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Barriers of Family Firm Internationalization:

Insights from Nepalese Garment Prospective

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ABSTRACT

Background: After the Mass Revolution II, in 2005 family firm/ family business in Nepal was in full flourishing phase. More than 90 per cent of the business organizations are SMEs. Including, Nepal several other countries in the world provides significant importance to family firm, as their contribution is remarkable to the global economy. Due to the various reasons such as globalization and growth aspects, family firms are able to gain competitive advantage through internalization activities.

Purpose: During the internationalization process family firms may tackled with the various challanges. The obstacles may be the internal and external. Internal barriers focus on the obstacles faced by family firm within the country or a firm and external barrier focuses outside of the firm. Hence, the purpose of this study is to gain in-depth understanding on the barriers faced by family firm internalization.

Method: With the use of multiple case study method, we gained valuable insight of a Nepalese garment manufacturing firms which engaged in internationalization activities successfully. The data was collected through in-depth interview, observations, company website, YouTube videos, published press interviews, press articles and database.

Conclusion: Internationalization can be the successful decisions for family firm it they were able to overcome the various challenges. The challenges may be internal and external. Internal challenges include human resources, functional, marketing and informational and external includes tax procedure, government role, etc. Shortage of skilled manpower and availability of raw materials required to manufacture ready-made garments are the major challenges of Nepalese exporters for internationalization. Similarly, diificulty in exporting procedure and high tax rate, hinderance the Nepalese exporters for internationalization.

Key words: Family firm, barriers, internationalization, garment

TABLE OF CONTENTS

LIST OF TABLES

Page No

LISTS OF FIGURES

LISTS OF ABBREVIATIONS

GSP: Generalized System of Preference

RMG: Readymade Garments

GAN: Garment Association of Nepal

CHAPTER ONE

INTRODUCTION

1.1 Background

The family firm accounts for two-thirds of all businesses around the globe generates around 70-90 percent of annual global GDP and creates 50-80 percent of job opportunities in most countries worldwide (Family Firm Institute, 2017). It is the continuity of the profession of the family member or sometimes the utilization of the locally available resources. In most cases, there is an important role of the family in the development of entrepreneurship.

The success of the family firm depends upon the involvement of family members in the ownership and management of the firm where involvement of family makes the firm complex (Sirmon & Hitt, 2003) and heterogeneous (Nordqvist, et al., 2014). Furthermore, the family firm could differ from another firm based upon the resource’s utilization (Forcadell, Ubeda & Zu-niga-Vicente,2018). Family firms are significant contributors to employment generation and innovations (Pavitt et al., 1987). The decision-making process in the family firm is much easier and quicker as compared to other firms (De Massis et al., 2018a).

The main objective of family firm is doing business across the nation in order to achieve growth (Buckley, 1993). Moreover, the increment in business activities by firms in the international market is considered as the internationalization process. The ways of carrying out the business activities and process of internationalization have been changing as the change in the business scenario to gain a competitive advantage in the market by the business firms (Masum & Fernandez, 2008). Partnership with foreign companies, investment in the foreign business market, cross-border networking with firms are being significant that facilitates the exchange of technologies that work as the framework to carry out business activities helping the family firms to make competitive strategies.

In the present competitive world, it is necessary to obtain technological advancements, universal competitions, growth aspects (Kraus et al., 2017) and globalization (Claver et al., 2007) for the family firm to get competitive advantage, and to grab such opportunities family firm need to practice internationalization activities (De Massis et al., 2018a). For the successful internalization, firms should adopt long term business strategy that balances both domestic and international requirements through the transfer of innovation and learning" (Klein & Wocke, 2009; Matanda, 2012, p.510). Similarly, research conducted by Lee et al. 2012, concluded that internationalization increases the probability of survival of SMEs under family firms and it can also help them to overcome difficulties in domestic markets by escaping competition with the large business firm.

In this dynamic era of globalization family firm plays a vital role in the development of a country, they face many challenges while competing internationally with a large firm and multinational organizations. Internationalization through exporting is the area of discussion in our research. Various researchers have published enormous articles and journals regarding the strength and weaknesses of family firms involved in internationalization activities through exports. The perception of trade barriers are determined by the size of the firm (Kahiya & Dean, 2016; Kahiya, Dean, & Heyle, 2014). The larger firm can respond better than family firms in dealing with trade barriers and they possess a competitive advantage in the international market (Beamish, 1990). It means that large firm has well-developed resources and capabilities such as managerial knowledge about export, advanced technology, etc. to conduct exporting activities in developed basis. But most of the family firm doing their exporting activities in developing countries like Nepal lacks such resources and capabilities. So, the large firm is more likely to overcome the challenges of exporting than smaller/ Family firm.

Although we disused that the internationalization of family firms creates different opportunities, there are numerous challenges for family firms in the international market. This challenge are crucial for four major parties: small business managers, who can take suitable measures to reduce or overcome from the barriers; public policymaker, who can identify the area where appropriate assistance should be given to the exporters, chamber of commerce and other organizations; business educators who can implement special education programs; and exporting researchers, who can implement the knowledge gain from this analysis to promote theory building in the field of exporting (Leonidou, 2004). However, in the response of the internationalization of family firm various research has been conducted in recent periods. But, talking about the research in the barriers of family firm internationalization have number of deficiencies, such as it is too isolated, fragmented, and scattered, which creates confusion to the exporters, it provides only partial knowledge, it does not offer a detailed understanding of the specific nature and relative impact of each barrier on exporting (Leonidou, 1995a).

This thesis attempts to fill this gap in the literature by providing a complete analysis of all the possible barriers faced by family firm internationalization via exporting in the context of the small manufacturing firm, challenges of family firms' operations, in the developing economy. Similarly, we have reviewed some articles that help in the field of international entrepreneurship (Keupp & Gassmann, 2009; Jones et al., 2011; Servantie et al., 2016), we found that none of those reviews have focused on exporting challenges of the family firm and possible challenges arouse inside the family business. Most of the research has been mainly focused on the best fields for investing that is investment opportunities and some challenges faced by the family firms od developed economy. This study encompasses all sorts of challenges faced by the family firms in the garment sectors of Nepal during internationalization.

It shows that family firms are one major contributor to the Nepalese economy (Nepal Economic Profile, 2018). Since there are lots of resources required for starting a new business, many new starters fail to start a new business because of a lack of knowledge and information. For a developing country like Nepal, such a study can be one source of information for the new entrepreneur. It can be an information dissemination tool for existing owners too. Since previous research focused only on the general challenges of exporting (Leonidas, *2004)*, from this study deeper insight regarding the procedures and barriers to new and existing firms during internationalization and possible challenges inside the family firm has been presented clearly. For a country like Nepal where there is a lack of expertise, financial constraints and lots of prospects of investing areas, the research study could be one important contribution to the existing and upcoming owners.

In Nepal, most of the hotel industry, food industry, distilleries, etc. are established as the family firms (Bhattri, & Dhungana, 2008). In the context of Nepal, the industry under family firms contributes 13.5% of total GDP in which the main export commodities include clothing, pulses, carpets, textiles, juices and jute goods (Nepal Economic Profile, 2018). Nepalese garment sector which is the leading contributing sector in the economy (Nepal Economic Profile, 2018) has lots of prospects for a new entrepreneur. But the family firm of such a developing economy country is unlike of western economy. They are facing many challenges to grab the internationalization opportunity and we found that not much prior focussed had been given by previous literature to this sector. So, this study was conducted to fill the loopholes that existed in past works.

1.2 Research problem

As earlier mentioned, the family firm plays a vital role in the economic benefits of the country. When the family firm expands its business activities in other countries, they gain more capital to provide employment opportunities and contribute to the economy significantly. The family firm tends to face different challenges such as lack of financial, managerial, marketing, functional resources which are essential for achieving successful internalization (Sirmon & Hitt, 2003). Most of the companies depend upon external resources for internationalization (Pfeffer and Salancik, 1978). In order to reduce the extreme dependency on external resources, family firms engaged in hiring external managers and change in the overall governance structures of the firm (Naldi & Nordqvist, 2009).

Similarly, there are various theories developed in the field of internalization which explains only about the process and resources essential for the internalizations. For example, the resource-based theory explains the essentiality of heterogeneous resources to attain a competitive advantage on the foreign market (Sermon & Hitt, 2003), Uppsala model focused on the experiential knowledge that firm gains from the beginning of internationalization (Johanson & Vahlne, 1977), etc. However, it does not explain the various challenges of the firm and its impact on the internationalization process. Furthermore, even though these researches state that resources affect the internationalization process, much information cannot be found on the challenges for family firm internationalization in the developing countries. Due to the lack of scholars understanding the importance of family firm into mainstream theories of entrepreneurship and management may lead to the neglect of factors that would otherwise make those theories more valuable. This means that the majority of theories were unable to define the theories for the family firm, so here we are trying to fulfill the gap by relating born global theory to family firm prospective

1.3 Research Purpose and Significance of the Study

In the current scenario, various researchers were interested in the field of internalization of the family business (Chirico et al., 2011). As mentioned by De Massis et al. (2018a) number of family business articles on internationalization related issues has progressed from less than 10 to over 100 articles per year from 1980 to 2017. Most of this literature highlights the positive and negative characteristics of the family business that affect internationalization. The speed of decision making is one of the positive characteristics of the family firm (De Massis et al., 2018b).

The purpose of the study is to analyze and discuss the barriers of the family firm during the internationalization process in the garment industry in Nepal. The context of this paper consists of the family firm (garment industry) and the phenomenon investigated is the internationalization process and its challenges.

In order to fulfil the research purpose, we will focus on the following research question:

- What are the challenges faced by the family firm during its internationalization process?

From this research, we expected to give more clear insight on the current research gap in literature regarding family firm, internalization process of family firm, and born global theory as appropriate theory in the context of Nepalese exporting business and possible challenges of Nepalese family firm during internalization in a more coherent way that can serve as guideline for future research.

CHAPTER TWO

THEORITICAL BACKGROUND

The purpose of the second chapter is to present an overview of the current literature on the research topic. The chapter starts with defining family firm and internationalization, internationalization of family firm and challenges faced by family firm during internationalization. And born global theory is used as internationalization theory to define the content.

2.1 What is family firm?

First it is important to know what kinds of firm are termed as the family firm. Many scholars have defined family firm in various ways (Litz, 1995; Sharma et al., 1997). According to the American approach, family business as an enterprise, that may take a legal form whose ownership is partially or fully held by a family. At least one member of the family works in a higher position, with the keen intention to keep the business in the hand of family (Frishkoff, 2005). Chua et al. (1999), defines a family business, the business which is controlled and managed by the alliance of small or large group of family members with the objective to give vision. The definition based on the management criteria was adopted by Donnelley (1964), who explained that a company is said to be the family firm, when there is generation transfer from one generation to another and should have close link to the firm, so that they can influence the policy, rules and objective of the firm.

Chrisman et al. (2005), suggest two approaches, a component of involvement approach and an essence approach to define family firm. The component of involvement approach claims that involvement of family members in business is considered as family firm whereas, the essence approach is based on the belief that firm is considered as a family firm if family involvement is aligned with behaviours which build specific distinctiveness. A company is termed as the family firm when one or more than one members of that family are involved in the managerial position (Fernandez, 2005; and Nieto, 2006). The commitment of family members in business activities are visible in family firms because of maximum share of assets was hold by family members (Mason, 2008; Gallo & Sveen ,1991). Similarly, in the finance literature of family firm some studies argue that, if the family members own more than 5 percent of shares then it is known as family firm (Villalonga and Amit 2006), whereas some other articles argue that, if the firm is successfully handover to second generations by first generation it is considered as family firm (Bennedsen et al., 2007)

It is not easy task to develop a general definition of family firm because of its heterogenous nature (Arregle et al., 2007) as each family members involvement in the management and ownership of the firm is unique. Family business have special characteristics of knowledge sharing among family members in business (Zahra, 2003). Family involvement is also viewed in two broad categories which are family ownership and family management (Habbershon & Williams, 1999; Nordqvist et al., 2014; Sirmon & Hitt, 2003). Therefore, it is evident that family firms are heterogeneous depending on the type of family firms, where also the availability of family-specific capital or resources in family firm makes them heterogeneous (Habbershon & William, 1999).

The characteristics of family firm include flexibility, speed in decision-making, long-term orientation (De Massis et al., 2018b), willingness to take risks such as internationalization (Gallo & Pont, 1996; Gallo & Sveen, 1991; Zahra, 2003). Restrictive characteristics include lack of financial capital and human resources, resistance to change, family conflicts, fear of losing control (Arregle et al., 2017; Gomez-Mejıa et al., 2010; Kontinen & Ojala, 2010, 2012) that may reduce internationalization of family businesses.

The strategy of rules, regulations, bureaucracy, procedures and governance style of family firms are informal (Fernández & Nieto, 2006) that makes easier in decision making process, simple communication channels and flexible organizational structure (Hall et al., 2006). This enhances the collaboration and possibilities of family firm in internationalization process (Hall et al., 2006).

2.2 Comparision of a family firm with other types of firm

It is misconception that family firm are old-fashioned, conservative process in their efforts at entrepreneurship. But in reality, "due to their long-term focus and superior resources many family firms actually have an advantage in their entrepreneurial pursuits at the start-up, growth and maturity phases" (Miller, 2015, p.1). Traditional Agency theory explores family firms performance is better than non-family firms because of separation of ownership and control to non-family firm ,motivates the latter to only maximize their own utility and growth on the cost of firms profitability (Demetz & Lehn, 1985; Daily & Dollinger, 1992; Randoy & Goel, 2003). Moreover, emotional bonding and personal attachment towards family members make them more involved and committed towards the business success (Davis, 1983). Although emotions and sentiments appear among the family members in family business, but it does not affect in entrepreneurship. In fact, most of the business enterprises that are operated by family involvement either through direct ownership, managerial participation is backed by family-based resources. That is why, family firm grows or expands more faster than non-family firms. Family firm often have unusual capacity of intrapreneurship, that is by introducing new product categories in totally different or new market segment or embracing new business plan (Miller, 2015). But addition to that family firm managers are often risk avoider as they want to carry out the business in low risk; unselfish concern towards family members can lead to less efficient in business performance; family members may divert their preference on non-economic activities. They only focus on cashflows rather than growth or shareholders value in the company (Anderson & Reeb 2003a; Gomez-Mejia et al., 2001; Schulze et al., 2001 & 2003). Learning orientation refers to the mechanism or drive of firm's adaptation or learning new things. "Learning orientation is the firm values on commitment on learning, open mindedness and shared vision that help to extend the knowledge base and ability to adopt in changing environment" (Baker and Sinkula, 1999. p. 412). Family firms lacks learning orientation or the procedures of learning new things in organization compared to non-family business (Birdthistle, 2008). Family firms are less likely to analyze the systematic training needs (Reid and Adams, 2001). Thus, Family firms have lower learning orientation compared to non-family business.

