network resources

H3: SMEs' owner-manager Network resources are positively associated with their internationalization

H4: Network resources gained by SMEs' owner-manager mediate the relationship between political skill and SMEs internationalization

H5: Political skill of SMEs' owner-manager moderates the relationship between network resources and internationalization

1.6 METHODOLOGY

In order to test the study hypotheses, the research was carried out in small and medium exporting firms of Pakistan. Snowball sampling, was used as a sampling design to collect data. Initially 5 exporting SMEs were selected through probability sampling from the list of SMEs given by Lahore Chamber of Commerce. Further exporting SMEs were traced out with the help of initially approached SMEs. Data was collected from owner-managers of exporting SMEs through delivery and collection questionnaire method in which the researcher hand out and collect questionnaire from SMEs owner-managers on its own. Cross sectional data collection was conducted to analyze the association between dependent and independent variable. All variables were measured by adopting already established scales used in prior studies.

A total of 300 survey questionnaires were administered to owner-manager of SMEs. Out of 300 questionnaires distributed, 123 questionnaires were received back representing 41% response rate. After screening out, the researcher left with 99 questionnaires that were completely useable for data analysis. Complete detail about methodology has been discussed in Chapter 3.

1.7 DATA ANALYSIS

Data is analyzed by using SPSS module 21. The study applies numerous statistical techniques to inspect the data. First of all, data was screened out by identifying missing values, aberrant values and outliers. For reliability analysis, Cronbach’s Alpha is calculated. The Pearson Bi-variate Correlations is also estimated for variables of study for initial estimation about relationships among variables. Regression analysis was conducted to test study hypotheses. In order to test mediation and moderation, the PROCESS and MACRO model suggested by (Hayes, 2013) was used. The comprehensive description regarding analysis and interpretations of results are given in Chapter 4.

1.8 FINDINGS

Results of the study are predictable with the speculated hypotheses. The procedure and techniques used for data collection and analysis seems to be sufficiently fit to satisfy the targets of the study. The results of the study exhibit the relationship among dependent and independent variables. All hypotheses are accepted except hypotheses 4. Detail regarding the results, limitation, implication and future directions is given in Chapter 5.

CHAPTER 2

LITERATURE REVIEW AND HYPOTHESES

2.1 INTERNATIONALIZATION

Internationalization is the expansion of firms' operations internationally (Rosenzweig & Shaner, 2001). Internationalization is one of the fundamental strategies that organizations use to grow outside their domestic borders. Firms are moving toward international business in greater numbers and at faster speed than ever before (Axinn & Matthyssens, 2001). Successful internationalization is beneficial to the firms in terms of expanding their markets, gaining valuable resources, accumulating critical skills and knowledge while working with their foreign customers and achieving higher revenue growth (Ganotakis & Love, 2012). In the same line, internationalization also opens new avenues of doing business by exploring new ideas and opportunities. George, Wiklund, and Zahra (2005) suggested that it might be risky to avoid internationalization in today's globalized economy. Firms which restrict their operations to local markets heavily depend on a single source income i.e. domestic markets and thus lose their competitiveness (Hilmersson, 2014).

On the other hand, firms which are actively involved in international business activities can diversify their risk of inconsistent sales performance (Hilmersson, 2014). Furthermore, the competitive business environment, globalization of markets, E-Business, increasing trends of service economy and advancement in technology forced firms to expand their business above and beyond their local markets. The inherent benefits of firms' internationalization are widely accepted amongst international business community. The constructive impacts of internationalization are; economies of scale, economies of scope, international arbitrage, location-based benefits, diverse market opportunities international market knowledge and broader learning (Cardinal, Miller, & Palich, 2011; Hennart, 2011; Musteen et al., 2014).

Scholars in field of international business are showing great interest in knowing the contingent effects of geographical expansion (Batsakis & Mohr, 2016) because of performance gap of different international firms. With respect to internationalization, mainly there are two streams showing dominance in literature; internationalization process theory (Johanson & Vahlne, 1977) and international new venture stream (Oviatt & McDougall, 1994). Internationalization process theory views internationalization as an incremental process in which the firm gradually expands its scope across the border. The international new venture view is based on the assumption that new international ventures are formed because of homogeneity in market factors i.e. technology and communication. Different scholars have provided different views of internationalization. Some of the prominent theories pertaining to internationalization of firms are described as under;

2.2 THEORETICAL PERSPECTIVE ON INTERNATIONALIZATION

Early theories of internationalization began to develop in 1950. Main focus of such theories was Multi National Enterprises (MNEs) and their economic aspects. A bird eye view of some of the prominent internationalization theories concerning MNEs are presented below.

2.2.1 Internalization Theory

The theory was proposed by (Rugman, 1986). It explained the factors that stimulate large firms to expand their operations internationally (Rugman & Verbeke, 2007). The theory of internalization was based on the notion of vertical integration. According to this theory, firms established their own internal markets to carry out bunch of activities internally by removing intermediaries. In this way, firms could reduce their cost of transaction and develop firm specific advantages. Ruzzier, Hisrich, and Antoncic (2006) argued that internalization of transaction outside the domestic markets escort in the creation of MNEs. Firms' internalization is done through process of accumulating and assessing information which guides decision makers to select the best approach for entering into foreign market (Ruzzier et al., 2006).

The theory of internalization gives explanation to the effective functioning of global and multinational organizations (Rugman & Verbeke, 2007). The theory emphasized the utilization of unique resources of the firm to achieve higher growth. According to this theory firm's unique resources are important and indispensable to get success in foreign market. (Rugman, 1986) labeled the firm specific resource bundles as "firm specific advantages" and illustrated: ''A firm-specific advantage in the production, distribution or marketing of a product which embodies the new knowledge, enables the MNE to appropriate a fair return on its investment'' (Rugman, 1986, p. 26).

The earlier version of internalization theory focused on the stimulating factors that lead firms toward international business as well as mode of entry. However, the latest extension of internalization theory put emphasis on building new connections with strategic management view of MNEs and also on networking MNEs (Rugman & Verbeke, 2007). The internalization theory uses relative institutional approach in order to analyze the effectiveness of MNEs in defining firm's boundaries, building strong ties with external world and choosing a particular form.

Recently some scholars have used internalization theory in developing global strategy of the firm (Verbeke & Kano, 2016). They have suggested four unique set of bundles that firms possess: principles driven bundling, fast bundling, adaptive bundling and entrepreneurial resource orchestration and argued that firms can achieve their internationalization goals by best combining these four internal resource bundles. Dalbehera, Raghunath, Srinivasan, Patibandla, and Nagadevara (2017) proposed that company's internal environment can play a significant role in success of international joint ventures. Similarly, research on "multinational enterprises from emerging economies" has shown that internalization theory is sufficient in managing company's international activities (Verbeke & Kano, 2016).

2.2.2 The Eclectic Paradigm

The eclectic paradigm theory commonly known as OLI paradigm, explains various patterns of international production and about the choice of the location for direct investment. Dunning (1988) stated that firms' internationalization can be evaluated through assessing three types of benefits. First types of advantages are related to the ownership. These are firm specific advantage like building up pool of intangible resources and developing new innovative products and technologies. Second advantage pertains to internalization in which firms add value by managing and coordinating several activities on their own. Third advantage is related to the geographical location. In this case, the non-removable products are manufactured in home country while using intermediate products from another country.

Dunning (1988) eclectic paradigm presents a unique framework for defining the limit and ways of doing foreign activities. It states that large organizations take advantage through three ways: 1) ownership 2) location and 3) internalization. Advantage through ownership means the nationality of possession of a company involved in international business activities, advantage via internalization means the advantage gain through firm's internal resources which influence MNEs' boundaries and finally, the location advantage is related to the physical place where international business activities took place. The firms' decision about involving in international business activities depends on the level of configuration among three sources of advantage (Cantwell, 2014). Thus, this paradigm is fundamentally about the suitable combination of issues related to capabilities and transaction.

More specifically, Dunning (2015) posits that due to enhancing porosity in borders of firms, markets and countries, the eclectic paradigm of internationalization needs to focus more overtly about the competitive advantage gain through inter-organizational transactions and also with accepting external economies. In a continuous changing and dynamic business environment, eclectic paradigm can help scholars and practitioner to better understand the international business aspects (Buckley & Casson, 2016). In nutshell, the eclectic paradigm guides MNEs toward international business by offering analysis of multiple aspects.

2.2.3 Monopolistic Advantage Theory

McDougall, Shane, and Oviatt (1994) proposed that existence of MNEs is due to the unique resources these firms possess. These unique resources are source of competitive advantage over their foreign counterparts in their domestic markets. Such resources are inimitable. According to this theory, MNEs have distinct finer knowledge of products differentiation, brand names, manufacturing processes and organizational talents. When a firm acquires such type of superior knowledge, it can transform that knowledge to foreign markets without bearing any additional cost (McDougall et al., 1994). As the cost of generating this knowledge is much higher for local firms so they are hardly able to acquire unique knowledge and therefore are unable to compete with international firms.

The monopolistic advantage theory works under two main assumptions. First, MNEs invest in foreign or international market only if the gain of utilizing company's specific advantages are higher than the relative costs of international operations. Second, multinational organizations seek to build internal markets if the cost of internal transaction is lower (Luo & Wang, 2012). In addition, the monopolistic advantage theory helps MNEs in three ways by providing guidance regarding location, timing and investment scale. According to this theory, firms prefer to invest in those countries having smaller adjustment cost (e.g. currency risk, information cost etc.) and in countries with low transaction cost. Dunning (1988) stated that firms' investment in foreign international markets depend upon their source of monopolistic advantage, their economies of scale and finally the prevailing competition at home and host country. Finally, the scale of investment depends on the imperfect external markets (Hennart, 2011).

2.2.4 Concluding Remarks

The abovementioned theories explained different mechanisms through which large and multinational enterprises adapt internationalization. However, these theories are unable to explain the internationalization process of resource constraint firms i.e. SMEs. Small firms are different from big companies in several ways (e.g. response to environment, organizational structure and design, target market, management and basic philosophy). Therefore, it is difficult to apply the theories of larger organizations to SMEs because of different context of both organizations, thus leading to generate theories specifically focused toward resource constraint firms, SMEs.

2.3 SMEs' INTERNATIONALIZATION

The role of SMEs in generating employment and improving national income can't be overemphasized. In particular, the developing economies consider SME sector as a backbone for poverty alleviation, employment generation and flourishing the culture of innovativeness. According to World Bank estimate, the next one and half decade will be in great demand of about 600 million jobs to meet the needs of growing global workforce and SME is the key sector to generate most of these jobs (4 out of 5) (Bell, 2015). In Pakistan, the share of SMEs in GDP is 30% and 78% of the non-agricultural workforce is dependent on this sector ("State of SMEs in Pakistan",2015). Moreover, Research and development oriented SMEs also play a significant role in innovations (Kato, Okamuro, & Honjo, 2015). The scope of this sector is not limited to the extent of domestic markets; SMEs are now trying to internationalize their operations i.e. expanding their business outside of their domestic markets.

