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Article

Knowledge acquisition for SMEs first entering developing economies: Evidence from Senegal

Sonia María Suárez-Ortega[a,*], Antonia Mercedes García-Cabrera[b], Gary Alan Knight[c]

[a] Universidad de Las Palmas de Gran Canaria, ULPGC, Facultad de Economía, Empresa y Turismo, Departamento de Economía y Dirección de Empresas, Edificio de Ciencias Económicas y Empresariales, C-3.09, 35017 Las Palmas de Gran Canaria, Spain
[b] Universidad de Las Palmas de Gran Canaria, ULPGC, Facultad de Economía, Empresa y Turismo, Departamento de Economía y Dirección de Empresas, Edificio de Ciencias Económicas y Empresariales, C-3.03, 35017 Las Palmas de Gran Canaria, Spain
[c] Willamette University, Atkinson Graduate School of Management, 900 State Street, Salem, OR 97301, USA

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ABSTRACT

As developing economies have weak institutional environments, and these are highly distant from SMEs' home conditions in developed economies, those firms entering into developing economies should acquire new knowledge resources for a successful entry. In this paper, we analyze the type of knowledge required by SMEs to enter a foreign market, the alternative sources for acquiring that knowledge, and the specific challenges associated with the case of SMEs from developed economies in their first entry in developing economies. In our empirical work, we examined the specific case of Spanish SMEs entering Senegal as a first incursion in developing economies. This work shows evidence of usefulness to contribute to literature. Specifically, we found that the key knowledge is that which is specific to the target market, rather than the general knowledge about internationalization. In addition, we provide a matrix that summarizes the most appropriate sources to acquire each type of knowledge in the light of the main challenges identified: myopic managerial thinking, inflexible managers, absence of a culture of cooperation, and relevant knowledge embedded in local networks of the host market.

Introduction

Research on internationalization to developing markets is not new, but the focus has been made on multinationals (MNCs) (e.g., Demirbag, Glister, & Tatoglu, 2007; Meyer, Estrin, Bhaumik, & Peng, 2009). Few research works have been published that explicitly address the case of small and medium-sized enterprises (SMEs) from developed economies entering developing markets (Hilmersson & Jansson, 2012; Jansson & Sandberg, 2008). However, research conclusions from MNCs may not be always valid for SMEs because of their specific characteristics. In particular, SMEs are firms with 250 and fewer employees, which are independent, not integrated in a corporate group or being a spin-off firm from a large MNC, so not having parental resources and decision-making support (Spence & Crick, 2006). Thus, one can easily consider that there is not much room for those SMEs to play an important role in serving those growing but almost unknown developing markets, mainly acknowledging that SMEs typically have far fewer resources (Knight & Kim, 2009) and are likely less experienced in foreign markets than MNCs. However, the emergent interest in these markets among SMEs is a fact. This is encouraged by the standstill of many developed economies, and by a growing number of developing countries with good economic perspectives and a better business climate (World Bank, 2014).

As developing markets are institutionally weaker and different from developed ones (Choi, Kim, & Kim, 2010), firms from more advanced economies internationalizing toward developing markets would be an extreme case of the classic liability of foreignness when entering foreign markets (Petersen, Pedersen, & Lyles, 2008). According to Petersen et al. (2008), a critical component of this liability is the gap between the knowledge the firm possesses and the knowledge the firm needs to accomplish the foreign venture, being this gap greater in cases of distant institutional host markets. As SMEs tend to possess far fewer resources than MNCs, they would face higher challenges to acquire the knowledge needed for a successful entry in developing economies.

Focused on this topic, on the one hand, some research works have already advanced our understanding about the type of

* Corresponding author.
E-mail address: sonia.suarez@ulpgc.es (S.M. Suárez-Ortega).