In order to achieve the global exposure and extension of the business platform family firms are obliged to internationalization (Kontinen & Ojala, 2010). Family business faces challenges to internationalize as they need to act and perform business activities beyond their objectives, strategies or culture. (Gallo & Sveen, 1991). Most empirical finding prove that family businesses are less likely to get involved in internationalization then non-family business. (Jorissen et al., 2005; Graves and Thomas, 2004; Fernandez and Nieto, 2005, 2006; Cerrato and Piva, 2012). The lower export capability and tendency of family firms makes them difficult in acquisition of resources to build competitiveness with international competitors. (Fernandez and Nieto, 2005). Thus, Family firms are less involved in internationalization then non-family firms.

Now simply, we can say that family firm are run and managed by the individual who are either related by blood or marriage. The decision-making power is in the hand of members of the family, who exercise increased control and influence over business operations and culture. Whereas, other entrepreneurial entities have a markedly distinct legal existence from its owner. These types of entities are owned by the certain number of shareholders who have invested in business stock. Each member is responsible for the loss and earned profit are shared among the shareholders of the firm. The liability is limited to this type of business as compared to family business because the shareholders are not liable for corporate debt.

2.3 Internationalization literature

In the period of past decades, internationalization of the firm has gained the substantial focus among the business communities, scholars and researchers. Internationalization of family firm contribute vital role in economic development, technological competence among foreign competitors and positioning in the global framework (Reynolds, 1997). Internationalization have a separate definition and explanation by various scholars and researchers. According to Johanson and Vahlne (1990), internationalization of a firm is continuous process where relationship between various countries are formed, developed and maintained in order to fulfil the firm's objectives. Welch and Luostarinen (1988), defined that internationalization is the process of increasing involvement and participation in foreign market.

Increased scholarly attention is being paid to the internationalization of family firms, and there are recent, comprehensive, and thoughtful reviews on this topic by (Fernandez & Nieto, 2014; Pukall & Calabro, 2014). These reviews illustrate that prior research spans multiple theoretical frameworks, multiple empirical approaches, and data from multiple countries. Internationalization often involves the transfer of a firm's knowledge from one country to another and can be conceived of as a process of learning and accumulation of experiential knowledge (Eriksson, et al., 2000). Those that learn efficiently from their internationalization experience can expand faster and with fewer mistakes (Tsang, 1999).

According to Gallo & Gracia Pont (1996), lack of adequate international cultural awareness, lack of international business experience, lack of support from supreme body of business(owners), the resistance to internationalize business due to the strong connection with the local market are the major challenges of family firm for internationalization.

Figure 2.1 illustrate the focus change of internationalization literature as further explained. Although various studies on international trade are done to understand about the internationalization process of family firm, but they do not focus deeply about the growth process since their aim was to study on a national level, not on an individual level. Later, researcher start focusing their research on multinational companies (Hymer, 1960) and the process of internationalization Johansson & Vahlne (1977), explaining about which country the family firm should choose to internationalize. Subsequently, after the deep analysis and study of international entrepreneurship the traditional international theories were challenged and after that various new prospective of studying internationalization were generated (McDougall et al., 2003)

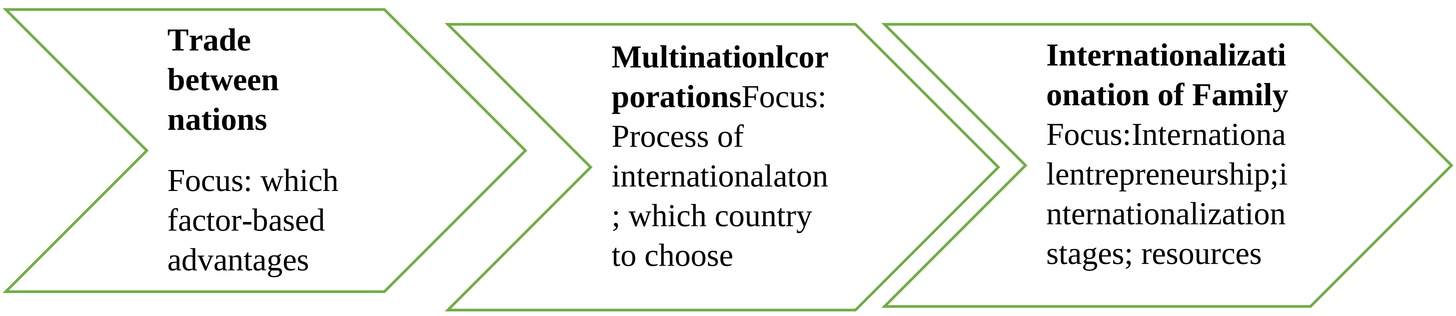

Figure 2.1: The overview of focus shift in internationalization literature (Oyuntugs & Vithange, 2019)

2.4 Internationalization of Family Firm

Internationalization is extensively recognized as significant to sustain and retain in the current, competitive global economy, regardless of the size of the firm, where family firms have grown internationally via one or a mix of entry modes to international markets such as through exports, foreign direct investment (FDI), contractual agreements and joint ventures (De Massis et al., 2018a). In family business literature, internationalization is mainly perceived in two broad categories as ‘Restrictive’ and ‘Facilitative’ (Arregle et al., 2017). The involvement of family makes these firms unique as well as facilities in the process of internationalization (Chrisman et al., 2012).

Furthermore, Arregle et al. (2017) state that various authors use different theories and methodologies to evaluate relationships between several aspects and family businesses which results in numerous conclusions. Therefore, it is evident that internationalization and family involvement is complicated where heterogeneity of family firms must be considered as a factor that plays a major role in internationalization (Arregle et al., 2012; Chua et al., 2012; De Massis et al., 2018a; Pukall & Calabro, 2014).

According to Gallo and Sveen’s (1991), internationalization is positively associated to family firms that can be driven or restricted by various factors such as firms motive and mission, organizational and structural factors, cultural aspects and family firm’s internationalization objectives or orientation. The degree of family involvement has effect on level of internationalization which could be size of the firm and risk-taking attitudes for the increment of internationalization activities (Casillas and Acedo, 2005). Firms invest in international market to gain the firm-specific advantages as then can win in international competition (Hymer, 1976; Dicken, 2007; Dunning, 1979). Financially controlled and independence over firms’ important resources creates carefulness for the firm in internationalization (Ahokangas, 1998). Thus, family firm preference of taking control of those crucial resources makes the internationalization process easier. Family firm are culturally characterized with similarity all over the world, thus, organizational culture similarity can make the connection and network easier with another family firm during the process of internationalization (Johanson & Mattsson, 1988).

According to Lu. Liang, Stan and Liang (2015), family firm internationalization and profitability have exactly the negative relationship. Those negative relationship can be controlled by improvising governance, maintaining or hiring the active and independent managers or board members. Geographical distance also affects the performance of the family firms as they need to manage the employees far away from home that requires the need of expert or manager from non-family background or allocation of family member in new markets. Internationalization of family firm is also hindered by the cultural difference. Greater the cultural difference greater the hinderance in business and vise-versa (Johanson & Vahlne, 2009; Zaheer, 1995). It is associated with the language and cultural training requirement by the family members or family firms. Thus, such training requirement hampers the performance of family members to operate internationally as they lose the managerial control. So, to encounter such issues family firms can hire or give authority to non-family members for international operation (Banalieva & Eddleston, 2011). The learning requirement for the family firms is determined by the structure of the industry in which the family firms carries out the business activities i.e. family firms can operate in global platform or multidomestic industry (Kobrin, 1991; Porter, 1986). Global industries require high research and development, advance technological requirement, less barrier to market entry with firms competing on international platform. Whereas, multidomestic industries are characterized by entry barriers, country wise rules and regulation and different set of customer taste and preference. Thus, family firm need the learning mechanisms to cope up with these challenges and it is more challenging for them to operate in multi-domestic industries. (Kobrin,1991; Porter, 1986).

Due to the unfamiliarity of market sector and difference in cultural aspect family firms face the challenges in building the trusting relationship with foreign customers and flourishing the network which needs high budget allocation and close supervision. But the member or stakeholders in family firms may have different expectations on payoffs and hierarchical disputes (Banalieva & Eddieston, 2011). Furthermore, creation of the network relation with the foreign customer needs the tenure of the non-family members in leadership that may create the disputes among the family stakeholders (Banalieva & Eddieston, 2011). Role conflict among the family members are crucial as the same members have duel role of being the family member and family business employee (Barton & Gordon, 1988). Firms who are initiating the internationalization must have long term perspective because of financial risk involved in the internationalization strategy.

2.5 Basic Concepts of Internationalization Theories

Internationalization theories explains about how and why firms go in the foreign markets (Morgan & Katsikeas, 1997). According to the various articles there are mainly two school of thought influencing internationalization theories. Economic school and Behaviour school are two main viewpoints on which internalization theories are based on (Coviello & McAuley, 1999; Andersson, 2004). The eclectic theory profound by Dunning (1997), is the most dominant theory in economic school of thought. According to this theory various external factors of internationalization such as ownership, location and internationalization advantages are the key determinants of foreign direct investment (FDI). Likewise, behavioural school includes Uppsala internalization model and other model related to innovation (Bilkey & Tesar,1977; Johanson &Vahlne,1977,2003,2009; Reid, 1981). The behavioural school of thought focus on firms' internal factors and the steep by steep learning process.

Various theories of internationalization, such as agency theory (Chrisman et al. 2004), stewardship theory (Davis et al. 1997), and socioemotional wealth (Gomez-Mejıa et al. 2007), explains about the results and decision of family firm on different decisional criteria such as objectives, motives, expected loss and expected profit. These all theories examine the possibility of tension or conflict of family firm compares with international nature.

(Dunning, 1980) internationalization theory (Buckley & Casson, 2009; Verbeke, 2003) explains about the variance of family firm during internationalization, on the basis of existence and decision-making criteria. According to "Born Global" same firms internationalize immediately after their beginning (Knight & Cavusgil, 1996; Madsen et al. 2000; Madsen & Servais,1997; Rennie, 1993).

Here we present born global internalization theories which highlights the basis of internationalization process and how the business operates in the foreign location as suggested by scholars. This will help us to point out the potential practical problems connecting with theoretical framework.

2.5.1 Born global

The firm that commenced its business activities with a borderless world view and immediately developed to expand themselves in foreign country is known as born global firm. Oviatt and McDougall (1994) define born global as business organization which, from its establishment, practice to derive significant competitive advantage from the use of available resources resulting in the sales of outputs in a multiple country. Some factors that makes a firm as born global are new market conditions, technological advancement (Batra et.al., 2015), and the capabilities of managerial team an(Shih & Wickramasekera, 2011), d that of entrepreneurs (Landau et al.,2016; as well as international network relationships (Madsen & Servais, 1997).

Family firm with innovative and qualitative product, gain a competitive advantage over other firms which in turn helps them in the process of internalization from its establishment. Knight and Cavusgil (1996), suggest “born global” could be small firm that operates to grab competitive advantage with the use of innovative tools and technology, from the beginning of their operations, in the various multiple countries. Knight and Cavusgil (2004) explained that firms internationalize in global platform by using innovative and technical tools, expanding new knowledge and capabilities and deploying unique resources in spite of their extra carefulness on utilising their resources. The research done by Knight and Cavusgil (2015) on born global firm suggest that the internationalization of born global is facilitated by advanced and innovative technology product and such firm have creative and talented leaders as change agents.

McDougall and Oviatt (2000a) find that born global is not the phenomena that occurs in a specific industry, but that it can happen in a wide range of them. Globalization, technological, political and economic changes have emerged as the driving forces for the increasing internalization of family firm. Baum et al., (2015).

According to Cavusgil et al. (2014), the motives of the company to go international market differs from company to company. Some executes the reactive strategy to handle the changes in the market whereas some may execute the proactive approach. The reasons for the internationalization is to expand the market opportunity but it can also be to maintain the better relationship with stake holders and to focus on networking with foreign customers. The motives of the born global firms can be proactive and reactive depending on the situation. The reactive strategy can be that the firm go globally to supply their outputs that are not domestically present that forces them to operate internationally, whereas the owners' motive to give the organization new height can be proactive motives. To explore the niche market on which they can have specialization resulting the increment in profitability of the company might be the reactive motives of born global firms to go on international market. (Madsen & Servais, 1997; Oviatt et al.1995).

The resource-based view explains that firm's performance is backed by its unique, valuable and differentiated set of resources. Firms uniqueness in its technological, organizational, relational and human capital are set of resources which triggers the firm to internationalize (Barney,1991). Due to the decrease in transportation and communication cost which is possible through innovative technologies that makes internationalization process more flexible. (Oviatt & McDougall, 1994).

The distinguishing feature of born global firms are that their introduction is in international platform as management focus on global perspective and allocating the resource to carry out international activities. Whereas traditional firms operate in local market for long time before they go internationally (Johanson & Vahlne, 1977). Besides having less financial, human and other resources that most of the firms are struggling with, born global firms flourish relatively faster that from the domestic operation or establishment to foreign market entry born global firm usually take 3 years or less (Autio et al., 2000; McDougall & Oviatt 2000; OECD, 1997; Rennie, 1993). Born global firms focus on the niche market in a sense that they have few substitutes in the market. Buyers of the niche market have distinctive taste so the firm needs less time on market research, advertising, sales promotion as they can reach to their potential customers through low marketing strategies like trade fairs or export endorsement (Luostarinen & Gabrielsson, 2006). This shows that born global firm does not need to adopt the marketing mix strategies as they can quickly scale up their production and sales that they have niche customers.