Markets globalization and increasing trend of global value chains highlight the significance of firms' export capacity (Harris & Moffat, 2011). For SMEs, research shows a significant positive relationship between export and their growth (Golovko & Valentini, 2011). Exporting SMEs in Europe show two times higher growth than SMEs that are not involved in exports (Cernat, Ana, & Ana, 2014) and therefore, motivates SMEs to internationalize their business activities to expand their scope. Internationalization provides both operational as well as strategic advantages to SMEs, specifically to those having smaller local market, markets with little profit and growth margin

(Onkelinx et al., 2016). Internationalization of small firms enables them to achieve economies of scale limited to their own defined range of value chain activities, makes faster their research and development activities and in acquiring unique skills and knowledge while working abroad (Ganotakis & Love, 2012). Identifying the antecedents for successful internationalization of small firms is a subject of curiosity for both researchers and practitioners (Hilmersson, 2014; Love & Roper, 2015). Different scholars presented different views about internationalization of SMEs.

2.3.1 Uppsala Model

Research in the field of SMEs internationalization started in 1970. Researchers in this streamline are collectively known as Uppsala school. The earliest model of internationalization proposed by (Johanson & Vahlne, 1977) was based on the empirical findings from Swedish firms. According to this model the firms adopt internationalization in an incremental fashion by gradually developing their knowledge about international markets and enhancing their commitments toward foreign markets. The model was elucidated with the idea of psychic distance, firms expand their operations first in those international markets which are close psychically and the distant markets are targeted later with the development of further knowledge (Johanson & Vahlne, 2002). The model proposed that firms usually start their international operations through a foreign agent and in a mode of traditional export. After acquiring sufficient knowledge and experience firms start their operations independently.

The model consists of two states and four steps to successfully internationalize their operations. The state aspects are market knowledge and market commitment. The market commitment part further composed of two components; 1) amount of resources dedicated to foreign activities 2) the degree of commitment. Resource commitment relates to the investment in markets including investment in human resources, marketing resources and other general organizational resources. However, the degree of commitment refers to the level of difficulty in recognizing the alternate use of these resources and applying them to these alternative options. These state aspects (amount of resources and the degree of commitment) influence the change aspects (commitment decision and current business activities) of business. The components of change aspects further enhance market knowledge and leverage resource commitment international markets (Anderson & Norheim, 1993).

The original version of Uppsala model was revisited by Johanson and Vahlne (2009) in light of theoretical advancement and changes in dimensions of business practices since 1977. They argue that today's business world is viewed as a network of relationships instead of neoclassical markets having too many independent customers and suppliers. Although the new revisited model has same change mechanism but added two distinct features i.e. knowledge creation through social networks and building trust among network members. The latest version of this model states that outsider-ship, an external network which is not embedded with business network, rather than foreignness is the key component of uncertainty (Johanson & Vahlne, 2009). A remarkable contribution to the new Uppsala model is noticed by the work of Forsgren (2016), who reformulated Uppsala model by incorporating entrepreneurship theory into the model. His model states that internationalization of SMEs can be foster by availing new opportunities through alertness and readiness for being surprised. In conclusion, the Uppsala model is continuously reformulated by different international business scholars to make it more comprehensive model for SMEs internationalization.

2.3.2 Innovation Related Models

These are the bunch of different models focusing on the innovativeness component of the firm. The term innovation related model can be traced out from the seminal contribution of Rogers (Gankema, Snuif, & Zwart, 2000). According to this model, every new step that the firm takes toward internationalization is deemed to be a part of innovation (Gankema et al., 2000). The model is specifically focused toward export development of SMEs. Innovation models consist of fixed and sequential steps that may vary in numbers from model to model. However, they also proposed some generic stages are; pre-export stage, earlier export stage and higher order export stage. Generally, all innovation related models have resemblance in them except for the number of stages and terms used (Anderson & Norheim, 1993). According to these models, key decision makers and personal learning are the keys to understand international behavior of the firm.

Nevertheless, innovation related models also face some ambiguity in term of theoretical explanation. This model however, failed to distinguish the stages on the basis of any certain criteria. In the same sense, time allotted to a given stage is also not defined. Furthermore, these models only explain the sequential change process and fail to elaborate the dimensions of this change process. The center point of all stage models is that the internationalization is an incremental process both in terms of firms' activities and their resources. However, the way of explanation of these models varies from stage based to cyclic to evolutionary.

Technology-based SMEs, more specifically those SMEs that operate around latest technological platform, are more prone to the effects of globalization both in terms of speed of innovation and completion pressure (Onetti, Zucchella, Jones, & McDougall-Covin, 2012). The growth of SMEs is mainly done in two ways, either by offering new product (innovation) or by expanding their operations into new markets (internationalization) or by using both. Kyläheiko, Jantunen, Puumalainen, Saarenketo, and Tuppura (2011) argued that innovation and internationalization are complementary i.e. support each other. Therefore, the basic assumption of innovation related model states that innovation is the key to recognize international opportunities.

2.3.3 Resource-Based View of Internationalization

Researchers from strategic management presented the resource based view of the firm. Resource based view holds that in order to achieve competitive advantage, a firm must hold unique and difficult to copy resources (Ruzzier et al., 2006). Similarly, researchers like Feng, Morgan, and Rego (2017) argued that possessing relevant and important firm resources strengthens the market position of the firm. The model has highlighted the value of intangible resources (knowledge and learning) in attaining competitive advantage. According to this model, merely owning resources is not sufficient but organizational learning capability is also important to generate new resources. This argument leads to a better understanding of diversification strategies of the firm (Montgomery & Wernerfelt, 1988) and one of them is internationalization.

Owing to different operating environment of SMEs, it becomes difficult to label critical resources that are necessary for their internationalization. Keeping in mind the characteristics that resources should hold to gain sustainable competitive advantage, different scholars identified different features. For example, Barney (1991) argued that in order to achieve sustainable competitive advantage, a firm must possess valuable, rare, un-substitutable and imperfectly imitable resources. Similarly, Grant (1991) proposed four characteristics of resources for long term competitive advantage which are transparency, durability, replicability and transferability. Different views on attributes of resources shows that categorization of these attributes is blur. In sum, resource based view of internationalization states that SMEs must possess some unique and valuable bundle of resources to internationalize their activities.

The resource based view amongst the most prominent theory in organization science literature. Although the scholars from entrepreneurship and SMEs are continuously leveraging the tenets of resource based view, its emergence comes from strategic management (Walter, Lechner, & Kellermanns, 2016). Regardless of some resemblances between small business management and strategic management, there also exist some critical differences which raise questions; first, whether the small business scholars should adapt resource based view or not and second, to what extent it can be applies to small business context. Walter et al. (2016) put forward that due to the unique nature of context different resource dimensions should be examined for SMEs to apply resource based view. Therefore, adaptation of resource based view in small business requires different resource bundles than that of larger organizations.

2.3.4 International Entrepreneurship

The economist approach holds that production at one stage acts as input for the next stage of firm's internationalization (Vahlne & Nordström, 1993). However, it omitted the process approach of internationalization. On the other hand, the process approach covers this aspect but ignores the strategic decision making ability of individuals (Andersen, 2000). Entrepreneurs are considered as key variables in strategic decisions of SMEs like internationalization. However, small firms also need to think strategically to add value and it requires the combination of entrepreneurship and strategic thinking (Hitt, Ireland, Camp, & Sexton, 2001). Therefore, the recent approach towards internationalization of SMEs is international entrepreneurship, the interface of international business and entrepreneurship. It is defined as a mixture of innovative and risk taking behavior towards international business operations to generate value in organization (McDougall & Oviatt, 2000).

A comprehensive model for internationalization of start-ups was given by Antoncic and Hisrich (2001). The model proposed the antecedents and outcomes of process of internationalization. Ruzzier et al. (2006) developed a modified version of model of international entrepreneurship based on the original work of Antoncic and Hisrich (2001). This model reflects how the theories pertaining to SMEs' internationalization merge into the field of entrepreneurship. The model suggests that for better international performance a SME must have three characteristics; first its owner-manager should have strong human as well as social capital which includes international business skills, international orientation, environmental perception and management know-how. Second, firm characteristics should represent a smaller entrepreneurial firm. Third, it should keep a strong analysis of domestic as well as international environment. All these three factors define the mode of entry into international market, the time to launch business and selection of product as well.

Recently, the scholars Naldi, Achtenhagen, and Davidsson (2015) from small business management are also applying the "opportunity-based" conceptualization of "entrepreneurial management" by Howard Stevenson to the field international entrepreneurship. Stevenson's entrepreneurial management model was presented in late 90's and described that entrepreneurship is a managerial approach that seeks to make use of opportunities regardless of the availability of current resources (Stevenson & Harmeling, 1990). The notion of non-focus toward resources is supported by the work of Keupp and Gassmann (2009) who considered resource scarcity a motivator toward internationalization, rather a hindrance. They argued that the resource ownership can be replaced by the social networks of entrepreneur.

2.3.5 Concluding Remarks

Though the theories (e.g. Uppsala model, resource based view) of SMEs' internationalization mainly focus on resource commitment but such theories fail to explain the process of developing valuable resources. For that reason, there is a dire need of alternative theory that can assist in gaining valuable resources. This argument is supported by Keupp and Gassmann (2009) who are in a view that social ties of SMEs' owners can act as strong resources for internationalization. Thus, in current study, we are focusing on social network theory, a better lens used to examine the internationalization process of resource constraint firms.

2.4 SOCIAL NETWORK THEORY

An important lens used to see the internationalization of SMEs is network approach. According to social network theory, firms are embedded within their business networks (Johanson & Mattsson, 2015). Social network theory holds that both individuals and firms get benefits out of their social relationships through exchanging market information with each other (Musteen et al., 2014). Networks are defined as set of different players and the relationship among them (Hoang & Antoncic, 2003). For small and medium firms, the societal network ties are considered valuable and useful resources. Entrepreneurship and small business management literature witnessed a vital role of social networks in relation to SMEs.

The model proposed by Johanson and Mattsson (2015) states that the firms learn and develop market knowledge with the interactions of their social networks. According to this model, internationalization is a sequential process in which SMEs build relationships at domestic level first and then move ahead to establish international ties to wider their business scope. Firms are involved in two types of international networks; *international expansion* and *penetration*. In international expansion firms are actively engaged in developing relationships in countries that are new to them. In penetration strategy firms establish more links in countries that are already in their contact. The social network model of internationalization focused on defining the process instead of merely existence of international firms. However, in process oriented model, the role of individual or entrepreneur is missing in context of SMEs' internationalization (Ruzzier et al., 2006).

The network embedded knowledge is usually held with a key person having significant impact on firm's internationalization. Such types of social ties are critically important for owners of small firms to run the affairs of business (Hoang & Antoncic, 2003). Similarly, Andersen and Buvik (2002) were also in view that inter-firm ties are important elements toward many internationalization issues. More specifically, SMEs exchange information with each other which enables them to learn from each other experiences and promote their internationalization (Bonaccorsi, 1992). In nutshell, social network theory highlights the importance of social relationships for encouraging internationalization through gaining necessary resources.