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knowledge firms need in their internationalization process in order to be successful (e.g., Eriksson, Johanson, Majkgard, & Sharma, 1997; Cuervo-Cazurra, 2011; Johanson & Vahlne, 2009): general knowledge about internationalization – market-nonspecific knowledge, and that about business, institutions, and opportunity recognition in the host country – market-specific knowledge. Furthermore, Hilmersson and Jansson (2012) found that, in the emerging market entry process, the kind of experiential knowledge that has a significant uncertainty-reducing effect is that related to the host country, and not the one about international operation which is a market nonspecific international knowledge. Besides, they found that the greater the degree of specificity of the experiential knowledge, the greater is its uncertainty-reducing effect.

On the other hand, some scholars have focused their research efforts on the alternative sources of knowledge to the traditional learning by doing approach or experiential learning. For example, Fernhaber, McDougall-Covin, and Shepherd (2009) found that international knowledge may be sourced externally, including from alliance partners, venture capital firms, and firms in close proximity (i.e., spillovers); and Bruneel, Yli-Renko, and Clarysse (2010) found as alternative sources the management team's pre-start-up international experience (i.e., congenital learning), and interorganizational learning from key exchange partners (customers, suppliers, investors, etc.). Both research works confirmed substitutive interrelationships among different learning mechanisms, as they found that firms with limited internationally experienced managers benefited most from alternative international knowledge sources. However, an understanding of the specific key knowledge SMEs from developed economies need to entry into developing economies and particularly how each type of knowledge could be appropriately acquired in such an institutionally peculiar settings is necessary. Thus, this research aims to analyze the type of knowledge SMEs need to succeed in their first entry in developing economies, and the most appropriate source for acquiring each type of knowledge due to the specific challenges they face.

Thus, the present work can significantly contribute to the literature. First, no article has been published that attempt to assess systematically type of knowledge required for internationalization and sources for acquiring that knowledge. We discuss the relevance of each type of knowledge in internationalizing toward developing economies and whether each source of knowledge is convenient or may play a key role in bridging each type of knowledge gap in this specific context for the particular case of SMEs. Second, this paper builds on the premise that the appropriateness of the alternative sources to acquire each type of knowledge will depend on the specific challenges encountered in a given developing economy by SMEs, which possess less nurtured resources than large firms to deal with them. Specifically, we examine challenges previously identified in the literature and stemming from the peculiarities of the emerging countries, as well as others that emerge from the developed countries and from the interaction between the pairs of countries involved. Later on, we identify the appropriate sources of knowledge to acquire each type of knowledge.

The remainder of this paper is organized as follows. We theoretically identify the different types of knowledge required in the internationalization process of firms and the sources for their acquisition. Then, we focus on the specific challenges that the acquisition of each type of knowledge entails when internationalizing to developing economies. Next, we describe and justify the methodological aspects of our empirical approach, a qualitative method based on a specific case study: Spanish SMEs entering Senegal as their first incursion in developing economies. Among other conditions, this case is especially suitable for our research as institutional and linguistic distance between these two countries assure the potential challenges in the process of knowledge acquisition. The discussion section is focused on contributing to the development of SME's internationalization theory by illustrating and emphasizing the key elements – i.e., knowledge requirements, challenges, and sources – and potential relationships in our particular context (Doz, 2011): developed economy SMEs' first entering developing economies. Finally, we conclude highlighting the main results, implications, and limitations of our study, pointing future research directions.