According to Chetty and Campbell-Hunt (2004), traditional Uppsala model needs the strong base of domestic market to get in international market whereas born global flourishes quickly in international level as domestic market is not their focus. Traditional Uppsala possesses the risk of uncertainty to focus or extend in foreign market whereas born global firms takes it as an opportunity to expand as they have varied and multiple market prospects (Chetty and Campbell-Hunt, 2004). Uppsala model-based firms need experience and longer time frame to internationalize but born global firms are flourished through established networks in international market that eases the development and expansion of business market (Chetty & Campbell-Hunt, 2004). Uppsala model expands their business internationally considering the psychic distance to market by their prior experience but for born global firms' distance does not makes the great importance. They carry out the operation in physically distant markets as the business flourishes through establishing new business networks. The wave of business network is used in earlier stages and gradually replaced by firms own resources whereas born global firms rapidly creates and expands market as network are crucial for their extension of business horizons (Chetty & Campbell-Hunt, 2004).

According to Rennie (1993), born global face both internal and external challenges. He further added that challenges encountered by born global are different then the challenges faced by large enterprises. Resources shortage, managerial transection issues, financial crunch, unavailability of market information and poor management of innovation and learning mechanisms and shortage of skilled manpower due to limited budget are basic hinderance to born global firms (Rennie, 1993). These challenges are mainly caused due to smaller size of firm and less experience as they operate their business being new (Oviatt and McDougall, 1994). Born global firms cannot acquire or merge the international companies due to low budget and limited capacity to flourish. So, they have to rely on other companies through network or hybrid structures.

Oviatt & McDougall, 1994). According to Madsen and Servais (1997), born global firm fail in human resource management as they lack the skilled manpower at work who can compete in planning, execution and exploring new place in international market. External environmental factors mainly political situation of the exporting countries, trade barriers by the government, language barriers, lack of knowledge of business practices are main external challenges faced by born global (Oviatt & McDougall, 1994). According to Moen (2002), born global firms lack the brand image in home countries because they are new, and their marketing strategies and practices are not effective to persue the foreign customers. It means that, they internationalized immediately after their initiations. Born global firms lack the market-specific knowledge due to little or no experience in the other market. As knowledge gained through personal experience is vital for the internationalization (Johnson & Vahlne, 1997).

Moreover, born global also faces the managerial challenges as they need to operate in global market. They needed to develop international market and sales technique necessary to execute the business activities. Due to lack of experience and financial resources they are struggling with managerial challenges (Luostarinen & Gabrielsson, 2002). As our research question is about the barriers of family internalization in the prospective of Nepalese garment industry. Most of the exporter of Nepali garments started to export their product immediately after their initiation so here we found that born global theory is suitable theoretical lens. As exporter start to perform their business activities in international market from the beginning of their business carrier, they may face various problems in their home country as well as in foreign country. Here we want to focus in the problems faced by Nepalese exporter in their home country, it means we mainly focus on internal barriers.

2.6 Motives for Internationalization

The motives for internationalization of family firms is to develop the new market for the achievement of growth. The expansion of firms was achieved by exporting or creating subsidiaries or joint ventures in the foreign business market. Besides that, firms plan internationalizes to be technologically updated as being competitive in global business environment (Masum & Fernandez, 2008, p.7). The opportunities in the foreign market is the main intention or motive of the firm to internationalize (Albaum et al.1998), explains that those opportunities are only possible when the firm have strong resource background. The decision to internationalize is triggered by internal and external motives where the internal strength and environmental factors plays a significant role. (Cavusgil, 1982). The management team should be aware on the activities on which they are planning to focus in order to gather market opportunities. This kind of export motive is known as (pull factors) and the motives gathered by changing market condition and attitudes to export opportunities are push factors. (Cavusgil, 1982).

These factors are known as proactive factors where the firm's choice to internationalize is triggered by internal drives. The firms desire to derive unique ideas are competencies and to gather opportunities that the foreign market offers are internal drives. Gaining the competitive advantage among the companies and gathering knowledge of international market the managerial team should be able to plan a strategy for gaining the international exposure. The environment factors also allow them to make the strategy suitable to undertake the business activities (Albaum et al., 1998).

These factors are also known as reactive factors where the firm can act or respond the internal and external competition. The companies having the unique product attributes and marketing strategies can ease their process of internationalization. The different marketing strategies, knowledge of the specific information about the product helps to differentiate or gain the competitive advantage among the competitors. This competitive advantage can be the barrier to other companies in the foreign market (Albaum et al.,1998).

2.7 Exporting modes of internationalization.

It is regarded as the first step to enter the international market which acts as a platform for the future expansion of business (Kogut & Chang, 1996). Theoretically it refers to the sale of commercial goods to the foreign market. In other words, it is referred as the act of trading in the international market. According to (Hill, 2007, p.487) exporting possesses both pros and cons. “The most important advantage of exporting is that it avoids the cost of manufacturing the goods and services in host country. But in the same time if the cost of production in host country is less than the home country the firms can gain the competitive advantage and increment in profitability from its global sales volume through exporting”. Employment opportunities to the local people can be guaranteed in the home country. Exporting firms have important advantage to gain experience and knowledge related to business activities in the home country. “The major disadvantage is that exporting firm have to bear the transportation cost, low cost of production of goods in host country” (Hill, 2007 p.487). The exporting rules differs from country to country as the tariff barriers can make the exporting more expensive.

Finally, when the firm motivated to internationalize through exporting they may encounter with various challenges/barriers. These barriers may be internal and external. As our research question is about the barriers of family firm during internalization, the literature of major barriers are explained below:

2.8 Barriers of Family Firm

2.8.1 Internal Barriers

Information Barriers:

The insufficient information relating the possibilities of the foreign market opportunities are hinderance and due to lack of information the ignorance of the owners-managers to concentrate on the domestic market are the obstacles in internationalization process (Bagchi-Sen, 1999). Firms having less market knowledge face more uncertainty in the market in comparison of the firm with right amount of information (Liesch & Knight, 1999). The firms with resource constraints to enter in the international market needs the right amount of information as a primary or basic requirement. (Johanson & Wiedersheim-Paul, 1975). Some studies focus on export problems occurred by low understanding of the target market and its challenges. Baykal and Gunes (2004), suggested that limited knowledge of foreign market, lack of skilled workers having the information relating to foreign market and wrong interpretation that international market have high demand that family firms could not handle are the major misconceptions or information barriers.

According to the informational barriers are explained like lack of market knowledge, lack of experience, lack of information about export regulation and lack of knowledge about culture and language of the foreign market. For the exporting firms such barriers hinder the progress of the company as they lack the informational aspects necessary to make plans and approaches in foreign market. Moreover, the barriers caused by unreliable information such as unable to make communication to the potential foreign customers, identification of foreign business opportunities, changing habits and attitudes of foreign customers, the language barrier and lack of knowledge of external market are identified previously by several reports and studies.(European commission,2010; OECD, 2006,2007,2009; Orlandi,2006 and;leonidou,2004).

Human Resources Barriers:

This refers to the involvement of ineffective human resource to conduct the business activities internationally. The basic task of manager performing internationalization activities are, formulating of market strategy and conducting trade with foreign customers but due to the ineffectiveness of manager fail to manage human resources (Ibeh, 2003). The main reason of family firms failure is lack of management of human resourcs (Baron, 2003).. The ignorance of owners or managers of family firms about planning, training and development, compensation management and performance management. Human resource skills are crucial for the growth and internationalization of family firms. The most challenging and vital issue for the organizations in 21st century is to create favorable working environment to get maximum utility from the group of skilled workforces (Senyucel, 2009). Due to lack of management education, lack of foreign language proficiency, lack of exposure to the foreign cultural aspects hinders the operation in international market. (Suarez-ortega & Alamo-vera, 2005). According to the study by Carlson Upton and Seaman (2006), training and development to enhance the skills, maintaining the requirement criteria, performance appraisal techniques are commonly used techniques to overcome the barriers faced by family firms.

Marketing Barriers

Marketing barriers deals with the product, pricing, distribution logistics units of the firm in order to perform better in foreign market (Moini 1997; Kedia & Chhokar, 1986). Firms need to develop new product or make changes on the existing product to meet the expectation and preference of the foreign customers. Small firm fails to adjust their product in the foreign market addressing the needs and preference of customers. Each of those components in marketing barriers are proposed below:

Price:

The critical problem occurred within the small firms is their inability to offer satisfactory prices to foreign buyers. This problem might be the cause of high unit cost due to low production capacity and low production runs. Export price also increased rapidly due to additional cost in incurred in packaging, modification and services in the international market, high transportation cost, administrative expenses are linked with the exporting activities. In addition extra tax, tariffs, custom charge and excessive cost incurred on marketing and promotional activities in international market are the hinderances (Tersptra & Sarathy, 2000). Those problems can be solved with basic pricing techniques mainly cost-pricing, direct distribution techniques and low-cost product version in the market.

Similarly, it is difficulties in matching the prices with the international competitors. This are the results of strict application of cost-plus pricing method by the firms and unfavorable and unpredictable foreign exchange rates. It is also caused by the difference in country wise production, distribution and logistics cost incurred during manufacturing and exporting of local goods. To some extent, small exporters avoid this issue by focusing on niche market and applying non pricing techniques in international market (Doole & Lowe, 2001).

Moreover, export sale financing can be problematic to small firms that might be caused by insufficient fund to provide credit facilities to international customers and fear and low risk-taking capacity of small firms that foreign customer can turn into bad debtors. In a sense, credit risks tend to be high to the customers who are geographically distant and no past experiences to the customers from political and economically unstable countries (Korth, 1991).

Product:

Firms have the aim or focus on developing new product category for the international market. In order to sustain in the foreign market firms managers are obliged to design new product according to the need and preferences of the customers. But due to the difference in customer preference and habits across the countries small firms fail to develop the new product with every segment of market and make them difficult to survive.

Since, due to the different quality requirement parameters in foreign countries, it is challenging for family firm to adopt. This challenge is caused mainly where the customers of exporting nations seeks better quality then the quality offered to the firms home market. Quality requirement is essential mainly due to concerned with the health and safety of the home countries population it is being difficult to adopt in international market to the exporting firms as they have to bear the extra cost on maintaining the quality standards.

Distribution:

The complex and difference in distribution channel among the countries make the firms of the developing nations difficult to operate the business activities as they have smaller size of retailing outlets. As the distribution channel in some countries consists of many layers while some prefer the direct distribution channel. The quality of the services offered to the distribution members differs among the countries (Terpstra & Sarathy, 2000). So, these differences create serious problems to the small exporting firms as they cannot adjust the distribution method according to the variation on each market.

Likewise, getting access to the distribution channel across the countries is also the major complexities to the exporting firms. Here, some distribution channel are captured by the competitors, the power can be only with the certain distributors who have a control on every entry levels and length of the distribution may be lengthy and vague (Czinkota & Ronkainen, 2001). It is also being the challenges to the exporting firms to find the reliable representative in the foreign market. It is difficult to find foreign representative who is geographically accessible, representative having the organized logistics and representative with good relationship with government and other stakeholders. And also is challenging for the exporting firms as all of these conditions are difficult to meet because they might be already captured by large competitors or the distributors might not be attached with small firms due to the limited distribution deal.

Promotion:

There is difference in buying motives of the foreign buyers, consumption habits and governmental regulation regarding the promotion are the factors responsible for the adjustment of the promotional activities in the foreign market. Due to the variation in target markets audience, unavailability of the appropriate advertising media in foreign market and large budget to incorporate the advertising activities in foreign market are the basic hinderances for the exporting firms to adjust and make the promotion of their product effectively.

Functional Barriers:

It is the ineffectiveness of various functional departments of firm such as human resource, finance, production and marketing in relation with international business exporting (Vozikis & Mescon, 1985). This section includes four main barriers namely limited managerial time to handle the export, inefficiencies of the export personnel, limited production capacity, and lack of skilled work force.

The management role is crucial in selection, entranc, expansion of foreign market and incorporating the foreign market strategies and operating the business activities with overseas customer Leonidou, Katsikeas & Piercy, 1998). In the family firm decision making and managerial rights are on the hand of single decision maker that does not have the time to deal with export activities, since they are busy and only limited with the local marketing activities. So, the managers have to spend sufficient time, skills and efficiencies to expand the export possibilities for their products if they want to expand the export possibilities in foreign market.

Most of the small firms have major complaints that they have insufficiencies of export personnel to operate excess work needed by export operations (Gomez-Mejia, 1988). Moreover, the ratio of company employees working in exporting activities is comparatively lower than the contribution of export on overall companies sales. Human resource problem arises due to lack of expertise of the export personnel in documentation, communication gap due to language barrier dealing with foreign customer. Moreover, due to lack of training and investment of the top management in enhancement of skills of the employees such problems are general in nature.

The existance of unutilized production capacity of the firm triggers to operate the exporting activities whereas firms having less production capacity hesitate to initiate the business activities abroad (Albaum, Strandskov, and Duerr 1998). Most of the family organization views that exporting is possible only with excessive resources, but it is also possible to utilize those resource effectively in conducting the business internationally rather than utilizing those resource in serving the home country. So, the exporting firms must think globally and consider exporting as important option to explore their horizon (Kamath et al., 1987).

3.8.2 External Barriers:

Procedural Barriers:

These are related to the operational aspects of transections with foreign customers. According to (Kedia & Chhokar, 1986; Moini, 1997) it specially focuses on 3 major sectors:

1.Unfamilier export procedures that arises the problem in shipping and custom documentation which are faced by small firms trying to operate in international market.

2. Slow collection of payment from foreign customers as they prefer the credit facility, which directly hampers the exporting companies as they are not economically sound.