2.5 CONCEPTUAL FRAMEWORK

2.5.1 SMEs Internationalization

Internationalization is one of the pivotal strategies that organizations use to grow outside from their domestic borders. Firms are moving toward international business in greater numbers and at faster speed than ever before (Axinn & Matthyssens, 2001). Several factors forced firms to internationalize their operations. For example, globalization of markets, E-Business, increasing trends of service economy are some of the prominent factors. Advancement in technology has further pushed the firms to change the way of doing their business. Therefore, internationalization has turned out to be the vital part of company strategy (Dunning, 2015). The process of Internationalization helps a firm to gain competitive advantage over domestic competitors through expanding its markets and achieving economies of scale. Internationalization provides both operational as well as strategic gains to Small and Medium Enterprises (SMEs). On the other hand, it is also a risky process as it exposes the firm to several uncertainties thus labeling internationalization as a double-edged sword. For example, Denk, Kaufmann, and Roesch (2012) elaborated that firms have to face a liability of foreignness as they enter into foreign markets. Furthermore, internationalization of SMEs is linked with the risk of additional cost due to market uncertainty and legal and political constraints that hinders their internationalization process.

Researchers in the area of SMEs Internationalization are continuously trying to find out the ways through which SMEs can mitigate the liability of foreignness and ameliorate their performance in international markets. Several studies have indicated various factors facilitating SMEs internationalization. For example, Human Capital (Onkelinx et al., 2016), Entrepreneurial Orientation (Brouthers et al., 2015), Market Orientation (Armario, Ruiz, & Armario, 2008), Strategic Alliances (Brouthers et al., 2009) and Managerial Networking (Harris & Wheeler, 2005; Musteen et al., 2014; Tang, 2011) play critical role in promoting SMEs internationalization. In this study, our focus is on owner-manager Social Networks and resources gained from these networks to endorse the process of internationalization.

2.5.2 Network Resources

Social network is a multifaceted pattern of interpersonal relationships in which actors, exchange information and resources among themselves (Balkundi & Harrison, 2006). The International Business literature has recognized social networks as enabler of small firms' internationalization (George et al., 2005). Small firms use their network relationships to minimize their export barriers. Musteen et al. (2014) found that social networks particularly international ties of SMEs owner-manager can be useful source of foreign market knowledge and thus facilitates SMEs internationalization process. Scholars have viewed informal social networks very useful tool of getting valuable information and resources (Lin, 1999). Very recently, Nesheim, Olsen, and Sandvik (2017) recommended "never walk alone" strategy and suggested to work in networks to gain higher performance. In context of SMEs these social informal networks become more important to gain access to valuable resources. Owing to globalization of firms, the distance between buyers and sellers is elongated in international markets making the development of relational networks essential for SMEs.

Network resources are those that are embedded within, accessible through, and derived from one's personal relationship ties (Nahapiet & Ghoshal, 1998). Although literature has highlighted the positive association between network resources embedded in social networks and SMEs internationalization but a handful studies have explained that how these social networks are developed. Very few studies have focused their attention toward explaining that how small business owner-managers develop their social networks (Vissa, 2012). “Power accrues to those who have an accurate perception of the network in which they are embedded. An individual who has an astute knowledge of where the network links are, can have a substantial advantage” (Krackhardt, 1990, p. 343). Thus, in this study we are going to investigate how owner-managers of small firms build their social networks and develop network resources by using their “Political Skills”.

2.5.3 Political Skill

Pfeffer (1992) used the term political skill and argued that possessing political skill is necessary to be successful. Organizational power and politics literature has identified four key dimensions of political skill: social astuteness, interpersonal influence, networking ability and apparent sincerity. Social astuteness is the ability to judge others smartly in social interaction. Interpersonal influence is the ability to exert influence while dealing with others. Networking ability is referred to the ability of building diverse social relationships. Apparent sincerity is the ability to appear oneself as sincere authentic and genuine in front of others (Ferris et al., 2005; Ferris et al., 2007). All these dimensions help SME owner-manager to adopt him/her according to the situation and garner benefits accordingly. For example, building resource rich network resources and also utilizing those resources to attain his/her desired objectives.

Political skill is one’s personal competency in social interactions and expertise of applying situational-suitable behavior and tactics to influence others, especially in environment of high uncertainty (Ferris et al., 2005). Employees possessing political skill earn quite a lot of advantages. For example, political skilled employees have better chances of career growth and can enhance their job performance (Wei et al., 2012). Recent studies have also shown that political skill can enhance the performance of salespersons by developing intra-firm networks (Bolander, Satornino, Hughes, & Ferris, 2015). Studies on political skill, till date, focused on the development of links within the organization. The use of political skill in developing external networks is yet an important question to be answered.

2.5.4 Interaction of Political Skill and Network Resources with SME's Internationalization

Social influence techniques are used by individuals to attain their predetermined goals i.e. entry into international markets (Hogan & Blickle, 2013). The constructs like influence tactics, political behavior, self-presentation and impression management are distinct in nature but have several commonalities (McAllister et al., 2016). The social influence theory guides about the individuals' behavior and the intentional attempts he is engaged in to avail an opportunity for social influence (McAllister et al., 2016.

Opportunity recognition lies in the heart of new small ventures. Recent research in SME stream found political skill as an instrumental technique in getting access to necessary information and critical referrals for successfully exploiting opportunities (Fang et al., 2015). So, Political skill becomes more important when opportunities lie in socially connected environment. More specifically, individuals' astuteness and networking ability are more suitable for recognizing such opportunities. Political skill helps the managers in establishing diverse networks and working relationships (Munyon, Summers, Thompson, & Ferris, 2015). The ability of social astuteness makes managers able to gain a prestigious position in their networks which leads to have access of valued information and eventually better able to recognize the opportunity (McAllister et al., 2016) within and outside of their domestic markets.

2.6 SME SECTOR IN PAKISTAN

The role of SMEs can' be overemphasized when it comes to industrial growth and development in the country. In Pakistan, the role of SMEs is considered a backbone to its economy. SMEs represent about 90% of all ventures in Pakistan; occupy nearly 80% of non-agriculture employment and shares 40% in annual GDP of Pakistan ("State of SMEs in Pakistan",2015). Majority of SMEs from Pakistan fall into following categories; Textile, Leather, Horticulture and Agriculture, Furniture, Gems and Jewelry, Light engineering, Marble, Chemicals, Sports and Information Technology ("State of SMEs in Pakistan",2015). This division is based on certain criteria; Growth Rate, Significant SME Presence, Labor Intensity, Sustainable Competitive Advantage, High Value Addition & Export Potential. However, a recent research by International Finance Corporation (IFC) in association with State Bank of Pakistan (2010) on SMEs sectors of Pakistan divides the SMEs sector into top ten sectors.

In Pakistan, 90% among all private business enterprises fall in scope of SMEs encompasses 80% of the country's industrial workforce and shares 40% in GDP ("State of SMEs in Pakistan",2015). Small and Medium Enterprise Development Authority (SMEDA) is responsible for formulating the key policies related to SMEs. Today SMEDA's e-market initiative is the most comprehensive business and export opportunity. Unfortunately, a large majority of these enterprises are involved in the export of unfinished products. On June 6, 2003 the Ministry of Information Technology & Telecom sanctioned the development of an online 'Industrial Information Network' proposed by SMEDA to help SMEs meet severe challenges of sustaining their international market competitiveness. The basic purpose of this project is to develop a B2B portal to cater to the needs of SMEs from various industrial sectors in the country. It entails the establishment of a sustainable Web-based development project designed to become the largest source of information generation, exchange and dissemination towards providing value added support and services to SMEs in Pakistan.

2.6.1 Internationalization of Pakistani SMEs

SME sector comprise of 30% in total export of Pakistan, however the sector stands low in terms of manufacturing which only consists of 1.7% ("Pakistan and Emerging Markets", 2016). Major portion of Pakistan's SMEs export is linked with Europe, United States and Middle East. Pakistan's export touches the highest target of US $ 25 billion for the first time in its history in 2013-14 ("Export statistics & trends", 2017). However, some exogenous shocks along with some domestic factors cause to decline exports in the year 2014-15. Majority of the Pakistani SMEs are involved in export oriented products. These SMEs contribute 30% of the total export receipts (SMEDA, 2015).

2.6.1.1 Strategic Trade Policy Framework (STPF) 2015-18

Keeping in view the current export position in Pakistan, worldwide trade environment, country's economic factors and technological changes, a comprehensive trade policy has been formulated to improve export (internationalization) of Pakistan. Here we will only discuss the role of SMEs in achieving export targets. The new export strategy is based on two approaches; product sophistication and market development. In product sophistication approach, SMEs will be assisted and encouraged to bring innovative products that have higher acceptability in international markets. Further, to improve export rate, SMEs will be facilitated through its branding and certification. In market development strategy, focus will remain on both existing and new markets to enhance share of export by SMEs. Both of the objectives are aligned with current research goals.

2.7 HYPOTHESES DEVELOPMENT

2.7.1 Political Skill and SMEs Internationalization

Individuals need to be expert in social influence tactics in order to maximize their goal achievements (McAllister et al., 2016). The owner-managers of SMEs need to use their social influence tactics to attain their objectives related to internationalization. (Ferris et al., 2007) viewed that political skill allows managers to analyze and understand their social context more appropriately, acclimatize most suitable behavior and apply most accurate execution style to enhance the efficacy of social influence efforts. Both research and theory support the notion that political skill enables individuals to choose situational suitable behavior (Ferris, 2012) that aids in fulfilling their personal objectives. Researchers in the field of Organizational Behavior have consistently acknowledged a positive linkage between political skill and both task and contextual performance (Bing, Davison, Minor, Novicevic, & Frink, 2011).

A rising stream of small and medium business research identifies social competence that is how effectively an individual interact in a social environment, as a promising factor to motivate SMEs managers achieving high venture performance (Adomako, Danso, & Ofori Damoah, 2016; Tocher, Oswald, Shook, & Adams, 2012). Similarly, a recent study on entrepreneurs' political skills shows that such skills can be helpful in improving firm performance (Cong et al., 2017). Political skills assist managers to lessen experienced stress by flourishing the ability of navigating the political environment (Ferris, 2012). This reduction in stress makes them able to take bold decisions like internationalization. As the process of internationalization seeks to explore new opportunities of business, political skill lends a hand in recognizing and capitalizing such opportunities (McAllister et al., 2016).

In addition to interpersonal influence and networking ability, social astuteness, an important dimension of political skill also plays important role in expanding firm's business to foreign market. Individual's social astuteness, the ability to judge others smartly, makes them able to get prestigious position in their network and thus better able to locate new opportunities effectively (McAllister et al., 2016). In line with this argument, Ferris et al. (2007) mentioned that socially astute people can efficiently positioned themselves to pull off their goals. Thus, on the basis of above arguments, we hypothesize that:

H1: Political skill of SMEs owner-manager is positively associated with their internationalization

2.7.2 Political Skill and Network Resource

Social capital often viewed as an enabler of individual and organizational growth (Alfred, 2009). Resources acquired via interpersonal relations are the basis of social capital. Social capital theory has two fundamental elements. Social capital theory, at its core, suggests that capturing value from social environment largely depends on individual's personal ability (Bolander et al., 2015). First, social capital is different from other capitals like financial capital and human capital and embedded within one's social network (Lin, 1999). Second, obtaining valuable resources from social networks is highly dependent on one's personal skills (Bolander et al., 2015). Generating social capital is the result of investing in social networks which in turn give benefits to investors in many ways (Alfred, 2009). Lin explained that social networking can be advantageous in following ways: (1) it helps in exchange of information among social actors; (2) it assists to gain a favorable response from the person who is in powerful position (3) it reinforces the identity of an individual within social context. *Network resources* are those that are embedded within, accessible through, and derived from one's personal relationship ties (Nahapiet & Ghoshal, 1998). Network resources are the result of information generated through social network relationships (Gulati, 1999). In view of the fact that network resources are embedded in relational ties, it becomes essential for an actor in the network to have strong interpersonal skills to tap these resources (Wei et al., 2012).

Politically skilled managers are proficient in building diverse network relationships. These networks are rich source of valued resources essential for several individual and organizational goals (Ferris et al., 2005). Individuals who score high in networking ability, a dimension of political skill, are better able to gain benefits from their social networks (Pfeffer, 1992). Politically skilled individuals use social astuteness for portraying their positive image and thus establish favorable ties with others. Consequently, they are in a better position to hold network resources. Owners with strong political tactics are good orchestrators of change and use change agents in an effective way to get fruitful outcomes.

The role of interpersonal relationships for the success of smaller firms has been studied in various dimensions. Some researchers focused on embeddedness of social ties (Musteen et al., 2014) while some have highlighted the importance of diversity in social networks (Manolova, Manev, & Gyoshev, 2014). Business referrals of SME managers have some valuable resources in them (Chen, Hsu, & Chang, 2016). The social capital of small firm CEO give rises to a very important resource called information (Chollet, Géraudel, & Mothe, 2014). Therefore, the owner-manager of small and medium firm can easily scan the competitive environment of its business by using his/her strong personal ties.

Small business owner often recognized as an entrepreneur, tries to motivate stakeholders to give information and other important business resources like finance (Aldrich & Martinez, 2001), human resource (Choi & Shepherd, 2005) and market information (Rutherford & Buller, 2007). Political skill is the capability of an individual to manipulate others' actions in particular business environment (Tocher et al., 2012). In arguing the owner-manager political skill as most critical element of social competence, Tocher et al. (2012) mentioned that these skills enable SMEs managers to build favorable relationships with key personnel and also to mitigate the negative consequence of social conflicts, therefore help them to achieve their organizational objectives successfully.

In sum, political skill of owner-manager of an SME is helpful in formulating heterogeneous networks. These networks provide valuable assets to network members and in turn help them in achieving their personal as well as organizational goals. Thus, on the basis of above arguments our first hypothesis is:

H2: Political skill of SMEs owner managers is helpful in gaining network resources.

2.7.3 Network Resources and SMEs Internationalization

Network resources are those that are embedded within, accessible through, and derived from one's personal relationship ties (Nahapiet & Ghoshal, 1998). Different scholars have classified network resources into different categories. (Wernerfelt, 2005) classified network resources into three main categories: financial, physical and intangible resources. All of these are beneficial for SMEs internationalization process in one way or the other. Most important among these network resources is the amount of information accessed through network ties which further facilitates organizations to exploit new business opportunities (Burt, 2000) within or outside of domestic market.

Internationalization is the expansion of firms' operations internationally (Rosenzweig & Shaner, 2001). Firms need some complementary resources to enter into international business. However due to resource constraints smaller firms have to face restrictions while moving abroad (Brouthers et al., 2015). Therefore, smaller firms compensate such constraints by availing resources through their owners' social networks. For example, social networks help SMEs in identifying new business opportunities in international market (Ellis, 2011). In the same way, such networks are vital source of foreign market knowledge that is considered as a pathway toward internationalization of SMEs (Musteen et al., 2014). Furthermore, the entrepreneurs having strong personal links with investors can better able to attract funding from venture capitalists (Shane & Cable, 2002) that is the lifeblood to run the operations of business.

A study on "International Venturing by Emerging Economy Firms" by (Yiu, Lau, & Bruton, 2007) highlighted the exchange of information among professional bodies and trade units as a beneficial source for internationalization of firms. Recent research on manufacturing SMEs depicts that domestic collaborative networks are constructive for mitigating export barriers (Boehe, 2013). A recent study on SMEs international mode of entry shows the effectiveness of inter-organizational networks toward international performance (Stoian et al., 2017). Inter-organizational networks of SMEs owner-managers foster the development of foreign market knowledge which help SMEs to enter into international market (Bocconcelli et al., 2016; Hilmersson & Jansson, 2012).

Owing to liabilities of foreignness and smallness, SMEs can hardly able to get access for required resources for internationalization and have to depend on in-house resources (Stoian et al., 2017). In order to compensate the issue of resource constraints, SMEs must find out some alternate resource pools to facilitate their internationalization process. Nowiński and Rialp (2016) argued that using social networks by SMEs' managers as a tool to get necessary resources is most appropriate way to compensate resource constraints. Researchers (Ozgen & Baron, 2007) linked international opportunity recognition with social networks like industrial ties, professional bodies and inter-organization relations. As a result, Internationalization of SMEs is largely driven by social learning process.

In nutshell, the network resources present within Social networks play very crucial role in curtailing barriers that small and medium firms face during their movement toward international markets and as a result facilitate their internationalization process. Thus, we hypothesize that;

H3: SMEs owner-manager Network resources are positively associated with their internationalization

2.7.4 Mediating Role of Network Resources

If we merge the abovementioned hypotheses these build up a mediation model. We argue that Political skill is an important skill to tap network resources and these resources act as a bridge between political skill and SMEs internationalization. As politically skilled persons know the mastery of developing social links which possess valuable information channels. In the same way, these people also have the ability to earn benefits from such links that further assist in internationalization process.

Overall, politically skilled people are successful in business world because they have the ability to protect resources and effectively control others in order to accomplish their tasks and assignments (Ferris et al., 2005). Because of higher social astuteness, the politically skilled individuals have better understanding of social relations and context (Ferris, 2012). This astuteness in their social ties facilitates them to acquire some critical resources which in turn help them to get better international performance for their business (Stoian et al., 2017). Thus, political skill assists the achievement of tasks, both by uniquely positioning managers' success in such an modest, unassuming, and humble way, and also enabling the ability to pick up situational cues and calibrate their behavior appropriately to the situation, all the while appearing genuine and well-intentioned (Ferris, Kane, Summers, & Munyon, 2011).

H4: Network resources gained by SMEs owner-manager mediate the relationship between political skill and SMEs internationalization

2.7.5 Moderating Role of Political Skill

Although we theorize that network resources can facilitate SMEs' in their internationalization process, some owner-managers of SMEs are more skillful to take informational advantage from their network resources. Leveraging network resources is as important as accessing them. Merely developing good relationships is not enough to accomplish ones' desired goals.

This study offers that highly political skilled persons are better able to influence their network resources for their own benefit for several reasons.

First, leveraging network resources demands for the ability to influence others to get hold valuable information (Ferris et al., 2012). As individuals with higher political skills have wider scope of their social networks, they will be more likely to obtain heterogeneous information and diverse resources (Wei et al., 2012). Because individuals with high expertise in political skill are more confident and have higher self-efficacy (Li et al., 2017), it is easier for them to face the potential threats that may crop up from network resources. Thus, such people are better able to leverage, sustain and protect their resources for achieving their personal goals like promoting their business abroad.

Second, according to (Ferris et al., 2007) politically skilled people are focused toward their goals, so their efforts are specifically goal oriented and they achieve their personal targets through using their network resources. As the motivating factor behind the use of political behavior is to gain one's personal and institutional objectives (Smith & Webster, 2017) for example expanding their business to foreign markets. Hence, politically skilled owner-managers use this tactic as an instrument in persuasion of their personal goals.

Third, accumulating the pool of network resources creates a demand for taking necessary action to utilize those resources (Fang et al., 2015). Achievement of influential outcomes largely depends upon the mobilization of network resources (Lin, 1999). Perrewé et al. (2005) argued that highly political skilled employees are better able to control the things. Higher network resources may act as work stressors (Perrewe & Nelson, 2004). Since the protection of these resources is as much important as its acquisition, so management of these resources depends upon the coping strategy of the individuals (Perrewe & Nelson, 2004). Entrepreneurs rating high in political skill can manage and cope up this stress in a better way than that of their counterparts.

Finally, politically skilled individuals have the ability to impress and influence others in order to gain valuable information (Frieder & Basik, 2016) that is the pre-requisite to find out new business opportunities in international markets. People with strong political skill have very strong interpersonal influence on others (Cullen, Gerbasi, & Chrobot-Mason, 2015) that help them to get new business ideas. (Pfeffer, 1992) called this characteristic as "flexibility" which allows individuals to adopt themselves according to the situation, context and target audience. This in return allows them to attain their personal goals. Thus, we can say that politically skilled owner-managers of

SMEs are more functional in getting benefits from their network resources than their non-political counterparts. Therefore, we hypothesize that:

H5: Political skill of SMEs owner-manager moderates the relationship between network resources and internationalization

2.8 THEORETICAL MODEL

Figure 1 shows the theoretical model of our study. The model describes the interplay of political skill and network resources in achieving SMEs internationalization. Political skill plays dual role in attaining higher degree of internationalization. First it facilitates SMEs internationalization through attaining valuable network resources and secondly it also lends a hand in mobilizing these resources for the purpose of internationalization.