3. Communication barriers due to geographical and psysic distance.

Due to the different procedure and regulations varying from country to country conducting business in foreign market needs time to prepare documents required by host country (Tesfom & Lutz, 2006).

Task Barriers:

It is related to dealing with foreign customers and competitors. Due to difference in customer buying habit and income level it is difficult for exporting firms to gather the information. The exporting firms needs to compete with mature competitors that have huge customer base. Small firms with limited sources and marketing tools faces those problem to compete in international business scenario (Leonidou, 2004). It usually takes longer documentation time which slows down the delivery of the product.

Government Barriers:

It is the barrier caused due to lack of government support, seminars, workshops, exposure facilities in foreign market, and foreign trade fairs (Kotable & Helsen, 2010). Due to the unfavorable political scenario and instability of the government, it is difficult for the exporters to carry out the business activities.

Environmental Barriers:

Environmental barrier deals with political uncertainties, legal constraint , socio-cultural environment of the foreign market where the firm tries to carry out the business activities (Kedia & Chhokar, 1986; Moini, 1997). Due to the foreign currency exchange risk, strict exporting rules, tariffs and non-tariff barriers on the host country, political instability, high cultural differences, language barriers, unpredictable business scenario it is difficult to control or predict foreign market (Leonidou, 2004).

2.9 Conceptual Framework

The main aim of developing this part is to explain the major challenges faced by family firm during internalization. So here we are trying to depict and discuss the export barriers. According to our research question, the classification of barriers adopted by Leonidou (2004), is presented below

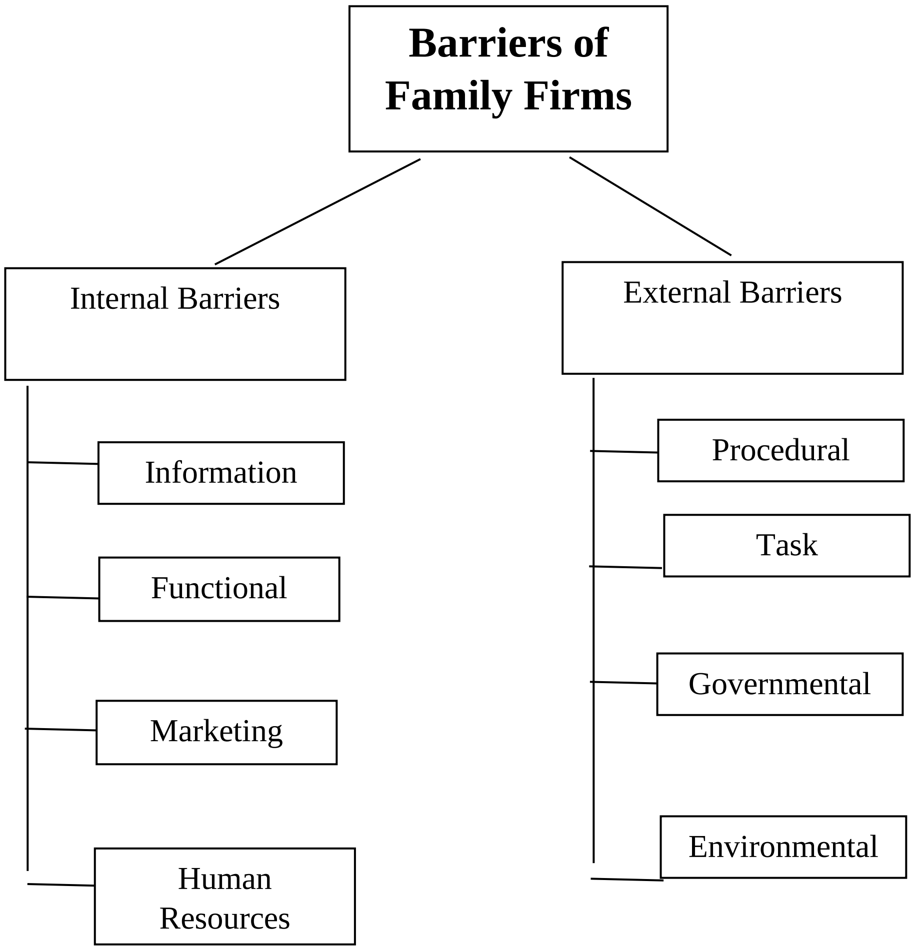

Figure 2.2: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter, we will briefly explain the methodology that was used to carry out this research. It aims to provide an overview of which philosophical assumptions this research was based, how the data were collected, which techniques were used, and how the data were analyzed. Moreover, it contains concerns about research quality and ethics.

3.1 Research Philosophy

The quality of management and business research is depending upon the knowledge of philosophical issues to the researchers. Research philosophy is the foundation of the whole research process. “It is necessary to understand about the philosophical issues because it can help to clarify research design, it can help the researcher to recognize which design will work and which will not and it can help the researcher identify, and even create a design that may be outside his or her past experience” (Easterbt-Smith et al. 2012, p13). There are four key elements of research tradition: ontology, epistemology, methodology, and methods and techniques Easterbt-Smith et al. (2012). The ontology represents “the basic philosophical assumptions that the researcher made about the nature of reality” (Easterbt-Smith, Thorpe, Jackson, & Jaspersen, 2012, p.19)

According to Easterbt-Smith et al. (2012), there are four different ontologies: realism, internal realism, relativism, and nominalism. The aim of our thesis is to study and identify the barriers/challanges of family farm internalization. Our study on this topic assumes that the nature of reality depends on the perspectives of the observer, so our research is based on the relativism ontological position which assumes that many truths exist, and facts depend on the viewpoint of observer Easterbt-Smith et al. (2012)

Our assumption about ontology forms the epistemology. “The epistemology is about different ways of inquiring into the nature of the physical and social worlds (Easterbt-Smith, Thorpe, Jackson, & Jaspersen,2012, p.21)”. Strong positivism, positivism, constructionism, and social constructionism are the four main pillars of epistemology. Here, “strong positivist position assumes that reality exists independently from the observer, a social constructionist position assumes that the researcher is a part of what is being observed” (Oyuntuge & Vithanage, 2019, p.27).

As our research focuses on the barriers faced by Nepalese garment exporters and our focus is mainly on internal barriers. So, our study is based on constructionist epistemology which assumes that there are different realities. For this, we need to gather data from multiple barriers perspectives from different owners of the garment industry of Nepal. Based on relativist ontology with the constructionist epistemology, this research assumes that many different realities exist. Finally, we see world as different point of views that is why we are social constructionists so that we choose the case study method because it is the most appropriate way to study different views.

3.2 Research Approach

In our research strategy, the research approach is defined based on the nature of the research question. There are three main classes of research approach: exploratory, descriptive, and explanatory/casual (Brannick & Roche, 1997). Exploratory research helps to discover new ideas and thought by understanding the general nature of a phenomenon. Descriptive research aims to describe functions and characteristics whereas explanatory research tries to explore “cause and effect” problems (Ghauri & Grønhaug, 2010, cited from Oyuntugs & Vithanage,2019, p.28). This research is a descriptive nature that tries to find out the barriers relating to the internationalization of family firms.

According to Saunders (2011), there are two alternative research approaches: deductive versus inductive. Deductive research aims to test out pre-defined theories or hypotheses through empirical observation. On the other hand, in inductive research, “theories can be developed based on observed information and data” (Oyuntugs & Vithanage, 2019, p.28). In general, inductive reasoning is exploratory and more open-ended (Trochim, 2000). An inductive research approach is usually rooted in constructionism research philosophy.

3.3 Research Strategy

The main objective of our research is to point out the most common barriers faced by the garment industry while exporting their products in the international market. Various internal and external barriers are discussed in the previous chapter.

Research is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance of the research purpose with economy in procedure. There are three types of research methods: quantitative, qualitative and mixed method. Qualitative research design has been used in this research. Qualitative research is a type of research design that works with non-numeric data and that seeks to interpret the meaning of the data regarding the targeted groups or population. The information’s are gathered through various methods like focus groups, in-depth interview, case study methods and so on. In this research, the case study method and the in-depth interview has been used. Quantitative research is used to quantify the problem by way of generating numeric data. There are three main features of qualitative research (Bryman & Bell, 2007) and all these three features are included in our research. First, the research has the relative ontological position which assumes that different respondent (garment factory owner) has different reality regarding the problems of internationalizing. Second, it has the constructionist epistemological position which means that this study tries to understand the various problems of internationalization from the garment company owner’s viewpoint. Third, it is the inductive research where we try to develop theories or conclusions based on the interviews and collected facts. Since the research is basically concerned with analyzing the problem and uncover the thoughts and opinions by taking a small sample size, the qualitative research design is more suitable.

3.4 Research Design

Research design is a set of procedures and techniques used by the researcher in collecting and analyzing the various components so that the research problem will be logically handled (Coopper & Schundler, 2011). A case study research design has been used in this research. A case study is “a powerful research methodology that combines individual and sometimes group interview with the record, analysis, and observation” (Cooper & Schiundler, 2011, p.181). A case study research design is an in-depth investigation of a particular situation rather than a statistical survey. It is also an appropriate method for testing whether scientific theories and models actually fit in the real world or not. This method is used to investigate cases in depth and to employ multiple sources of evidence makes them a useful tool for descriptive research studies where the focus is on a specific situation or context. It is in answers to ‘how’ and ‘why’ questions, however, that case study research comes into its own (Yin, 2012), for theories building.

In business research, the case study is used when the phenomena are hard to study away from its natural setting (Ghauri & Grønhaug, 2010). Similarly, in this study, outlining the various challenges faced by the family firm during internalization is difficult to study outside from the family firm, so for this we have done the multiple case studies of the various five garment manufacturing firms and challenges of those farms during internationalization. So, the unit of analysis are various internal barriers such as human resources, functional, information and marketing barriers and various other external barriers. Since, those barriers are deeply embedded and influence the internationalization activities

3.5 Sources of data collection

3.5.1 Primary Data

The primary data is defined as the information gathered through interaction with other people through meetings, one-to-one interview, focus groups and surveys. Skype interviews with the owner of garment industry was taken for collecting the information. Frequent follow-up was done with the owner of Freak street Garment and Namaste Fair Trade to get deeper insight regarding the subject matter.

3.5.1.1 Qualitative interviews

To extract the barriers of family firm internalization, qualitative interview tools were used to various garments factory owners of Nepal. According to Charmaz, (2016) qualitative interview is a set of questions represented by the interviewer to the correspondent, which is designed to obtain an in-depth understanding of certain topic or experience. Here, the interviewer has the opportunity to ask for a follow-up question. Qualitative interviews are of two types, unstructured and semi-structured interviewing. In unstructured interviews, the interviewer asks one question to the interviewee and the conversation continues based on the answer of the interviewee. Likewise, in the semi-structure interview, “the researcher leads conversation based on the interview guide which contains a set of questions that cover the particular topic" (Oyuntugs & Vithanage,2019, p.31).

The nature of our research is descriptive in nature so, semi- structure interview technique was selected to take interview. Similarly, to collect the required information's regarding our research question, a range of open-ended questions were prepared as interview guide.

3.5.1.2 Case Study Method

The researcher used the case study method for analyzing the situation which best fit the objectives of the study. In this research, the owners from the garments industry of Nepal are taken as the sample for the study. For the selection of case firms, we outline the two criteria. First, the firm needs to be a family firm where the owner is needed to transfer from generations to generations (Chrisman, et.al.,2005) Second, a firm should export at least 25 percent of its total sales, to be called an exporting firm (Knight and Cavusgil,2004). Initially, we contacted pioneer entrepreneurs of the family firm. A total of 5 respondents from the garment industries of Nepal were selected for the study. A semi-structured interview was taken with the owners of the garment manufacturing firm which last for 60-80 minutes. Some basic general questions were prepared to acquire the general information's of the firm such as details of the firm, number of employees, major export locations, etc. followed by unstructured questions for acquiring specific information's was prepared and asked during the time of the interview. The researchers were not able to visit Nepal during that time, so the interview was taken through skype and recorded. The information collected was analyzed to explain the challenges faced by family firms while internationalizing in the context of a least developed country like Nepal.

Firm	Interviewee position to the firm	Interview date	Interview length (Minutes)	Language
FSG	owner	27.10.2019	67	Nepali
NFT	owner	6.11.2019	80	Nepali
AEC	owner	6.11.2019	53	Nepali
BKG	owner	8.11.2019	76	Nepali
RNG	owner	8.11.2019	65	Nepali

3.5.1 Interview Design

To collect the data regarding our research question we conducted one case study of the garment manufacturing company and the skype interview to the interviewee. The interviews are recorded and coded and few more follow-up questions were also used to clarify and acquire more details about the barriers of family firm internalization. The basic outline of the interview guide in presented in the appendix section, (table 3.1).

3.5.2 Secondary Data

Secondary data are the information that are gathered from different sources. Secondary data are those data which was collected by other researchers for different purpose (Bryman & Bell, 2007). The secondary data are generally historical, already assembled and do not require to access to respondent. There are two main types of secondary data, they are internal sources and external sources (Ghauri & Grønhaug, 2010). The secondary data are collected from different sources like Research related papers, articles, websites, journals and books. Existing work done on similar topics are also considered during the research study.

The advantage of using secondary data is time and cost efficiency. Secondary data helps to interpret and understand the content of primary data to the researcher (Ghauri & Grønhaug,2010). However secondary data have some drawbacks as they are collected for the different purpose so it could not fit in research topic, so it is important to consider it when collecting and analyzing them (Easterby-Smith, Thorpe, Jaspersen, 2018)

3.6 Data Analysis

Data analysis planning is the preliminary process in the research (Crowther & Lancaster, 2009). Easterby- Smith, Thorpe,Jackson, & Jasperson, (2012) suggest that data analysis should contain the research problem, the unit of analysis and the connection between collected data and research problem. As the objective of this study is to identify the different challenges of family firm during the internationalization process through the multiple case study and interviews, this could be considered as an expressive study that try to identify the different internal and external challenges of family firm during internalization and the findings of this analysis many not be generalizable to other context of the study (Easterby et al. 2012).