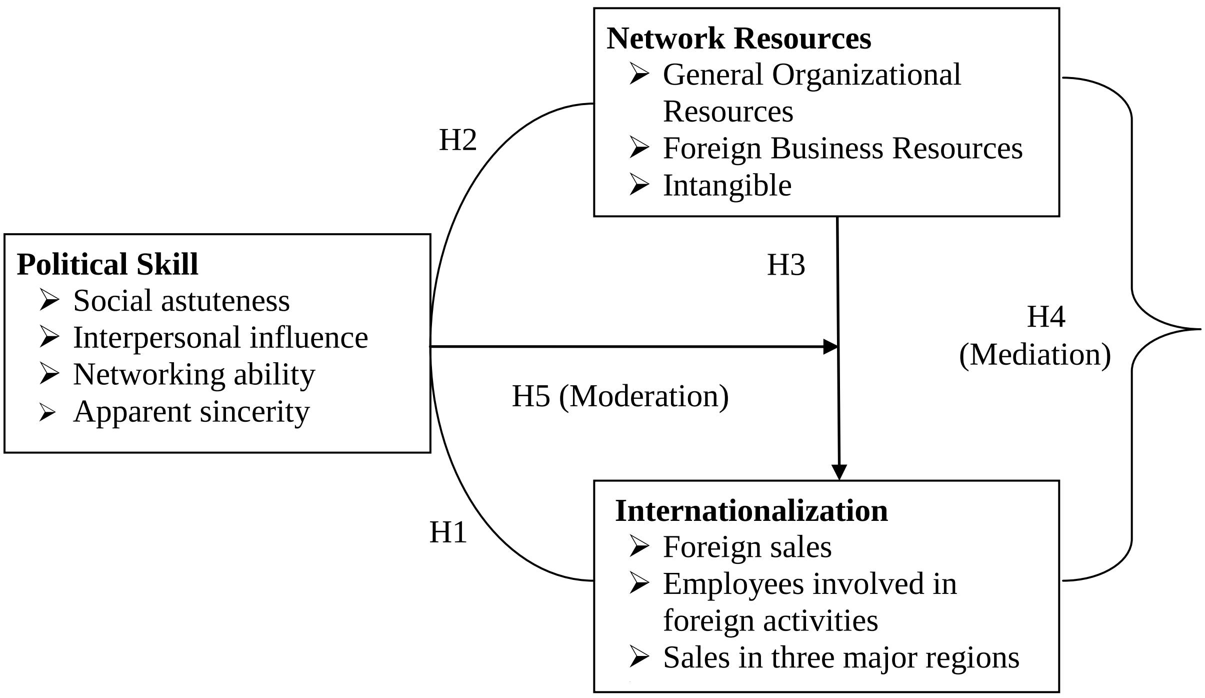

Figure 1: The Theoretical Model Framework

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

Research design is the plan of action describing the way of answering the research question(s) (Saunders, Thornhill, & Lewis, 2016). Research design highlights study objectives, sources of data collection and challenges faced during data collection process. Moreover, it also reflects the logic behind using a particular research design and its suitability with answering research question. The research design used for current study is described as under.

The current study is *explanatory* in nature as it aims at explaining the relationship between dependent and independent variables followed by *hypotheses testing to* predict variance in dependent variable. Following the *deductive approach*, the study hypotheses are drawn from social network theory. Keeping in mind the nature of research questions, study objectives, available resources and existing knowledge practices, *Survey* strategy is used to collect data. As the data collected using survey is quantitative in nature and can be helpful in explaining the reasons for particular relationship (Saunders et al., 2016) thus very much suitable with research purpose. The study is *cross-sectional* with respect to time horizon as the data is collected just once. Furthermore, correlational investigation is adopted along with *non-contrived* study setting with minimal interference of researcher. SME's comprise the units of analysis for current study.

3.2 STUDY VARIABLES

3.2.1 SMEs Internationalization - Dependent Variables

Internationalization is the expansion of firms' operations internationally (Rosenzweig & Shaner, 2001). Different scholars operationalized internationalization in different ways. Some researchers just take a single dimension operationalization that is foreign sales or export while others consider internationalization as a multidimensional construct.

In current study, the researcher has adopted the (Reuber & Fischer, 1997) view of internationalization which comprised of three dimensions 1) export - the ratio of foreign to local sales 2) employees' involvement in international activities and 3) geographical scope. SMEs that show higher number on all three items have higher degree of internationalization. They took midway position while measuring internationalization of SMEs by constructing a multiple item scale as guided by (Sullivan, 1994) and by refining the scale in guidance of (Ramaswamy, Kroeck, & Renforth, 1996), thus making it a more robust construct.

3.2.2 Political Skill - Independent and Moderating Variable

Political skill is one's personal competency in social interactions and expertise of applying situational-suitable behavior and tactics to influence others, especially in environment of high uncertainty (Ferris, 2012).

The construct of political skill has four dimensions: *Social Astuteness* is the ability to judge others smartly in social interaction. *Interpersonal Influence* is the ability to exert influence while dealing with others. *Networking ability* is referred to the ability of building diverse social relationships. *Apparent Sincerity* is the ability to appear oneself as sincere authentic and genuine in front of others. An interesting about the model proposed in current study is that the independent variable, political skill, is also acting as a moderating variable. It moderates the relationship of network resources and SMEs' internationalization (Ferris et al., 2011). The first two dimensions, networking ability and social astuteness, show interpersonal expertise specifically related to relational ability in terms of understanding the tone of social connections and how to develop networks of contacts. The two other dimensions, apparent sincerity and interpersonal influence show the capacity to develop credibility and trust to influence others for the achievement of their personal goals.

3.2.3 Network Resources – Independent and Mediating Variable

Mediating variable is the linking variable between dependent and independent variables. It intervenes the distal relationship between dependent and independent variables. In current research, the variable "Network resources" is presented as a mediating variable. *Network resources* are those that are embedded within, accessible through, and derived from one's personal relationship ties (Nahapiet & Ghoshal, 1998). A large variety of resources can be obtained through one's personal social networks. In current study the social network resources mainly capture two types of resources: General Organizational Resources and Foreign Business Resources.

3.3 POPULATION AND SAMPLING

3.3.1 Target Population

Population is the totality of objects, people or events that we want to investigate (Sekaran & Bougie, 2010). In current study the researcher is interested to know the international pattern of small and medium enterprises of Pakistan. A list of all exporters is accessed from Lahore Chamber of Commerce. This list contains the names and addresses of about 4000 exporters mentioning SMEs and large organizations. As the population of current study only comprise of SMEs, so a separate list is maintained by the researcher to extract exporting SMEs. This list contains names of 3200 exporting SMEs, the population for current study.

In order to identify the target population some filtering questions are put forward as the procedure followed in previous studies on SMEs (Brouthers et al., 2015). For being the target population, the SMEs need to fulfill following filtering questions;

SMEs should:

a. Have fewer than 250 employees.
b. Be independently owned.
c. Be active exporter i.e. its last export activity should not be later than two years.

3.3.2 Sampling Design

In absence of population frame it was not possible to conduct probability sampling. Therefore, a non-probability technique, snowball sampling, was used as a sampling design to collect data. Snowfall sampling is an appropriate choice when identification of members from desired population becomes difficult (Saunders et al., 2016). The researcher had initially identified 5 exporting SMEs from the available list through probability method as suggested by Zikmund, Babin, Carr, and Griffin (2013). The owner-managers of these 5 SMEs were asked to trace out further exporting SMEs. The owner-managers of these new SMEs are further requested to find out more exporting SMEs. The final sample mainly consisted of five sectors: Textile, Leather, Chemicals, Food and Sports.

The sample representation is consistent with that of identified by *State Bank of Pakistan* report which conducted a research for SMEs segmentation and hauled out five most important sectors that are playing significant role in boosting country’s economy. These five sectors have been chosen for current study. Importance of these five sectors in SMEs internationalization is also bolstered by the facts provided by *Trade Development Authority of Pakistan Report* (2016) also reveal these five sectors as most contributing toward export. The diverse sample representation shows that there is no homogeneity bias in sample which may occurs during snow ball sampling.

3.3.3 Actual Sample

A total of 300 survey questionnaires were administered to owner-manager of SMEs. Researcher physically visited these SMEs in order to get prompt and valid response. Out of 300 questionnaires distributed, 123 questionnaires were received back representing 41% response rate. This response rate is match up favorably to that of previous studies on SMEs internationalization (Tamtik & Kirss, 2016) and social networks (Nowiński & Rialp, 2016). Initial screening was done by identifying missing values, locating aberrant values and finding outliers and then draws a final sample of 99 questionnaires that were completely useable for data analysis.

Table 3.1
Organizations' Sector of Respondents

Variables	Category	Distributed	Useable	%
Industry	Food	40	15	37.5
	Leather	70	20	28.6
	Textile	78	28	35.9
	Chemicals	50	16	32.0
	Sports	40	12	30.0
	Other	22	8	36.4
Total		**300**	**99**	**33.0**

3.4 OWNER MANAGERS’ SURVEY

3.4.1 Instrument

A self-administered questionnaire is used as an instrument to collect data from the owner managers. The questionnaire consists of 2 pages including cover letter. The cover letter highlights the purpose of study and importance of respondents' participation in survey. The cover letter contains information about minimum criteria for being an SME i.e. it has fewer than 250 employees, it is owned and managed independently and it engages in any international business activity (export). This information helps to reach target population and avoids any irrelevant data collection. The first part encloses main study variables (Political skill, network resources and SMEs internationalization). Political skill contains 18 items and measured on 5-point Likert scale ranges from 1 to 5 for strongly disagree to strongly agree. Network resources contains a list of 10 items, measured on 5-point Likert scale ranges from 1 to 5 for none to a great deal of. The degree of internationalization contains 3 items and measured in percentages. The second part holds information about SMEs and their owner-managers (Annexure-1).

3.4.2 Pilot Testing

A pilot study was conducted before administrating questionnaire to actual sample. The questionnaires were distributed to 10 owner-managers of SMEs. Two owner-managers were selected from each of the five sectors from the available list. The feedback from respondents showed that there was no ambiguity in understanding the terminologies and language of questionnaire. However, they felt difficulties in giving answer to the items of internationalization. They were confused to answer the items in numbers or in percentage. Incorporating their feedback, the researcher added the sign of percentage with each item to help them in recognizing that answers must be given in percentage. These questionnaires were not included in final sample.

3.4.3 Challenges in Data Collection

Accumulating primary data on organizations in transition economy needs to face multiple challenges. Invasive mistrust of firms and concern for the misuse of data add significant reluctance by the respondents to reveal information about their business. Collecting primary data on SMEs in Pakistan (a developing economic state) is accompanied with such challenges. First, finding a comprehensive list of registered SMEs was an assiduous assignment. Unlikely to our expectations, such a list was not maintained by SMEDA which is responsible to deal all affairs of SMEs. It took ample time to find out a comprehensive directory of registered SMEs of Pakistan from Lahore Chamber of Commerce. Second, in Pakistan people are not habitual to respond surveys online (e.g. e-mail), thus the researcher had to travel and visit all his respondents physically. Third, locating the offices of enlisted SMEs was also a huge challenge. The researcher could not find several offices at their stated location. Finally, the people feel threatened and are reluctant to provide information about their businesses.

Keeping in mind the scenario of target firms, several steps were taken to enhance the response rate of participants. First, a cover letter was attached with the survey questionnaires which outline the goal of current research and ensuring participants about the complete confidentiality of their responses. Second, an authorized person from industrial area was attached with the researcher to support in data collection process by identifying exporting SMEs and encouraging them to respond appropriately. Third, an official letter from the university (mentioning the affiliation of researcher) was presented to participants to assure the right use of their responses.

3.4.3 Survey Administration and Data Collection

Data was collected by using self-administered questionnaire. Owing to expecting low response rate through e-mail or by post, the researcher preferred to use *delivery and collection questionnaire* method in which physical visits were conducted by the researchers to targeted SMEs. Although this strategy took long time but it remained a preference due to certain reasons: First, it assures valid responses from respondents by addressing issues related to questionnaire in person. Second, it enhanced the response rate by following and collecting the distributed questionnaire. Third it made researcher available to remove respondents' ambiguity (if any) regarding survey items. Finally, it was also an advantageous strategy because researcher was able to explain the purpose of study and assured respondents to keep their responses anonymous.

Questionnaires were distributed to 300 owner-managers of different SMEs. The questionnaires were collected on the next day after delivery. One hundred and thirty-three questionnaires received back representing a response rate of 44%. The response rate is very much similar to previous studies on SMEs (Zahra, Neubaum, & Naldi, 2007) especially in transition economy (Fink et al., 2008). We found that 8 SMEs did not fulfill our criteria of exporting SMEs. These SMEs are running their operations locally and were involved in occasional export. Thus, we did not include these 8 SMEs in our data. Further, we had to eliminate 16 surveys which were incomplete and of no use. Amongst the rest of the questionnaires, 10 firms contained more than 250 employees (the cutoff point of SMEs) and thus were ruled out from the sample. This leads to our final sample of 99 firms.

3.5 MEASUREMENT AND SCALES

3.5.1 SMEs Internationalization

Internationalization is measured through the degree of internationalization (DOI). Measuring DOI is still a debating issue among internationalization scholars. Most commonly, it was measured in previous studies by using single item i.e. foreign sales as a percentage of total sales. However, Sullivan (1994) criticized this measurement scale and suggested to use multiple item scale. In order to precisely measure the DOI, he developed a five-item measurement scale. This scale reflects three aspects of internationalization: 1) performance aspects 2) structural aspects and 3) attitudinal aspects. Performance aspects reflects the foreign sales as a percentage of total sales, structural aspects represent the percentage of foreign assets to total assets and also the percentage of foreign subsidiaries to total subsidiaries. Finally, the attitudinal aspects represent the international experience of top managers of SMEs.

Ramaswamy et al. (1996) have also proposed to use multiple items of DOI instead of a single measure item as it enhances the reliability of the scale. Although they were agreed to use multiple items but were also cautious in aggregating items because it may mask the effect of individual items. Further, they recognize various limitations with DOI construct, which were related to the use of individual item and the way to merge them into a single measure.

Reuber and Fischer (1997) developed their own scale to measure the DOI. They took a midway position for developing the measurement scale of DOI. They assembled a multiple item measure in light of limitations recognized by Ramaswamy et al. (1996) and refined the scale that was more appropriate for measuring SMEs internationalization. The final scale consisted of three items to measure DOI. The first item is foreign sales as a percentage of total sales. The second item is the ratio of firm’s employees to total employees who are spending more than 50% of their time on international activities. The third item relates to geographical scope of firm’s activities.

In this study, DOI was measured by using 3-item scale developed by Reuber and Fischer (1997). They suggested that measuring DOI through multi-item scale is more appropriate than single item scale. The respondents were asked to mention three different regions of their sale, each with increasing distance from local market: Pakistan only, outside of Pakistan but within Asia and outside Asia. Each item is converted to a ratio measure and then standardized by using z-score as per the recommendations of Ramaswamy et al. (1996). All three z-values are summed up to generate single measure of DOI. A Sample item for measuring DOI is presented in Table 3.2.

3.5.2 Network Resources

The availability of network resources was measured through 10-item scale used by Tang (2011). Respondents will be asked to rate a given list of general and specific foreign business resources on a five point Likert scale ranges from 1 (none) to 5 (a great deal). Various resources are divided into two categories “general organizational resources” and “foreign business resources” and their Cronbach’s alpha is 0.785. Sample items of each variable are given in Table 3.2.

3.5.3 Political Skill

The measurement scale of political skill was initially constructed by Ferris et al. (1999). This scale was uni-dimensional and consisted of 6 items. Later it was expanded by Ferris et al. (2005) to a multidimensional measure consisted of 18 items. These items measure interpersonal influence of individual (e.g. “It is easy for him or her to develop good rapport with most people”), social astuteness (e.g., “He or she understands people very well”), apparent sincerity (e.g., “When communicating with others, he or she tries to be genuine in what he or she says and does”), and networking ability (e.g., “He or she spends a lot of time and effort at work networking with others”). The respondents were asked to response on 5 point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). The scale has acceptable reliability (α = .0.875).

3.5.4 Control Variables

In current study, we had incorporated five control variables that were found relevant with SMEs internationalization in prior studies. Two variables (size of the firm and industry type) were controlled at firm level and three variables (age, gender and qualification) were controlled at individual level. First, we controlled for the *size of the firm*. Bigger SMEs occupy more resources than smaller ones to spend on international activities and therefore will be better able to get success in international business (Brouthers et al., 2015). The size of an SME was measured as the total number of employees working. Second, the *type of industry* was also controlled for testing current model. Since the data was collected mainly from five major industries (textile, leather, food, chemicals and sports) that may have a potential impact on level of SMEs export, five dummy variables were created and included them as extra control to eliminate the potential effect of industry type.

Three variables were controlled for owner-managers' personal characteristics. First, age was controlled by measuring no. of years. Second, the gender of SMEs owner-managers was measured through a dummy variable i.e. 1 for males and 2 for females. Third, the qualification of owner-managers may also impact the networking ability of SMEs owner-managers. Owner-managers with a higher level of qualification might be more influential in getting network resources and therefore more successful in achieving higher DOI (Felzensztein et al., 2015). It is measured through dummy variable 1 to 4 reflecting intermediate, bachelors, master and doctorate respectively.

Table 3.2
Sample Items of Measurement Scales

Study Variables		**Items**	**Sample**
Political Skill	Social Astuteness	5	I am particularly good at sensing the motivations and hidden agendas of others
	Interpersonal Influence	4	I am good at getting people to like me
	Networking Ability	6	I am good at building relationships with influential people at work
	Apparent Sincerity	3	It is important that people believe I am sincere in what I say and do
Network Resources	General Organizational Resources	7	Capital and financial resources available through network ties
	Foreign Business Resources	3	Foreign market information and knowledge obtained from network ties
Internationalization	Degree of Internationalization	3	Foreign sales as a percentage of total sales
Control variables			
Firm level	Size	Total number of employees	
	Industry	Dummy (1 to 6)	
Individual Level	Age	Years	
	Gender	Dummy (0& 1)	
	Qualification	Dummy (1 to 5)	

CHAPTER 4

DATA ANALYSIS AND INTERPRETATIONS

4.1 SAMPLE CHARACTERISTICS

4.1.1 Participant's Characteristics

The cross tabulations of participants' qualification on the basis of their gender is given in Table 4.1. The qualification categorization ranges from intermediate to doctorate level. Among the 99 owner-managers, the representation of master level education is highest i.e. 53.5%, followed by bachelor level with 40.4%. Of the total 99 owner-managers participated in survey, the representation of females is nominal i.e. about 7%. However, all females running their exporting SMEs are master qualified. The complete detail of respondents' qualification by their gender is presented in Table 4.1.

Table 4.1
Respondents' Qualification by Gender

Variables	**Category**	**Gender**				**Total**	
		Male		**Female**			
		Freq	**%**	**Freq**	**%**	**Freq**	**%**
Qualification	Intermediate	4	4.3	-	-	4	4.0
	Bachelor	40	43.5	-	-	40	40.4
	Masters	46	50.0	7	100.0	53	53.5
	Doctorate	2	2.2	-	-	2	2.0
Total		**92**	**100**	**7**	**100**	**99**	**100**

4.1.2 SMEs' Characteristics

Most of the participants belong to five different industries (food, leather, textile, chemical and sports). With respect to size (number of employees) the SMEs fall in three categories, very small (0-25), small (26-100) and medium (101-250). In very small category, the highest representation is from food industry i.e. 27.8%. Respondents from leather industry are dominant in small SMEs category with representation of 31.6%. However, the depiction of textile sector remained highest in medium sized SMEs. A comprehensive detail is given in Table 4.2.

Table 4.2
Organizations' Status and Sector of Respondents by Size

Variables	Category	Size (No of Employees)						Total	
		0-25		26-100		101-250			
		Freq	%	Freq	%	Freq	%	Freq	%
Industry	Food	5	27.8	8	21.1	2	4.7	15	15.2
	Leather	4	22.2	12	31.6	4	9.3	20	20.2
	Textile	1	5.6	5	13.2	22	51.2	28	28.3
	Chemicals	2	11.1	9	23.7	5	11.6	16	16.2
	Sports	1	5.6	2	5.3	9	20.9	12	12.1
	Other	5	27.8	2	5.3	1	2.3	8	8.1
Total		**18**	**100**	**38**	**100**	**43**	**100**	**99**	**100**

4.2 GROUP COMPARISONS OF THE STUDY VARIABLES

4.2.1 Comparisons by Respondents' Qualification

In order to compare the two categories of respondents' qualification with respect to study variables, the researcher used t-test. The results of comparison test showed statistical significant values on two study variables, political skill and network resources. It revealed that political skill and network resources gained are different for respondents having bachelor or below qualification with that of having master or above qualification. The mean values showed that master and above qualified respondents are have political skills and are better able to obtain network resources. However, this difference did not appear for DOI. It means both groups have equal opportunity of achieving internationalization. Complete details of each variable's mean, standard deviations and p-values are given in Table 4.3.

Table 4.3
Comparisons of Study Variables by Respondent's Qualification

Variables	Qualification	Mean	SD	p-value
Political Skill	Bachelor or Below	4.03	0.50	**
	Masters and Above	4.31	0.30	
Network Resources	Bachelor or Below	3.99	0.55	**
	Masters and Above	4.25	0.34	
Degree of Internationalization	Bachelor or Below	-0.23	2.14	ns
	Masters and Above	0.19	1.69	

**$P < 0.01$

4.2.2 Comparisons by Firm Size

The study variables were compared with respect to size of the SMEs. The results of t-test showed non-significant values of all three variables with both small (Up-to 100) and medium (101-250) enterprises. Therefore, there is no significant difference among employees from small and medium enterprises with respect to their political skill, gaining network resources and attaining DOI. The mean, standard deviation and p-values for all variables are given in Table 4.4.

Table 4.4
Comparisons of Study Variables by Firm Size

Variables	Size	Mean	SD	p-value
Political Skill	Up-to 100	4.12	0.42	ns
	101-250	4.27	0.41	
Network Resources	Up-to 100	4.08	0.48	ns
	101-250	4.20	0.42	
Degree of Internationalization	Up-to 100	-0.27	1.98	ns
	101-250	0.35	1.77	

4.3 DESCRIPTIVE STATISTICS

4.3.1 Reliability Analysis of the Scales

Table 4.5 reports the means, standard deviation, reliability and correlations among variables. The mean age of SMEs' owner-managers is 36.33 years. The mean experience of owner-managers of SMEs is 10.45 years. In order to determine the inter item consistency of variables, the Cronbach's Alpha is calculated of two study variables, political skill and network resources. Reliability coefficient of 0.90 is considered as an excellent value while coefficient alpha of 0.70 is considered adequate (Kline, 2015). In this study, the reliability coefficient of political skill and network resources are 0.875 and 0.785 respectively. Both values are greater than the threshold limit and indicate good reliability of scales.