The code relevant to our research question (different types of challenges) was drafter after collecting the data. However, we used the code as a guide, not as pre-set codes. Then, we read all the data in details to ensure that we do not miss/overlook any data..

3.7 Research Quality

The quality of qualitative research is associated with authenticity and trustworthiness criteria (Lincoln & Guba, 1985). Credibility, transferability, dependability, and confirmability are the four important criteria of trustworthiness. Credibility is concerned with ensuring that the researcher has accurately understood the social world since there can be several possible statements of a view of social reality (Bryman & Bell, 2007, cited from Oyuntugs & Vithange, 2019 pp.35). Triangulation techniques were used to ensure the credibility in this research. Triangulation refers to “using more than one method or source of data in the study of social phenomena” (Bryman & Bell, 2007, p.412).

To conduct this research the data were gathered from multiple sources which are primary data including case study and qualitative interviews and secondary data such as a financial report, news articles, you tube etc. In order to depict the real challenges faced by Nepalese exporters, we interview the owners of the firm only and analyses the case study of pioneer garment manufacturing companies. Moreover, another aspect that ensures the credibility of this research is that we both were together while designing the interview guide, skype interviews and analyses of collected data.

Transferability of the research is another criteria for trustworthiness. Transferability refers to the degree to which the results of qualitative research can be generalized or transferred to other contexts or settings (Lincoln & Guba, 1985). Generalizability and representative of a single case study is the primary focus of discussion among the researchers (Bryman & Bell,2007). Although generalization is not feasible in the single case study method researchers’ interest and knowledge upon the study make the research quality far better. However, Geertz (1973) encourage qualitative research to produce thick description, which refers to by providing enough details of a phenomenon, the conclusion of the qualitative research can be transferred to another context. Therefore, to ensure transferability of this research we aimed to create a detail description of challenges relating to function, marketing, human resource and information and various other external challenges of family firm internationalization process through multiple case study and interviews.

Dependability means to ensure that the findings of qualitative data are in accordance with the raw data and there is no misguidance in the report (Lincoln & Guba, 1985). Auditing technique is essential in enhancing dependability (Lincoln & Guba, 1985). Koch (2006) further explained that dependability cab be developed if a reader is able to audit the actions of the researcher. Several researchers suggest that developing a research audit trial to ensure dependability. After the data collected through case studies and interviews, we developed the table of coding (see fig) that shows how we had made the analysis where other researchers and reader can follow the analysis.

Confirmability is another important criterion of trustworthiness. Confirmability exists when the researcher knew that obtaining complete objective is not feasible in business research, in this situation the researcher should be conform that they conducted the research without their feelings of personal value or bias (Lincoln & Guba, 1985). To ensure the confirmability of this research we ensure to our self that doing family firm business is completely new concept for us.

Authenticity criteria is also important as trustworthiness criteria while doing qualitative research (Lincoln & Guba, 1985). In our qualitative research to ensure the criteria of authenticity we are taking the interviews to the heads of family firm (not with other family members) to know the various challenges that they faced while internationalization process.

3.8 Research Ethics

Our qualitative research is carried out using the case study of the family firm, which is involved in the internalization activities for decades and interviews are done with the five different owners of the family firm performing internationalization activities. To conduct this research, we are sure that any physical and mental harm was not done to any of the participants. Furthermore, the dignity of the research participants is protected. Before taking interviews, the participants were informed about the research and a sample of the questionnaire are sent through email to the participants before. We are fully concerned about the privacy and confidentiality of the participant and the collected data were assured safely, where it was only accessible by the researchers (us) of this thesis. The interviews were done in skype according to the time availability of the participants so that they could felt comfort. Nepali language is used to conduct interviews and later it was translated in the English language to conduct analysis and more. Fictional name is given to the organization and the participants to ensure privacy and any sensitive information is not shared without consent from the participants. All the recorded interviews are planned to be deleted once the thesis is completed. Moreover, details observed in the findings will be reported truthfully as research findings, to avoid false reporting.

CHAPTER FOUR

EMPERICAL FINDINGS

In this chapter we discuss about the general overview of the five company as a case study. In this case study we try to give focus on the literature of family firm, theory focused to our research and exporting as the major process of internationalization activities. And major barriers of family firm internationalization are discussed in the second phase of this chapter. Here, we outline the empirical findings that were collected through the primary and secondary data.

4.1 Brief Introduction to Firms

NFT Firm

NFT was established in 2007. Its internationalization was begun in 2008. This firm followed the born global approach of internationalization as it has begun its internationalization soon after the inception. This one of the family/based ready-made garments manufacturing houses. With the production capacity of 53 sewing machines. In recent times only 38 sewing machines are in operations. Currently, about 50 people are employed in this firm which includes 45 in the production department and the remaining 5 are in the administrative and marketing department. Among them, five of their family members are working in this firm including father, two brothers, and wife of the owner. The major product of this firm is cotton coats & jackets, skirts, tunies, hand-knitted woolen jackets, shirts, etc. The owner of this firm claims that this is a relatively small business with a strong ethical policy at its core. The main objective of this firm is to buy from small scale producers who use largely natural materials and traditional techniques to produce beautiful and interesting materials. All the product of these firms is fairly traded. The major export markets are Spain, Italy, France, US, Canada. The average yearly turnover of this farm is about 30 million Nepali rupees. Among them, 28 percent of revenue is earned through local customers and remaining through export.

FSG Firm

FSG was established in the year 1997 and started it is exporting immediately after its establishment. So, this firm followed the born global approach of internationalization as it began its internationalization soon after the inception This firm was started with an initial investment of Rs. 3,00,000 by the uncle of the recent owner. The major export location includes France, Spain, Portugal, US, and many other countries. The main product of this firm is cotton handbags, rucksack and felt items. At that time, the garment industry was flourishing in Nepal. Indian exporters were the main contributor to the Nepalese garment Industry. They came to Nepal and established the garment industry. Since the demand for the Nepalese garment was high overseas FSG was started to fulfill the demand and to go with the trends. In the initial phase, this firm could only export the product worth value of ten lakh.

The average yearly turnover of this firm is about 90 million Nepalese rupees (0.9 million US dollars). Among them, 25 percent of the total was from the domestic market and remaining from international markets. The total production capacity of this firm is about 150 sewing machines including 15 embroidery machines. Around 175 peoples are working in this firm including six family members in the administrative and marketing department. The interesting fact about this firm is, they are promoting local women in employment activities. For this, they have free training sessions throughout the year for interested local women and backward local communities.

AE Firm

This is the family-based trading firm which was established in the year 2000 and started exporting from 2002. Although this firm target to export from the beginning due to some technical problems the production starts after two years. So, this firm is also following the born global approach of internationalization as it exports from the beginning of its productions. The total number of people working in this firm is about 25 among them the owner and his wife is working here day and night to attain success. The major export countries of this firm are Australia and Canada. The yearly turnover of this firm is about 4.5 million Nepalese rupees in which around 60 percent is covered through exporting. The major product of this firm is cotton shirts, trousers, and various other hand-knitted garments

RNG Firm

This firm was registered in 2000 and start exporting from 2003. The main motive of this firm is to export from the beginning so here also born global approach of internationalization was suitable because of the firm's nature. The yearly transaction of this firm is about 20 million Nepalese rupees. This firm does not have an outlet for local customers so 100 percent income is from exports. The major markets of this firm are France and various other European countries. Currently, the firm is running about 25 sewing machines but in the past, he had run up to 50 machines at its full capacity. Now there are 32 employees in this firm including three of their family members and the remaining 29 are local people.

BK Firm

This firm was established in the year 1997 and start exporting in the international market after one week of its establishment. This firm followed the born global approach of internationalization as it began its internationalization soon after the inception. The major products of this firm are Stockings, jeans, blazers, and different cotton items. The major export location of this firm in France, Germany, Spain, Portugal, Canada, Thailand, etc. The yearly transactions of this firm are about 1million us dollars. Approximately 10 percent of total earning is through domestic sales and the remaining 90 percent are from exporting activities. When the operation in its full capacity the firm can give employment opportunities for about 225 people but due to the various reasons, only 100 sewing machines are in operation. This firm is running with the mutual concern of two partners. According to the owner of this firm currently; there are altogether 120 peoples are working. Among them ten of them are involved in administrative, management and marketing activities. Family members of both partners were involved in the overall production activities of the firm.

Table 4.1: Brief Introduction to Some Nepalese Garment Firms

Firms Name	**Establishment -First export year**	**Major products**	**No of employees**	**Export % to sales**	**Major export markets**
NFT	2007-2008	Cotton shirt, trousers	50	72%	France Spain, Australia
FSG	1997-1997	Cotton and hemp bags, coin purse	175	75%	US, Portugal, Spain, France
EX	2000-2002	Cotton thin trouser, woollen jackets	25	60%	Australia, Canada
RNG	2000-2003	Felt products, cotton paint, trousers, skirts	32	100%	France, Spain

BK	1997-1997	Stockings, jeans, blazers	100	90%	Thailand, Canada, Portugal, Spain

4.2: Barriers of Family Firms

Although the family firm plays a vital role in the betterment of the national economy in Nepal, they encounter a variety of problems while doing internalization activities. Our empirical studies show that the family firm experience many problems inside the country before internationalization and outside the country when internationalization activities are done. For this, we separate the barriers in internal and external forms. In internal barriers, we made our interview questions related to informational barriers, human resource barriers, marketing barriers, and functional barriers. And in external barriers, we discuss about the government rules and policies regarding internationalization, and overall complexity faced by the Nepalese garment industry while exporting their goods in the foreign market.

4.2.1 Internal barriers

Information Barriers:

It is the problem caused due to lack of identification and selection of information tools to gather and conduct information about the international market. The information related to the modes and techniques of conducting business internationally, the sales techniques and marketing strategies involved to enter the international market are the major lacking and creates a high chance of failure in the international market.

According to *NFT's interviewee*, "*In the beginning, we lack the knowledge about the rules and regulations of the particular country relating to export and import. Language problems are also the constraints as we cannot communicate with the customer effectively and carry out the business activities*".

Due to the difference in culture and language Nepalese exporters are facing the problems gathering the information about the targeted market. It creates the informational and communication gap within the exporter. The informational lacking rules and regulations to conduct the export, import business hinders the process of conducting the business effectively in the target market.

Moreover, due to the limited information about the changing trends in the fashion, preference of the customer the exporters are facing the problems to adopt the change in the market. The information source is limited as the exporter only collects information with the customer.

According to *RNG's interviewee*, "*We collect the information through direct correspondence with the buyer*".

This shows that the source of information about the whole market trend is only limited to the buyer that might not be sufficient to address the whole market trend.

The quality required to compete in the international market is another challenge for the Nepali firms to operate the business internationally. They lack information about the international quality requirement to compete with foreign competitors. Many exporting firms are competing in the international market and those who can supply the product of the high standard only sustain in the long term.

According to *NFT's interviewee*, "*Our products are not much of the standard quality to compete in the international market. Due to the different quality control mechanisms that have to be followed while exporting and competing to* *the international competitors, we fail to maintain the quality standards. Due to the ignorance or limited knowledge among the exporters about the quality, it is being a problem to extend the market horizon to compete in the international market".*

Human Resource Barriers

It is the barriers relating to the acquisition, management, retaining of the skilled human resource in an organization. Human resource barriers are being a major issue in the garment segment of Nepal. Due to the high unemployment rate and attraction of skilled workers in foreign employment are some of the major issues in the case of the Nepalese labour market.

Employee turnover in Nepalese Garment is being a major problem for the exporters conducting the business. Due to the attraction of foreign employment and low pay rate within the country people are not attracted to working in the garment industry.

According to the owner of Bk firm, '*In the technical field, we have a problem of manpower relating to stitching'. Due to the high rate of foreign country attraction people do not want to stay and work in the factory'. Due to that, we have to gather human resources from India and Terai region of Nepal.*

Employees working at a low pay rate have the attraction of earning more in foreign countries which have a direct impact on local exporters that they lack the human resource working in a factory.

Due to the low employment opportunities in the country mass number of youths are attracted to foreign employment. Adding on this one of the major exporter's RNG firm, stated that "*I think the biggest threat in the garment industry is the attraction of the skilled workers in foreign employment. We are having a problem to retain the staff. They have an expectation to earn more on the foreign country and we could not retain them by the income or pay rate of Nepal".*

Following the above issue, the additional problems also arise in the Nepalese garment industry. Most of the skilled labors are working abroad and the local exporters have to train the unskilled worker to fulfill the need but the same process will follow when they get training and have some skills within them they also try to work abroad in expectation to earn more money. Most of the exporters added that they need to bear the extra cost to train the unskilled workers. BK firm, "*I think the biggest threat in the garment industry is the attraction of the skilled workers in foreign employment. We are having a problem to retain the staff. Most of them are from India (statistically 1 million) Indian people work in the Nepalese garment industry. To overcome the problem, we focus on training the local female workers and we need to train them and make skilled to retain in our workplace. We are focusing on the employment generation in the country as well besides making a profit".*

As far as the response of exporters most of them claimed that due to limited employment opportunities and low pay rates in the country they are facing the problem of retaining the trained employees. Even if they get the large orders from the foreign customers, they need to postpone the delivery time or cancel the order as they could not deliver the product on time due to the shortage of human resources working in the factory. Moreover, most of the skilled workers have the mentality of being a self-entrepreneur no matter the income. This is somehow good as they can be self-reliant, but it affects the workforce in the garment sector of Nepal.

Beside those barriers some exporters are creating the employment opportunities to female workers, handicapped people as they will be long retained in the organization which is a positive aspect of enhancing those workforces and helping in the employment generation of the country and as an individual level they are contributing their family in enhancing the financial health.

Marketing Barriers

The major markets for Nepali garments are Europe and America, most of the exporters are aware of their major markets through their customers, field visits and the internet. In our case study and interviews with various garment exporters of Nepal, they claim that it is very complicated to determine the price of the product for foreign buyers when the Nepalese exporters receive orders from the foreign buyer the fabric selection is according to their buyer. *Consumption of fabric is usually calculated manually (BK's interviewee).* After this, the per-unit price is calculated and forwarded to the foreign buyers for the final order settlement. The final products are sold to foreign buyers by opening a letter of credit (L/C). The exporters advising banks will receive L/C from buyers issuing banks. After the shipment of goods, the exporter receives payment acceptance from the buyer. "*Sometimes our buyers delay giving payment and at that time we can do nothing, just to write a mail or phone calls" (AE's interviewee).* While determining the per-unit price of ready-made garments, there is fluctuation in the price of raw materials which are imported from India and China also creates problems for Nepali exporters. Due to the high cost of raw materials, unskilled labor force, high led time of delivery, disturbance of power supply, withdrawal of GSP facility by US government, lack of advanced technology, machines, and equipment, poor infrastructure, complex banking procedure, etc. Nepalese exporters were unable to enjoy a competitive price advantage.

Similarly, to attract foreign buyers Nepalese exporters apply many techniques such as fashion shows, attending trade fair factory outlets, etc. But these promotional activities are mainly conducted in the domestic market. Most of our interviewees claimed that these promotion activities done by Nepalese exporters are not enough and they are not of global standard. *First and foremost, the foreigner who visits our outlet in Nepal is our source of marketing the product. "Firstly, we try to satisfy our custom and after that mouth to mouth,* *communication helps to get the other customer. We also attain the trade fairs internationally which helps to get new customers" (NFT's interviewee).*

Likewise, some of our interviewees were dissatisfied with the commission of local agents or cargo companies (buying houses) on export prices. Due to the high commission charged by the local agent, the exporters were not able to get the right price of their product. Most of our interview candidates highlight that there is hugely lacking logistic support to transfer ready-made garments from the factory to the airport. As Nepal is a landlocked country the goods are needed to transfer only through air cargo which is more costly as compared to sea cargo. The nearest port from Nepal is Indian port. Despite poor road conditions and highways, Nepalese exporters are bound to transfer their goods through seaport which increases the led time in delivery. Some of our interviewees mentioned that it is time-consuming to transfer semi-finished goods from one manufacturing plant to another " *Due to the bad condition of the road it is very difficult for us to transfer our semi-finished product to embroidery plant, washing and drying plant, etc."(BK's interviewee)*

Further, we asked about the production-related marketing barriers to our interviewees and most of them (almost 100 percent) have mentioned that raw materials required to produce garments are not easily available in the market. Only a few spinners produce a very small amount of yarn which is not even enough to fulfil our local demand. To support this statement owner of NFT said that "*If we get an order from our foreign customers in a bulk it's very challenging for us to collect all the required raw materials from the market so that we could supply our product to customers on time".* Besides, exporters have to import special types of accessories such as lace, waterproof and fireproof zipper, buttons, etc. from the foreign market such as India and China at a high price. BK who is one of the largest exporter of Nepalese garment said that, "*all the required associates to manufacture, are needed to import from other countries, it takes even couple of months to get delivery of such items and* *due to this problem the price of product will be higher and there is more chance to cancel the orders by the customers".* Due to these serious problems, most of the Nepalese garment exporters were unable to enjoy the competitive price advantages.

Similarly, some exporters who are doing exporting activities on a small scale also faced the problems of the buyer's ever-changing quality parameters. Due to the lack of experience, financial capital and research and development we are not able to innovate new product design to our customers. According AE`s interviewee, "*I have limited customers to get order, and every after one shipment before giving next orders they used to tell me that the clothes which I manufactured before is outdated and there is constantly changing in fashion trend in European market, so in almost every different orders I have to update my machines, need to design another pattern and so on, for this I have to borrow the loan.* To comply with the requirements for quality and *fashion* to foreign buyers, Nepalese exporters are forced to import them from the foreign market at higher prices. The higher price leads to an increase in the cost of production. Some exporters claimed that there are frequent changes in the packaging process as well. Small fault in the packaging will cause big problems and even creates a poor perception of Nepalese garments. The clothes packing materials are different in the countries. As mentioned by the owner of NFT, "before*, in all countries we can pack our clothes in the reusable cartoon, but recently the Australian government has changed the rules regarding this system*. He further added that *to transfer goods to Australia now we need new cartoons each and every time and it is very costly for us to export in Australia*". Furthermore, we found that one of our interviewees has focused in different market besides Europe and America. For this he is doing research in Serbia to set up manufacturing plant.

Functional Barriers

It is a barrier relating to the overall distribution of the products from the point of purchase to point of sales. The major challenges that the Nepalese garment industry faces are mostly related to the functional aspects. Functional areas include the process of acquiring raw materials for the production of finished products. Nepalese garment industries face different challenges. It includes:
Raw material acquisition: Acquiring raw materials from the suppliers is one of the challenges for Nepali exporters. They cannot get the suppliers easily. Even if they find the suppliers tend to charge high cost which affects the price of the product. Suppliers are not easily accessible due to low networks and links. It is hard to acquire raw materials in high quality and in time. Raw materials are supplied from India and sometimes they are not dispatched on time which leads to the problem in meeting the need of the customers.

Supplier choice: Nepalese exporters have difficulty in choosing the best supplier. The choice of the suppliers has an impact on raw materials quality and ultimately the quality of the product. Nepalese exporter relies on only the old suppliers so that they have a monopoly leading to higher production costs. India is the supplier of raw materials in the case of the Nepalese Garment Industry.

Wastage: There is an inadequate workforce to handle the factory. Insufficient numbers of skilled workers and semiskilled workers tend to utilize more raw materials and waste it. It can be taken as one of the biggest challenges in the production avenue.

Production: During production, the Nepalese firms face the problem of completing the order in time due to late order delivery of raw materials, quality of ordered raw materials are different, less skilled human power and higher operating costs. Due to the same reason Nepalese garment is unable to gain a competitive advantage. They have to be confined within the limited customer base.

From the interview with the owner of NFT, he mentions the various processes involved from point of purchase to point of sales. "*The raw materials are not sufficiently available, raw materials are not dispatched as per order and the delivery time of the product is slow which makes us backward in the competition. Most of the time the order has to be cancelled because of the slow delivery time of raw materials from India and unavailability of the raw materials in the going down".*

This is the overall situation of all the garments working in Nepal. Despite their capabilities, they have to remain backward because of the complexities that arise in the production phase.

4.3.2 External Barriers

This includes all those factors which are not within the control of the owners. It includes various socio-economic, legal, procedural factors that are beyond our control and it is unpredictable. It includes procedural, task, government and Environmental barriers. In the context of Nepal basically, the exporters face the challenges of legal restrictions while going global. Changing government rules and regulations and unawareness of the same adds the complexities to Nepalese exporters. Nepal is back warded in the sector of IT because of which Nepali exporters are unaware of the changing fashion and even the entry rules and regulations which makes them backward in competition. Since India is the provider of raw materials any changes in India also affect the Nepalese market. During internationalization, Nepalese exporters do not have complete information regarding the process and stages involved in the trading process. They face lots of challenges during shipping and customs documentation which affects in delivery of the product. Delayed delivery can lead to customer dissatisfaction which results in delayed payment from customers. When there is a late collection of payment it can affect the day to day operations of the factory. Language can be taken as other barriers for the Nepalese exporters. *According to RNG's interviewee, "since the customers are overseas and mostly in*

European countries, we face the challenge to communicate properly because of which sometimes we must miss the opportunity. Apart from this different legal procedure in different countries makes trading very complex".

Even the system in the Nepalese custom is not favorable to the exporters which shows that there exist lots of challenges for them. Legal restrictions in the form of tariffs and non-tariffs are the one which affects the garment industry. Quota restrictions in some of the countries are also a challenge for the garment industry. Documentation procedures are so long and complex that it is very hard for a small firm to enter international markets.

Nepalese market is very small and growing stagnantly in such a condition while going global it has to compete with the giant competitors. The nearest competitors for Nepal are Bangladesh and India. Since there is not any support available from the government to flourish this sector it makes the garment sector back warded. Being small and economically backward country Nepalese firms does not use any sorts of marketing tools and techniques which does not promote their products in the international arena. The customer base is acquired only through the trade fairs and sometimes when they visit Nepal. Employing marketing tools could foster the garment industry. Nepalese exporters fail to keep into account the customer's habits and income level which decreases the customer base.

Political instability is one of the major causes of the downgrading of the Nepalese garment industry. Frequent change in the government leads to a change in the tax rate and alteration in rules and regulations because of which the garment industry faces the challenges in the customs and clearing. *According to AE's interviewee, "our production is hampered due to frequent change in the government. The government always promises to uplift this sector but at last, there is not any leverage for us. We have to work independently ourselves and the government changes the tax policy time and again so that we have to face challenges during invoicing and custom clearance. we normally face a challenge in custom, customs are delayed in*

Nepalese government offices itself which leads to increase delivery date which leads to acquiring low to no competitive advantages".

CHAPTER FIVE

ANALYSIS AND DISCUSSION

In this chapter we show an example of how the codes and categories were created. Then it presents the analysis on born global theory and the barriers of family firm (Nepalese garment industries) internalization. We too analysis the various other problems that were found based upon case studies and various other raw data.

5.1 Sample of codes

We took interviews with five different owners of Nepalese garment industry and transcribed all those separately, then we compare the coding and identified categories together. Which was shows in the appendix section as table 5.1.

5.2: Analysis of born global

As per the theory of born global that born global firms internationalize immediately after they plan to operate the business activities. Most of the family firms in Nepal are operating the business activities in the foreign market immediately after the establishment which exactly matches the concept of born global. As suggested by Knight and Cavusgil (1996). Born global firms are the small firms that are operated to grab competitive advantage with the use of knowledge and innovation tolls and technological knowledge and innovation tools and technologies from the beginning of operation but this scenario gets contradicted in our findings that Nepali firms are losing competitive advantage as they have to rely on raw materials with neighboring countries mainly India and China which are extremely high priced and the supply delay by the raw materials manufactures, which results in losing customers in foreign market. As the production cost of the garments is higher than the exporters have to buy the raw materials at high price results in losing the competitive price in the international market, which lose the customer base as the customers get the same quality product in a lower price from competitors in the international market.

Moreover, Poor infrastructure and less technological know-how to the concerned person in family firms results in the functional barriers to operate internationally. Transportation, technological infrastructures are in bad condition which hinders in quick delivery and quality supply of the products resulting in losing the competitive advantage among the international competitors. Barney (1991) suggested that born global firms having unique technological, organizational, relational and human resources are set of characteristics that trigger the family firms to internationalize contradicts our findings that Nepali garments have poor technological infrastructure and serious problems of skilled human resource in the industry. Due to the attraction of foreign employment, most of the youth of Nepal are working outside of the country creating the problem to Nepalese exporters as they have to rely on unskilled manpower providing them the training to operate the business. Skilled human resource has a high expectation of earning more in a foreign country which hampers the Nepali exporters or family firms to get the maximum output from employees. They operate the training campaigns to unskilled manpower for fulfilling the supply of manpower and after the training that employees receive to leave the firm for better opportunities which hamper the owners as they have to bear the extra cost on training and even they can't retain the employees in the organization.(Madsen & Servais,1997; Oviatt et al.1995) suggested born global focus on niche market on which they have specialization resulting in profitability supports our findings as Nepalese garments does not have large business segment but they have small niche market on which they operate the business activities and make profit and sustain in market through internationalization The products are supplied in niches, for example, small market of France or limited user from different country like Australia. They have some committed customers in the foreign market who fulfills the demand of the company.

The challenges faced by born global firms while operating the business activates internationally exactly matches the challenge faced by Nepalese family firms which are performing internationalization on the base of born global firms. As a pet, the suggestion of (Ronnie,2003) resource shortage, managerial transaction issues, financial crunch, unavailability of market information, innovation and learning mechanisms and shortage of skilled manpower are hinderance to born global firms. Nepali firms are exactly facing the similar kind of challenges while operating international business activities. They cannot produce the raw materials themselves, so they need to rely on foreign countries which makes the shortage in supply to foreign customers. This practical issue is prevailing in the industry as they could not retain the customers for a longer period of time. They lack crucial information from the foreign market as they have limited informational sources. Most of the information is collected with buyers which is not enough for them to cover the whole trend of the market. Information unavailability hinders the firm to make a future plan to sustain in the market and other business strategies to upgrade the internationalization process. Lack of information does not allow the companies to make innovative product design considering the taste and preference of foreign customers.

Due to smaller size and less experience born global firms cannot operate the sales promotion, advertising or other marketing activities. To reach the customers they operate the low budget advertising techniques like trade fairs or export. Nepali garment industry doesn't have recognition among the customers in foreign countries as they cannot afford the marketing techniques to enhance the sale of the whole industry. They operate the trade fairs almost every year in the foreign market like Europe, Australia, and the USA to gather customer attention, but it does not cover the large segment as a limited number of people only visit such trade fairs. According to (Luoslarmen & Garbellson,2008) Born, global companies do not have the brand image in the home market as they are new, and their marketing strategies and practices are not sufficient to persuade foreign customers. Nepali exporters or family firms are facing this problem as they sell the product to the international buyer and later sell the product using their own brand name in the international market. This does not allow them to gain recognition in the international market and build their own brand image.

External environmental factors also hinder the business operation of born global firms. The political situation of both home countries and exporting countries, trade barriers by government, language barriers are obstacles as suggested by (Oviatt & McDougall,1994). The political instability of Nepal, the garment industry in Nepal are not getting international exposure as expected in the foreign market. Though they get some subsidies from the government while conducting the exporting activities, the environmental factors and favorability of business operations are not as good as expected. High tariffs on exporting goods firms' products are not getting much attention internationally. Tariffs make the business activities difficult as they cannot handle due to smaller family size and budget issues. Language barriers are a considerable hindrance to communicate with foreign customers. Lack of foreign language knowledge Nepali exporters cannot extend the market or customer base and rely on a particular number of customers or particular segment can collapse the whole industry as the foreign market can face economic crunch and Nepali exporters are facing the challenge of having less exporting platforms.