In order to identify the issue of multicollinearity, the values of Tolerance and Variance Inflation Factor (VIF) were tested. Tolerance value indicates the variability in a particular independent variable that is not explained by other independent variables. Tolerance value of all our variables are greater than .10, the threshold value proposed by Pallant (2011), therefore suggesting that multicollinearity does not exist. Similarly VIF (inverse of tolerance) value should not exceed 10 (Pallant, 2011). All of the variables in current study have VIF value less than 10, thus suggesting no concern of multicollinearity.

Table 4.5
Comparisons of Study Variables by Firm Size

Variables	Collinearity Statistics	
	Tolerance	VIF
Age	0.290	3.447
Experience	0.313	3.199
Gender	0.811	1.233
Qualification	0.630	1.588
Size	0.773	1.293
Industry	0.941	1.063
Political Skill	0.291	3.436
Network Resources	0.288	3.473

4.3.2 Correlation's Matrix

Results of inter-correlation matrix are presented in Table 4.5. All variables (age, experience, political skill and network resources) are positively correlated with dependent variable DOI. The positive correlation coefficients among these variables are in expected direction and offers initial support for our study hypotheses. Political skill and network resources are significantly correlated with DOI ($r = .225$, $p<0.05$ & $r =.235$, $p<0.05$ respectively) thus showing initial support for H1 and H3. Further, political skill and network resources are highly correlated with each other (.711, $p<0.01$) and is consistent with H2.

Table 4.6
Mean, Standard Deviation, Reliability and Correlations

Variables	Mean	SD	Alpha	1	2	3	4
1. Age	36.33	9.65	-	1			
2. Experience	10.45	6.98	-	0.802**	1		
3. PS	4.19	0.42	0.875	-0.093	-0.069	1	
4. NR	4.13	0.46	0.785	-0.128	-0.094	**0.711****	1
5. DOI	0.00	1.91	-	0.047	0.146	**0.225***	**0.235***

* $p < 0.05$, ** $P < 0.01$

4.3 HYPOTHESES TESTING

Hierarchical multiple regression analyses is conducted to test the study hypotheses. Following Baron and Kenny (1986) mediation testing model, we have tested main and mediation effects by conducting four-step hierarchical multiple regression analyses (Baron & Kenny, 1986). The impact of political skill on DOI was tested first. Second, the effect of network resources on SMEs DOI was tested. Third, the effect of political skill on network resources was tested. Finally, the mediation impact of network resources was tested by entering both network resources and political skill for predicting degree of internationalization.

Table 4.7
Regression Models for NR and DOI (Testing Mediation)

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Dependent	**DOI**	**NR**	**DOI**	**DOI**	**DOI**
Control					
Age	-0.572**	-0.099	-0.441**	-0.441**	-0.429**
Experience	0.524**	0.058	0.382*	0.402*	0.375*
Gender	-0.197	-0.151*	-0.232*	-0.163	-0.214*
Qualification	0.186	0.086	0.016	0.033	0.006
Size	0.095	-0.020	0.054	0.074	0.057
Industry	0.037	-0.071	0.076	0.092	0.084
Independent					
Political Skill		0.784**	0.434**		0.340*
Mediator					
Network Resources				0.389**	0.119*
R-square	0.201	0.712	0.345	0.315	0.349

* P < 0.05; ** P < 0.01

Main and mediating effects: The model 2 of Table 4.6 shows that political skill is positively linked with network resources ($\beta = 0.784$, $P < 0.01$; $R2 = 0.712$). The significant regression coefficients support hypothesis 3, Political skill of SMEs owner managers is helpful in gaining network resources. Similarly, the model 3 depicts a positive association between independent variable, political skill, and dependent variable, degree of internationalization ($\beta = 0.434$, $P < 0.01$; $R2 = 0.345$) which supports study hypothesis 1, political skill is positively related to degree of internationalization. We then regressed network resources on degree of internationalization. The results of model 4 in Table 4.6 show a significant positive relationship between network resources and degree of internationalization ($\beta = 0.389$, $P < 0.01$; R2 = 0.315) and therefore supporting hypothesis 3. Finally, both political skill and network resources are entered simultaneously to examine the mediating effect of network resources on degree of internationalization. Contrary to our expectations and proposed hypothesis, the impact of political skill on DOI remains significant. This significant value of political skill ($\beta = 0.340$) does not support our hypothesis 4 which states that network resources acts as mediation between political skill and DOI.

In addition to most extensively used process of Baron and Kenny (1986), the PROCESS and MACRO model suggested by Hayes (2013) is also used to test the mediation mechanism. The direct effect indicates that the mediating impact of network resources on DOI is insignificant (p = .1561). Similarly, indirect effect also shows insignificant effect of mediating variable, the network resources (BootLLCI = -.2525 and BootULCI = .0711). Therefore, our hypothesis 4 cannot be supported.

Moderating effect: Table 4.7 shows the moderating impact of political skill on the relationship of network resources and DOI. The interaction term of network resources and political skill is positively associated with DOI (b = 2.691, p < 0.05, Model 4). Hence it supports our hypothesis 5.

Table 4.8
Regression Models for DOI (Testing Moderation)

Dependent	**Model 1 DOI**	**Model 2 DOI**	**Model 3 DOI**	**Model 4 DOI**
Control				
Age	-0.572**	-0.441**	-0.441**	-0.301
Experience	0.524**	0.402*	0.382*	0.269
Gender	-0.197	-0.163	-0.232*	-0.219*
Qualification	0.186	0.033	0.016	-0.058
Size	0.095	0.074	0.054	0.072
Industry	0.037	0.092	0.076	0.062
Independent				
Network Resources (NR)		0.389**		1.626*
Moderator				
Political Skill (PS)			0.434**	1.688**
NR X PS				2.691*
R-square	0.201	0.315	0.345	0.387

* P < 0.05; ** P < 0.01

In order to further validate our results, we test the moderation in PROCESS MODEL by Hayes (2013). The interaction term is significant ($p<.05$; LLCI=2.889, ULCI=.4691) which shows that the interaction between political skill and network resources shows a significant positive relationship with DOI. Therefore, it further supports our moderation hypothesis.

Table 4.9
Process Model for DOI (Testing Moderation)

	Coefficient	p-value	LLCI	ULCI
Political Skill	7.7726	0.0020	2.925	12.6201
Network Resources	7.6272	0.0031	2.6413	12.6131
Political Skill × Network Resources	1.6792	0.0070	2.8893	.4691

4.4 SUMMARY OF THE RESULTS

Results of hypotheses testing are presented in Table 4.8. The data analysis shows support for all hypotheses except H4, the mediating hypothesis.

Table 4.10
Results of Hypotheses Testing

	Description	Results
H1	Political skill of SMEs' owner-manager is positively associated with SMEs degree of internationalization	Supported
H2	Political skill of SMEs' owner managers is helpful in gaining network resources	Supported
H3	SMEs' owner-manager Network resources are positively associated with their internationalization	Supported
H4	Network resources gained by SMEs' owner-manager mediate the relationship between political skill and SMEs internationalization	Not Supported
H5	Political skill of SMEs' owner-manager moderates the relationship between network resources and internationalization	Supported

CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 DISCUSSION ON RESULTS

Drawing on the social network theory, this research asserts to analyze the impact of political skill in generation and utilization of network resources in achieving higher degree of SMEs internationalization. Given the distinctive features of Pakistani SMEs and their operating environment, the researcher proposed the important role of network resources that SMEs owner-managers take up from their social networking relationships in supporting their internationalization objective. The study postulated that political skill of SMEs owner-managers has a vital bearing in approaching such network resources. Since SMEs are generally considered as resource constrained firms, their owner-managers are more prone to depend on the resources they owned from their personal ties. These personal ties are rich repository of invaluable information and knowledge and therefore play a front role in SMEs successful internationalization.

The survey conducted from SMEs owner-managers presents five important findings. First, SMEs owner-managers with higher degree of network resources are able to generate a larger pool of information about foreign markets, foreign customers and international trade which get them ease at expanding their business abroad. Network resources also provide valuable information about foreign sales and distribution channels which help SMEs owner-managers to distribute their products effectively in international markets. In addition, the network resources also include the exposure of new business ideas and opportunities outside of the domestic market in which SMEs are operating. The association of network resources with SMEs internationalization is consistent with the basic tenet of social network theory that networks are depository of valuable resources which smooth the progress of internationalization (Musteen et al., 2014). This finding is also aligned with the result of previous studies showing positive association between networks and SMEs internationalization (Brouthers et al., 2015; Stoian et al., 2017).

A second important upshot that emerges from this research is the role of political skill in getting network resources which are embedded within social networks. The study findings suggest that political skill is a useful individual level characteristic that accelerate the development of social capital through developing social linkages. Politically skilled managers are good/high in social astuteness, interpersonal influence, networking ability and apparent sincerity.

These dispositional attributes enable them to comprehend social interactions more precisely, to adjust their behavior in accordance with situation, to develop diverse relationships and show them genuine in front of others (Ferris, 2012). Therefore, political skill makes managers able to obtain diverse network resources from their social settings. It supports the previous contributions on political skill and network resources linkages (Wei et al., 2012) particularly in small business owners' context (Fang et al., 2015).

Third, this study gives insight explanation to the distal relationship between political skill and SMEs internationalization by establishing network resources as mediating mechanism. In conjunction with recent calls, this study recommends to go ahead of existing literature that mainly focuses on the direct relationship of political skill and individual level outcomes (Fang et al., 2015). Political skills ease at getting important resources and information through developing social links which in turn assist managers to achieve their goals. However, the results of current study show an insignificant mediating mechanism between political skill and SMEs internationalization. It may be due to several limitations of data collection in our study.

Fourth, the results of our study also confirm the notion that political skills also play moderating role in utilizing network resources. Merely possessing resource-rich networks are not enough for internationalization, mobilization of these resources is also very important. Leveraging network resources in one's own favor need strong influencing ability (Wei et al., 2012). Political skilled managers are self-confident and have higher self-efficacy (Ferris et al., 2007). Thus, they are in a better position to triumph over the potential stress of their social setting which helps them to control network resources for their personal benefits i.e. internationalization.

Fifth, survey result from SME sector demonstrates how the managers of small resource constraint firms use their personal skills to fulfill venture's objectives. The process of internationalization requires several resources. Unlike large organizations, SMEs arrange these resources by using social networks of their owner-managers.

5.2 IMPLICATIONS

5.2.1 Theoretical Implications

The current study has several theoretical implications in internationalization, social network and political skill literature. First, it is among the few attempts to examine political skill as a precursor of network resources. Past research mainly focused on demographic characteristics and individual personality traits. Although these personality traits like proactive personality, extraversion etc. are directly linked with social networks (Thompson, 2005) but are unlikely to influence the dynamic nature of network resources due to their static nature. Our results proposed that political skill determines the degree to which SMEs' owners get access to, establish and become centrally linked to resources rich social networks. Thus, this study highlights that how individuals' behavioral skills i.e. political skill can be helpful in generating important network resources.