Thus, the challenges faced by the born global firms are similar to the challenges faced by Nepali exporting firms to operate business internationally. Our findings on barriers and selection of the born global theory of internationalization are relevant to the theory and barriers proposed on born global theory.

5.3: Analysis of Internal Barriers

Information Barriers

As per the findings, from NFT`s interviewee, they had problems regarding the lack of information about export regulations, as defined by European Commission (2010) which is the most significant information barrier for the exporters in Nepal. Moreover, among the responses of the exporters, they are experiencing informational barriers because of the difference in language and culture in exporting countries. He further adds language as being the influential barrier as they cannot communicate with their buyers effectively to carry out the business activities which is explained by the European Commission (2010).

Similarly, Nepalese exporters were unaware of the information relating to the possibilities of the foreign market opportunities, due to this, the owners cannot concentrate fully in the internationalization process as stated by Bagchu-Sen, (1999). Concerned foreign buyers are the main source of information to the Nepali exporters. In a sense, one buyer will not be enough for the market information of the overall trend of the market as European Commission (2010) explained limited source is the barriers for the firms in collecting the information.

On contrary, some of the exporters are not facing the problem of information collection as they have in-depth market study and they collect from their buyer about the exporting nations which will be sufficient for them as per their capacity of production. Apart from that, we found that some of our interviewees are not experiencing the barriers relating to the changing habit or fashion, trends and preferences of the customer which contradicts our research question.

Furthermore, the respondents of exporters from Nepal claimed that they upgrade the fashion trend every season and their products are unique and survive in the international market. Besides that, Nepali exporters also have barriers regarding the information of quality requirements international level as their product is not getting a competitive advantage in the international market. Due to the low quality of products and less knowledge about the requirement they are being unable to compete with international competitors.

Likewise, while collecting information's through foreign buyers and the internet, the trend of attending/participating trade fairs in different countries and dealing with the world's popular online companies such as Alibaba, Amazon, eBay, wish, etc. are increasing. This also helps to get information's regarding the foreign market. Asking about the position of Nepalese readymade garments in the international market our findings show that Nepalese readymade garments hold satisfactory position to medium or low-income earning people. The main target of Nepalese exporters is medium and low-income generating people and for this now they are concerned with the fashion trend, quality requirement, and customer satisfaction, etc.

In spite of, having numerous information challenges, we found that some of our interviewees were formulating some strategies such as hiring export to explore the international market, regular contact with foreign buyers, developing IT skills and many more.

Human Resource Barriers

As earlier mentioned, human resources in the context of Nepal are being a serious issue. Due to the low employment opportunities in the country and attraction of the youths in foreign employment, the workforce for the garment industry is the sort which is explained by (Senyucel, 2009) that due to unfavorable working the utility cannot be gained from the skilled workforce. In context to Nepal family firms, there is a lack of managerial skills and experiences, which are the fundamental factors for internationalization as suggested by Ibeh, (2003). Most of our interviewees are not concerned about their performance in the international market, further planning to do better. Most of the skilled workforce is attracted in foreign employment as the working environment bases like pay rate, health care is not sufficient to be attracted towards the garment industry of Nepal. Training and development to enhance the skills of the employees, maintaining the requirement criteria such as health and life insurance, housing facilities, high pay rate, education for employees' children etc., performance appraisal to motivate employees as suggested by Carlson Upton and Seaman, (2006) are below the minimum requirement in Nepalese garment industry.

Similarly, the exporters are fulfilling the supply of the workforce by training the unskilled workers in the garment industry which contradicts the theory explained by (Senyucel, 2009) that they are aware of the training and development of the workers but the main problem is to retain them in the organization. Most of the workers gain the training and skills at work and leave the organization in the expectation of having a high income in foreign countries. Due to the high turnover of the staff exporters sometimes have to postpone the order or cancel them as they lack the skilled workforce to complete the manufacturing work.

Furthermore, our interviewees mentioned that training for a short period (minimum of 3 months) is enough to manufacture. Regarding the issues of insurance and pay rate, they said that they are doing as per the government policies and we too found that one company is proving provident fund and insurance facilities to their employees for those who have been working before two years. From our study, we found that the owners are eager to address the needs of their employees, but they too honestly agreed that it is not sufficient what they are doing for the employees.

Marketing Barriers

As mentioned before determining the price of manufactured garment products, logistic facilities for distribution and promotional activities are the major marketing barriers of the Nepalese garment industry (Moini 1997; Kedia and Chhokar 1986). Due to the unavailability of quality fabric and garment accessories within a country pricing of the manufactured garments is getting higher as compared to India, China, and Bangladesh which is not satisfactory to the foreign buyers. As we stated earlier that most of the raw materials required for manufacturing garments are needed to import from India or other countries by paying high taxes. According to our case study and interviews, as defined by Jain (1989), Nepalese exporter was unable to adopt modern technology due to its high cost and unskilled manpower to operate it. Most of them are still rely upon old or outdated sewing machines, so they cannot get the price competitive advantage in the international market.

In addition, extra tax, high tariffs and custom change, high cost of marketing and promotional campaigns in the foreign market are the major marketing challenges of Nepalese exporters (Tersptra and Sarathy, 2000).

Similarly, there is lacking standard tools and techniques for calculating the price of the product, unpredictable changes in the foreign exchange rate are the challenges of Nepalese exporters to export in the foreign market. Likewise, credit facilities to foreign buyers are also one of the vital challenges for Nepalese exporters. As they are in a small firm and they don’t have enough funds to provide credit facilities to their buyers. So, credit risk is also one of the major challenges for Nepalese exporters because of the geographical distance and no past experiences to the buyers from political and economically unstable countries (Korth, 1991)

As stated by McConnel (1979), Nepalese garment manufacturing firms are inferior in the innovation of new products due to the lack of experience, financial capital, and research and development. The quality requirement parameters are different in the foreign market is as compared to the Nepali market. Now, most of the European and American country buyers demand, new cartoon to pack the garments and the color used for the fabric should eco-friendly dying so that it doesn’t have the skin of the user. To adopt this also creates challenges for Nepalese exporters as it increases the per-unit price of the product.

Likewise, no retail outlet in the foreign market is the challenge for Nepalese exporters. There are small distribution channels of Nepalese exporter in the foreign market. From our findings, we knew that Nepalese exporters were practicing the direct distribution channel. This causes to loosen potential customers in the foreign market

Besides, to minimize these challenges, we found that some exporters have a focus on some African countries and eastern European countries (niche markets) by implementing nonpricing techniques as defined by Doole and Lowe (2001). Our findings show that Nepalese exporters are unaware of creating the brand of their product in the foreign market. They were satisfied with what they are doing now. They feel that their products are designed for medium class people.

Functional Barriers

In garment manufacturing house all the departments are closely interrelated to each other. Disturbance from one department can hurdle the overall function of exporting. When the exporter receives the orders from their buyer marketing department collect the required fabric and manufacturing accessories, production department draw the pattern of the design and manufacture garments. Packaging and quality control are done within the production department. Finally, cargo company collect manufactured garments for the final shipment to the buyer in international market. This is the general overview of Nepalese garment exporting

As stated by Ibeh, (2003) unskilled workers and limited knowledge about the foreign markets causes serious functional barriers in Nepalese garment industry. Identification of new customers, easily accessable to foreign market are the vital challenges to Nepalese exporters as explained by Morgan et al. (2004). Investment in Nepalese garment industry is minimum as compared to other countries. Most of the garments manufacturing companies are operating in low production capacity, they are unable to address the demand of foreign market.

External Barriers

In garment industry, there is influence of the external forces that affects the profitability of the organization. Some procedural restrictions mainly caused by rules changes in the overseas affects the industry. This is one of the reasons why exporters do not get access to new markets. Nepalese market is restricted to those old customers only. Exporters face challenge to expand their market. Communication gap and language barriers act as other restrictions for them. Lack of IT professionals to operate new e-marketing strategies and even for searching suppliers has created next challenges for the exporters. Nepalese exporters should rely on 40% advance payment for the product. Since the international customers wants to extend the payable period it will hamper both emerging and well-established firms. Nepalese economy is growing economy, so such intention of the customers creates burden to the owners to collect investment. It is so complex to acquire loan and even to collect investment for the owners. Apart from this the documentation procedure is different for all country so the Nepalese garment industry should prepare accordingly. As stated by (Tesfom & Lutz, 2006) documentation procedure can be taken as one of the biggest challenges for Nepalese garment industry.

Task barriers is all related to the competition in global market. Due to globalization the product of any country can be accessed by the customers. It gives the customers with more choices. In such a condition Nepalese garment industry being a small market, it has limited access to the market. There is threat of competition in the markets. It has to compete with huge firms and developed economy. There are lots of substitutes available like the textiles from Bangladesh, India and Pakistan which impose threats to the emerging economy like Nepal. Moreover, in such conditions there is bargaining powers of the buyers which leads to decreasing the profitability of the business. It makes the exporters in Do or Die situation. Competition with giant countries can be taken as one of the biggest challenges for the owners and their strategy to sustain in the market can be taken as the way of retention.

Nepal government does not take any initiative to promote this sector. Even though the 13.4% (Economic Survey, 2019) is contributed by industry sector government fails to account this sector. Whole initiative and promotion must be done by the entrepreneurs themselves. Government does not provide subsidy to this sector. Moreover, government creates lots of legal obstructions in custom which affects the whole process. It is very hard to acquire raw materials from the custom. Invoicing in custom is another problem for the exporters. Custom clearance is complex. Due to the hurdles in the custom there will be impact on the customer satisfaction. Once customer loose the trust it's very hard to get the same customer back. Late custom clearance leads to longer delivery period which distracts the customers and they switch to the product of Next country. This is the most common problem for entire garment exporters. Government support to uplift this sector is a most to increase the customer base and increase profitability. More customer means more opportunities in global scenario. Apart from this changing government and the change in rule along with different philosophy directly hampers the garment sectors. Political unrest increases the complexities in doing business. It decreases the trust of the suppliers and buyers. Suppliers does not want to provide raw materials without full payment which increases the burden of the exporters. Moreover, with the increase in political unrest the buyers also look for other alternatives since Nepalese products tends to be more expensive in comparison to other competitors' product. It leads to narrowing down of the business. Political stability shows the positive signal in the economy.

Exporters are not only affected by the environment of their own they are also affected by the situation of the other countries too in which they are trading their products. As for example, exporter is trading their products in France but there is strike going on, in such situation the exporters are affected as their goods remains in transit or they may receive the payment late or the product order may be canceled. Such extreme situation can lead to increase the complexities for operating the business. Foreign exchange risk is another most common type of risk for all the exporters. Change in the value of foreign currency can affect the exporters so much. The exporter must bear lots of risks while exporting the product. Use of derivative instruments like forward, futures, currency swaps etc. can help the exporters but in case of Nepal, derivative market has not been yet working effectively. Nepalese exporters lack the knowledge of such instruments and still they use the traditional forms of payment procedures. It shows how back Nepal is in the case of doing business. Unfavorable environment and lack of knowledge and skills have led the Nepalese garment exporters to remain back in the competitions. Socio-cultural aspects can also be taken as one of the challenges for the Nepalese exporters. Since

Nepalese exporters lack the exposure, they lack the knowledge about the basic social and cultural aspects of their customers country. In such a condition they cannot sell the products as per their expectations. Before going global the exporters must make a detail investigation about their norms, values and cultures. It can show that they care for their customers in one hand and in other hand they can increase the customer base.

All Nepalese exporters should keep knowledge about all the information relating to the customers, changing needs and preferences of the customers, designing of new products. They should have up-to-date information. They should try to promote this sector by seeking the support from government sectors too. If it is done it is certain that Nepalese garment can flourish in the global market. In today's context it is backward although its quality is as per the standards. It should be eliminated through the government support and initiation from individual level.

CHAPTER SIX

CONCLUSION AND IMPLICATIONS

This final chapter concludes the thesis by outlining the overall summary of the study, theoretical implications, practical implications, provide suggestions for future research and limitations.

6.1 Summary

The research question of our study was:

- What are the challenges faced by the family firm during the internalization process?

As per our research question we had detailly investigated the different five garment manufacturing firms of Nepal. Our findings show that lack of raw materials available within the country, lack of skilled manpower, irregular power supply, low quality of the product, high transaction cost, difficulty in exporting procedures, lack of government support are the major barriers for Nepalese garment exporters to internationalize their business.

In our studies, we had classified the barriers into internal and external and further classified internal barriers into information, human resource, marketing and functional barriers as suggested by (Leonidou, 2004). Easily unavailability of raw materials inside the country is the major functional barrier suggested by the majority of our interviewees. As functional barriers the ineffectiveness of various functional departments of the company (Vozikis and Mescon 1985). Due to these various other barriers such as high cost of the product, low quality of products, delay in the production, etc. are occurred inside the Nepalese garment industry.

Similarly, the shortage of skilled manpower which was briefly discussed in chapter two as human resources barriers is another serious problem for Nepalese exporters. Human resources are the backbone of the Nepalese garment industry. The main reason for the family firm's failure is the lack of management of Human Resource (Baron, 2003). As garment manufacturing is a technical work so the workers here require basic skills of stitching and cutting. Nepalese garments manufacturers are compelled to hire a skilled workforce from other countries by paying a higher rate, which automatically increases the cost per product. Due to this Nepalese garment exporters were not able to get competitive price advantage in the foreign market.

Moreover, lack of complete knowledge about the foreign culture, preference, fashion trend and complexity in the exporting procedures are the major external barriers discussed in our study. Some procedural restrictions mainly caused by rules changes in the overseas also affects the Nepalese garment industry.

Besides this Nepalese garment industry lacks advanced technology, minimum working capital, no adequate support from the government. But, despite this, we found that Nepalese exporters have a high motive and interest to internationalize their products. They are exporting since their initiations which exemplify the born global theory of internationalization but without having proper knowledge about new market conditions and technological advancement (Batra et. Al., 2015). These findings make our study more interesting and realistic.

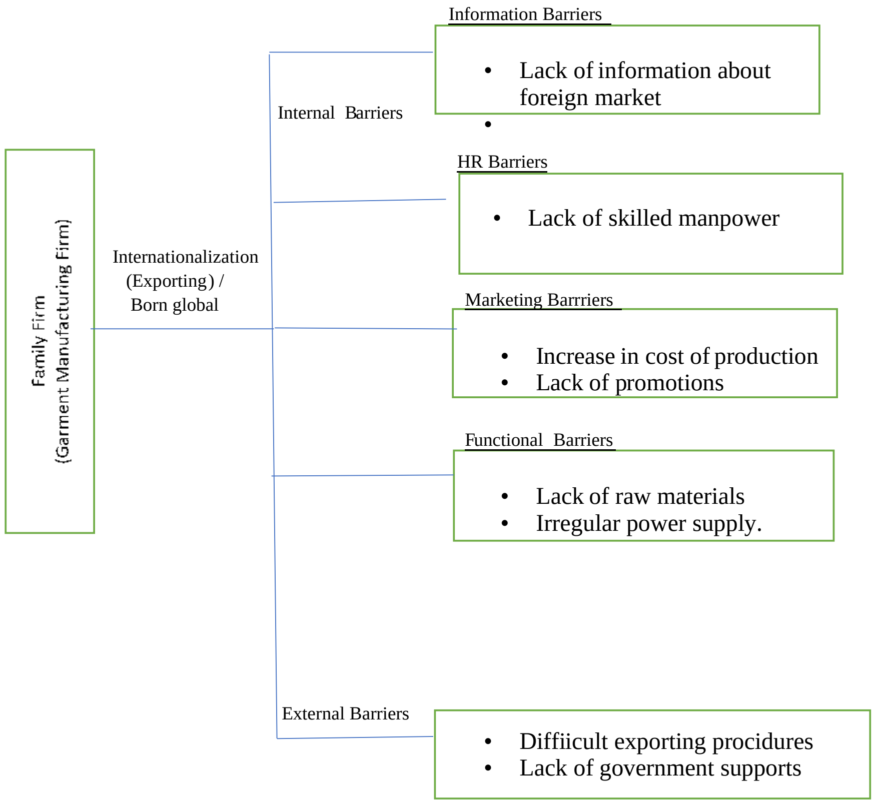

Fig 6.1: An overview of analysis

6.2 Theoretical implications

The theoretical contributions of our study are three-fold. First, we contribute to the literature of the family firm. As prior research on family firm focus on the decision-making process, transfer of ownership, levels of authority. A company may be considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on the company policy and on the interests and objectives of the family" (Glod, 2017, p.40). But none of these preceding researches had focused on the nature of the family firm in the developing economy. Also, other research emphases on how family firm in Nepal are doing well in their own way in despite advance technology and modern IT communications facilities which contractions to the findings of (Kogut & Chang, 1996), Second, we contribute to the literature on family firm internationalization. As prior research on family firm internationalization focuses to sustain in the present competitive world, size required to internationalize and various entry modes (De Massis et al. 2018), this study contributes by highlighting the major challenges of the family firm to internationalize through exporting.

Third, we contribute to the born global theory of the internationalization process. As, Oviatt and McDougall (1994) define born global as a business organization that, from its establishment, practice to derive significant competitive advantage from the use of available resources resulting in the sales of outputs in multiple countries. Which is similar to the case of our study but from our study we too found that born global is also possible without detail knowledge of foreign market technological advancement which is contradictory to the findings of Batra et.al., (2015). Similarly, this study contributes by exploring the applicability of small family firms based on the prior research findings/theories (e.g. Born global model) to the less known content of family firms.

6.3 Practical Implications

This study can be useful for those managers who have been working in the same industry. It can be an important study for the relatively small and emerging garment industry. Apart from this, the study can be one of the guidelines for those new and upcoming entrepreneurs who have ideas to explore in this sector. It can be a guideline for them for getting better insights about the industry

This study can be a reference for policymakers as well. Being one of the contributing industries in the Nepalese economy there is no or very little support for the promotion of this sector. The growth of this industry is almost the contribution from the individual level. In such a situation, it can be one of the important sources of reference for the government. The motive of this study was to highlight the importance of this sector and define the challenges faced so that it would help the policymaker to work on the part in which they are lagging. The government can work on subsidies and define the better rules in tax clearance so as to give better access for the family firms to go global.

Moreover, it gives the businessperson knowledge about the factors that they must take care of while going global. It helps them to develop new strategies for doing business. They can generate new ideas of marketing and export the product, better HR policies to retain the workers, better production facilities and so on. It makes them aware of all those internal and external factors that may exist while exporting.

6.4 Limitations of the Study

This study is confined to the garment industry only. It only studies five companies as its. Due to its limited sample size, the result obtained may not be applicable to other family firms. There were lots of time and resources constraints. Since the study was based on the typical case of the Nepalese garment industry it required lots of time for the interview and due to resource constraints, the researcher has to collect information through skype. Only limited respondents were taken into consideration so the response may not be fully representative. Again, this thesis only covers the case of the Nepalese garment industry, other industries like the food industry, small and cottage industries, etc. are not included in the study.

6.5 Recommendation for Future Research

This study was done to highlight the challenges faced by family firms during the process of internationalization. This study only covers the information regarding the barriers that are faced by family firms in the process of internationalization by taking the garment industry as its references. Further study can be done on other topics relating to garment industries going global. Studies on different stages involved in internationalization, problems in the growth of garment sectors, etc. can be done by future researchers.

Similarly, further research should investigate other possible barriers to other family firms except for garment industries. And, last but not least, we encourage family firm researchers to move beyond the context of developed and western economy nations to the context of developing economy nations such as Nepa

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APPENDICES

Appendix A: Interview guide

Table 3.1 Basic outline of the Interview guide

Scope	**Questions**
General Information	What is the name of your organization?
	What is the number of employees working in your organization?
	In which year your company is established?
	In which year your organization started to internationalize?
	Which is your main export location?
	Can you tell us the yearly turnover of your company?
	What is the trend of business growth of your company? (slow, moderate, quick)
	Who do you think are your closest competitors in international market?
Specific Information	**Information Barriers**
	Did you face any challenges while collecting information of international market during the course of internationalization?
	How did you overcome this challenge and created the network in business?
	What were the tools and techniques that you employ for acquiring the information? How did you apply those tools in your situation?

	What is the position of your product in international markets? Are you able to update yourself as per the changing trends such as fashion, quality requirement, customer satisfaction etc?
	What will be your future strategy for eliminating the barriers relating to information collection and dissimilation?
	Human Resource Barriers
	Do you find difficulties to acquire and retain the staffs?
	Do you provide sufficient time to address the needs of the staffs?
	Are your staffs well skilled to work according to the changing customer needs in international markets?
	What sorts of strategy do you apply for acquiring, developing, utilizing and maintaining the staffs who works in your organization?
	What do you think are the biggest threats for HR in the garment industry? Have you thought of any strategy to overcome it, if yes, what are those?

APPENDIX B: Overview of coding and key findings

Table 5.1: Sample of Codes

<u>Information Barriers</u> Firm_NFT Firm RNG Firm AEG Firm BKG	"We basically collected the information through the online source at the beginning" {…] the important information source is our buyer who can give us the information about the exporting nations "We have got the information about the customer through our buyers & from our forwarding agent (cargo agent)." "We have the language barrier at the beginning to communicate with the buyer" "We lack the information about the trend of foreign market as we have limited source of information".	information online buyers Lack of market information
<u>HR Barriers</u> Firm AEG Firm FSG Firm RNG Firm NFT	"in the technical field we have a problem of manpower relating to stitching […]they are unskilled and it's difficult to work with them". "there is no government support to uplift the quality of labour " "Due to the attraction of skilled labours in foreign employment we lack the skilled workers" "Due to the low employment opportunity in the country and low pay rate we could not Retain the workers in the organization".	Unskilled Manpower Low Retention of skilled workers.
<u>Marketing Barriers</u> Firm BK	"Unavailability of raw materials in the local market"	Raw materials Infrastructure

Firm NFT Firm RNG Firm FSG	“Lack of infrastructure such as: highways, not easily access with seaport”. “Due to the low quality of the product we could not compete with the international competitors”. “As we have high cost on raw materials, we have to export the goods with high price so we could not enjoy the competitive advantage.”	Low Competitive Advantage
<u>Functional Barriers:</u> Firm_NFT Firm BK Firm RNG Firm AEG	“lack of sufficient fund to expand exporting business” “inefficiency in to promote export in foreign market” “Due to the difficulties in delivery we sometime are compelled to lose the customer”. “Due to the poor management to collect raw materials we could not supply the quality goods”	Fund Foreign market Delay in Delivery
<u>External Barriers:</u> Firm_NFT Firm FSG Firm AE	“low incentive of only 3% from government” “frequently change in the rules and policies” “Risk of change in value of foreign currency”	low incentive change

Firm RNG	"difficult in understanding language of foreign customers"	foreign currency
Firm BK	"difficult exporting procedures/paperwork"	language
		procedures

Appendix C: Transcribed Interview (Sample)

Transcribed interview

Namaste Fair Trade

	Key Findings	Codes	Catagories
General Information	Namaste fair Trade		
	7		
	2007		
	2007		
	European countries mainly France		
	300000USD		
	In the beginning was good because of local technology and color used in clothes but now due to commercializaion producers used the low quality colors so the market is slow now.		
	We dont have compitition on the product as we cannot compete with the international products due to our low quality of the product.		

		Key Findings	Codes	Catagories
	Information Barriers	'In the beginning I donot had knowledge about the rules and regulations of the particular country relating the import'.The policies and techniques of conducting business was different country-wise. Due to the	Knowledge about the international market	In-Depth Market Knowledge

		difference in culture,language we face some difficulties in course of conducting the business.	through market study	
	3	We basically collected the information through the online source at the beginning.Moreover the important information source is our buyer who can give us the information about the exporting nations.		
	4	‘we try to upgrade the quality,fashion and trend of our product as per our capacity and demand of the particular market.We basically ask our buyer about the initial feedback of the product and future trends of the market and co-ordinating with them we try to adopt the changes in the market.Moreover we are gradually updated by the study and research of the particular market.		
	5	We basically try to change the strategy to approach in the market.We encourage the new manpower to be in the business for the exploration of the market.We frequently update ourself relating to the information with our regular customer and try to make the strategy best fitted in the market.		
	Human Resource Barriers **1**	We have a big problem relating to the manpower in case of Nepal.Due to the low employment facilities in the country and attraction of the youth in foreign employment Human Resource problem is critical issue in case of Nepal.Moreover,People try to run their own business no matter How small it is.This is somehow making them self		

		relient but we as a enterpreneur face the problem to get the manpower at work.		

2	‘we try to address the basic human need of the individual staff.We make the fair calculation that means what we need as a individual I try to treat or maintain the same thing to the other staff.We have to show the due respect to the staffs.We arrange the meeting in monthly basis to address their problems and try to fulfill them.		
3	‘At first they are not aware of the working techniques so at first we need to teach and show them how to conduct the work.I personally choose and hire the unskilled worker because we can make and change them according to our need.We focus on the people who are handicapped,seperated and needy people so that they show the maximum effort in the work amd we can get the maximum outcome from those people.		
4	‘We have set up of seperate machinaries to train the people and if they are satisfied with us they can continue working with		

	us.We coordinate with other companies,hiring agents for the fulfillment of our staffs requirements		
	‘ I think the biggest threat in garment industry is the attraction of the skilled workers in foreign employment.’We are having a problem to retain the staffs.They have expectation to earn more on the foreign country and we could not retain them by the income or pay rate of Nepal.		

Marketing Barriers	‘We basically conceptualize like if we are getting the higher order of the product we generalize that the product have high demand and good quality and vice versa.		
	‘As we are the exporter from least developed nation we sell and fulfill the demand of the people who try to fulfill their need with lower investment.Our product are neither of high quality or branded nor the least quality.we fall in the medium range quality products which fulfills the demand of medium income level people.		
	‘First and formost the foreigner who visits our outlet in Nepal are our souce of marketing the product.Firstly we try to satisfy our customer and after that mouth to mouth communication helps to get the other customer.We also attain the trade		

	fairs internationally which helps to get new customer.		
	‘’		

Functional Barriers	First we get the order from our customer and we send the order to customer for the final confirmation.For the order confirmation 40% advance is required and the processing for the delivery starts after getting the advance payment.Then we collect the materials required to produce the product.Final inspection of the product is done for the processing.3 quality control is done.First in the process of production,second in the measurement process and if the piece is alter we seggrate them.Final checking is done before the ironing of the cloths and finally processed for the packing of the product.If the customer needs the box packing we make bundle and pack in box and if cargo wants to pick up the product by itself the product is packed seperatly.Basic operative obstacles is onging in the production process.Sometimes the product is not made as required and simple alteration happens.		
	During operation we have main problem of raw materials.We have to import from india so we have longer waiting time as we do not produce the raw materials in country.We should ask for the longer waiting time to the customers because of shortage of the raw materials.Sometimes we need to cancel the		

	order due the unavailability of raw materials.		
External Barriers	First of all to conduct the export business from trading firm we take the order from the customer and we collect the raw materials from the market,then we final check the product and make ready for the packing of the product then we go on the process of documentation and proceed for the custom clearence and book a flight and process for the delivery of the product.We generally dont have to face the problem of export tax but when our customer sale the product we have high income tax.All the documantation work is carried out by the related Cargo so beside some operational delays in Neplease governmental offices we dont have much problems on official procedures.		
	Soft loan,short term loan,export loan is provided by the government to encourage the exporters.On the basis of the product catagory government provide the incentive of 3-5% to exporters.For example- if the		

	trader collects the product from the market and exports internationally the trading firm gets the incentive from the government.From that incentive the trader have to give 50% of the incentive to the manufacturer of the particular product.		
	The exporting rules and regulations changes with time.Previously the payment to the staffs are made in cash calculating the total piece manufactured but now due to the change in government policy each staffs should be paid in their bank account.Basically the changing rules doesnot make any diiference to carry out the exporting activities.		