Second, by analyzing the antecedent role of political skill in developing network resources, this study advances the knowledge on behavioral theory by suggesting that one's political skill makes him/her able not only to build coalition but also to leverage their social relationships. More interestingly, this study has refuted the claim that people are reactive recipients of their environment (Zhang et al., 2009). In contrast this study shows that people actively learn new skills according to their environmental demands. Both formal and informal social relationships can be influenced by political skills.

Third, this study is also an advances our understanding about political skill literature by explaining the mechanism through which political skills facilitate the process of internationalization from social network perspective. Although the role of political skill has long been acknowledged as critical to individual work outcomes (Cong et al., 2017), our knowledge about how political skill operates the organizational benefits is very limited. In response of scholars' call (e.g. Fang et al., 2015), we integrated a network resource model in our study to further advance our knowledge on current topic. The results of our study point out the effect of political skill on SMEs internationalization via effective resource management, provides support for network capital viewpoint. Keeping in mind the importance of informal networking ties, this study accentuates the significant role of network resources in political skill-internationalization relationship.

Finally, the dual role of political skill as both precursor and as a moderator exposes the comprehensive functioning of political skill in social environment particularly for using network resources. Political skill, when used as a moderator, explains the circumstances in which resources earned through social networks can be utilized effectively to attain desired results. Although research on social networks acknowledged the direct impact of network resources on venture performance (Bozionelos & Wang, 2006), the understanding of underlie process through which such resources can be better leveraged was missing. The outcome of this study is an important contribution toward understanding the logic that why politically skilled managers are better able to influence their network resources than that of their less political counterparts. Availability of network resources provides strong foundation but turning these resources to one's own advantage largely depends upon the political skill of the actor. The current study yields support that political skill makes up a central contextual factor in network utilization process. Generating political skill while building, expanding, and utilizing network resources is crucial for successful internationalization of SMEs.

5.2.2 Practical Implications

From a practical point of view, the results from questionnaire survey present constructive guidelines for numerous practitioners. For SMEs owner-managers who are looking for growth opportunities in international business, it is valuable to understand the nature and role of political skill in developing, retaining and mobilizing social networks. Political skill facilitates the managers from small firms to capitalize the social capital entrenched within their social networks. Establishing diverse nature of many linkages helps managers to access vital information that is otherwise hard and costly to acquire. The importance of such networks becomes more highlighted for SMEs owner-managers because of formal resource constraints.

Acknowledging the significance of four dimensions of political skill (networking ability, apparent sincerity, social astuteness and interpersonal influence) in getting network resources, the owner-managers get benefits well by carefully observing the social cues and modifying their behavior accordingly.

In light of results of current study, the owner-managers from SMEs should: (a) make contacts with people from diverse backgrounds (b) show genuine concern for others (c) attempt to give value and benefits to others (d) maintain close relationship reinforcing mutual trust; and (e) dynamically update their network pool by eliminating meaningless ties, refreshing inactive contacts and adding new valuable relationships. It is important to note that political skill is a dynamic skill that can be developed, improved and trained (Ferris, 2012), therefore managers who wish to achieve their goals through social networks, must nourish and refine their political skill through practice, training and mentoring. For example, all of the four dimensions of political skill can be enhanced through mentoring (Fang et al., 2015). People who have been mentored to understand the dynamics of social environment i.e. workplace can be turned into better networkers (Blass & Ferris, 2007).

5.3 LIMITATIONS AND FUTURE DIRECTIONS

The empirical results of our hypotheses testing should be viewed in light of some limitations. First, the use of cross sectional data has put limitation on findings of current research. Even if it is challenging and time taking to collect longitudinal data but it can offer more precise understanding of how SMEs owner-managers political skill can leads to SMEs internationalization. The result obtained through cross sectional data can't propose a causal relationship rather it simply states that politically skilled owner-managers can do better in internationalization. Future studies with longitudinal data can be more helpful in defining the relationship pattern of political skill and internationalization.

Second, the snowball sampling, a non-probability sampling technique, used is another constraint of this study. The researcher had to use this non-probability technique because of non-availability of population frame. Although no homogeneity bias occurs but use of probability sampling technique can generate more rigorous results that can be generalized with more confidence.

Third, the study findings are based on the personal judgment of SMEs owner-managers instead of actual financial facts of SMEs. The true information about SMEs financial position (e.g. total sales, net profit and total export) could not be accessed under prevailing situations. Therefore, future research conducted with secondary data on actual financial position of SMEs could bring more precise picture of interplay of owner-managers political skill on SMEs internationalization.

Finally, based on the fundamental environmental assertion that people are active shapers of their environment instead of passive recipient (Zhang et al., 2009), this study literates that politically skilled individuals are in a better position to take advantage from their social environment. On the basis of social network theory premises, this study confirms the critical role of only one social competency i.e. political skill in accessing valuable network resources rooted within the social network. However, there may be several other social or personal skills that may influence in shaping social relationships. Future research incorporating such skills can become interesting research avenues.

5.4 CONTRIBUTION

This study contributes in several ways. First, the researcher has investigated how Political Skill can be used to develop network resources lying outside of the organization. Previous researches on political skill mostly focused on internal (within organization) social networks for generating network resources. This study contributes in knowing the importance of external linkages that facilitates SMEs owner-managers to achieve their objectives.

Second purpose of this study is to explore the mediation effect of network resources for promoting SMEs internationalization by using political skill of SMEs owner-managers. Till date, the internationalization literature acknowledges the importance of network resources but didn’t consider political skill as antecedent of network resources. On the other hand, the political skill literature also admits the important role of network resources in achieving personal objectives (e.g. career growth, promotion etc.). However, research on the role of political skill in facilitating SMEs internationalization through network resources was sparse. This study fills this gap existing in internationalization and political skill literature.

Examining the dual role of political skill is an interesting contribution of this research. The study offers that role of political skill is not confined to developing a pool of valuable network resources but also helpful in leveraging these resources. Turning resources into one’s own benefit is as much important as getting access to these resources. Therefore, political skill is necessary even if SMEs owner-managers possess important resources inherently. The results of present study support this notion that political skill is important at both resource developing and resources utilizing stages.

Finally, the context of SMEs is a major contribution of existing research work. As the owner-managers of small firms are solely responsible for the strategic decisions, gaining Political Skills become critical for them to achieve their personal as well as venture objectives. Studies on SMEs and their internationalization mostly focused toward developed economies. This research shed light on the SMEs from developing economy (Pakistan).

5.5 CONCLUSION

Acknowledging the importance of SMEs internationalization by practitioners and academicians, this study investigates the impact of SMEs owner-managers' political skill on degree of internationalization through attaining network resources. The study results verify the precursor and moderating role of managers' political skill in developing and leveraging network resources that in turn influence SMEs internationalization. This research therefore advances our knowledge on SMEs internationalization by uncovering the reinforcement mechanism through which political skill can impact SMEs internationalization.

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ANNEXURE A

SURVEY QUESTIONNAIRE

Dear Sir/Madam!

The small and medium enterprises (SMEs) are the backbone of any economy. However we are troubled the internationalization of SMEs (expanding firms' operations internationally) due to several reasons. Those of you who work most closely in this area are best qualified to help us understand the hindrances in the way of SMEs internationalization. Please set aside a few minutes to fill out the attached questionnaire if your organization fulfill following criteria.

- *It has fewer than 250 employees*
- *It is owned and managed independently*
- *It engages in any international business activity (i.e. export)*

1. Please place the number on the blank against each item that best describes how much you agree with each statement about yourself.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a) I spend a lot of time and effort at work networking with others	1	2	3	4	5
b) I am good at building relationships with influential people at work	1	2	3	4	5
c) At work, I know a lot of important people and am well connected	1	2	3	4	5
d) I spend a lot of time at work developing connections with others	1	2	3	4	5
e) I am good at using my connections and network to make things happen at work	1	2	3	4	5
f) I have developed a large network of colleagues and associates at work whom I can call on for support when I really need to get things done.	1	2	3	4	5
g) I am good at getting people to like me	1	2	3	4	5
h) It is easy for me to develop good rapport with most people	1	2	3	4	5
i) I am able to communicate easily and effectively with others	1	2	3	4	5
j) I am able to make most people feel comfortable and at ease around me	1	2	3	4	5
k) I understand people very well	1	2	3	4	5
l) I pay close attention to people's facial expressions	1	2	3	4	5
m) I have good intuition or savvy about how to present myself to others	1	2	3	4	5
n) I am particularly good at sensing the motivations and hidden agendas of others	1	2	3	4	5
o) I always seem to instinctively know the right things to say or do to influence others	1	2	3	4	5
p) I try to show a genuine interest in other people.	1	2	3	4	5
q) It is important that people believe I am sincere in what I say and do	1	2	3	4	5
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2. Please express your response in percentages to the following items			
a) What percentage of this year sale is from Pakistan?			
b) Today, how many of the fulltime employees spend over 50% of their time on **international business** activities.			
c) What percentage of this year's sales is from each of three different regions.	Pakistan	Asia	Outside Asia

3. Which one is the main problem in doing international business?			
Lack of information	Lack of Finance	Lack of Government cooperation	Poor reputation
Other…			

4. Do you think that doing business abroad is more beneficial than doing in domestic Markets?		
Yes	No	Same

5. How can Government help you to promote your international business (Export)?		
Providing finance	Giving training	International trade Agreement
Other…		

6. Please indicate the amount of resources that you gain from your <u>network ties</u> / <u>social relations</u>	**None**	**Rarely**	**Occasionally**	**Moderate**	**Agree Deal**
a) Capital and financial resources	1	2	3	4	5
b) Physical resources (e.g. offices, plants, machines, equipment)	1	2	3	4	5
c) Business reputation and status	1	2	3	4	5
d) General international business and management knowledge and skills	1	2	3	4	5
e) Technology and technical know-how	1	2	3	4	5
f) New business ideas and opportunities	1	2	3	4	5
g) Human resources	1	2	3	4	5
h) Foreign market information and knowledge	1	2	3	4	5
i) Foreign client/ customer/ other business contact networks	1	2	3	4	5
j) Foreign sales and distribution channels	1	2	3	4	5

CEO/Owner-Manager Information

Age: ____________________ **Experience (Current Business):** ________

Job Experience (Before Business): ____________________

Foreign Experience (Job/Business): ____________________

Gender:

☐ Male ☐ **Female**

Qualification:

☐ Intermediate ☐ Bachelors ☐ Masters ☐ Doctorate

Organization Information

Name of the Company: ____

Number of employees in the company:

☐ 0-25 ☐ 26-100 ☐ 101-250 ☐ more than 500

Please tick the option that matches best with the industry your company belongs to:

☐ Food ☐ Leather ☐ Textile ☐ Chemicals ☐ Sports

Other (Specify): ____

Thank You!