Theoretical background

Knowledge requirements in foreign market entries

According to the understanding-based theory of the SMEs internationalization (Lamb, Sandberg, & Liesch, 2011), the basic understanding of the external expansion (state 1 out of four) by an owner-manager corresponds to considering internationalization as confronting opportunities, this is overcoming the unfamiliarity and uncertainties associated with prospective international markets. Owners-managers at stages 2, 3, and 4 are focused on price competitiveness of products, products distinctiveness, and products philosophy, respectively. This implies that owners in stage 1 start internationalization by seeking knowledge and being well-informed about the nuances within different international markets. In fact, from the international business literature, knowledge is considered a critical determinant of international expansion of SMEs (Fletcher & Harris, 2012). Eriksson et al. (1997) highlighted that firms, irrespective of their size, need to develop three types of knowledge to internationalize successfully: (1) internationalization knowledge, about how to manage the increase in complexity and diversity associated with the overall foreign expansion; (2) foreign business knowledge, about clients, markets, and competitors abroad; and (3) foreign institutional knowledge, about government institutional frameworks, rules, norms, and values prevalent in foreign countries. Also, Johanson and Vahlne (2009) have highlighted that "recognition of opportunities" is a subset of knowledge that denotes the most important element of the body of knowledge that drives the internationalization process. Thus, we will study this type of knowledge separately.

All this knowledge needed for a successful internationalization, can be classified according to two relevant knowledge characteristics: tacitness and specificity. On the one hand, based on tacitness, Johanson and Vahlne (1977) have distinguished two categories: (1) objective knowledge, the one that can be taught – i.e., how to obtain FOB or CIF prices; and (2) experiential knowledge, the one that can be acquired mainly through learning by doing – i.e., how to manage the complexity and diversity of international business. Objective knowledge is basically explicit and can be acquired quickly and ease because it is available in datasets (i.e., market statistics, information about competition laws, product approval requirements, and technical standards of the foreign market). Experiential knowledge is highly tacit and is considered to be critical in firms' internationalization processes. On the other hand, based on specificity, it is pertinent to differentiate between: (1) context-free knowledge that can be applicable to any foreign market; and (2) context-bounded knowledge, that is, market-specific knowledge. The specific characteristics of the four types of knowledge according to these two classifications are described below.

Internationalization knowledge

It relates to firm-specific general knowledge about how to manage the internationalization process, as well as to the firm's capability and resources to engage in international operations. According to Eriksson et al. (1997), a firm's experience of organizing internationalization, means knowing what knowledge is required in different situations and different settings connected with internationalization, and where to seek this knowledge. Accumulated experience in internationalization is neither specific to a country nor to a mode of entry – e.g., general export procedures, awareness of country differences. Internationalization knowledge also comprises the knowledge that enables the firm to deal with procedures such as financing, shipping and forwarding or processing paperwork (Shamsuddoha, Ali, & Ndubisi, 2009). In relation to tacitness, this knowledge is mainly tacit as it is difficult to teach and it can only be acquired through experience or imitation (Knight & Liesch, 2002).

Business knowledge

According to Eriksson et al. (1997), this relevant type of knowledge refers to experiential knowledge about clients, the market, and competitors located in the host country. This knowledge is idiosyncratic to every location where the firm operates, as industry structure may differ across markets. Foreign market knowledge can be considered critical when firms internationalize to relatively unknown developing economies, so being also needed for internationalization success. Although this experiential knowledge is mainly tacit, it could partially be explicit in memos, report, and pertinent datasets. These secondary sources of information represents an opportunity for knowledge acquisition in a first foreign market entry.

Institutional knowledge

It relates to how business is done in the foreign country (Petersen et al., 2008), and therefore it is market-specific. Some of the rules, customs, and practices are explicit and relatively easy to comprehend and adopt. On a deeper level, how the game is played is influenced by the values and cultural assumptions of the foreign country (Zaheer, 1995). These differences tend to be implicit, making them more difficult to uncover (Petersen et al., 2008). They are also more socially imprinted upon the individual: hence foreigners find differences in values and cultural assumptions much harder to notice and accept than differences in practices (Schein, 1985). Institutions can be broadly defined as regulative – e.g., laws, rules, normative – e.g., shared values and norms, and cognitive elements – e.g., common business practices – that provide stability and meaning to social life (Scott, 2001).

Opportunity recognition knowledge

This knowledge refers to the information and data the firms need to appropriately manage the process of international opportunity recognition and assessment. Some facets of the opportunity recognition process are based on individual and firms qualities – e.g., entrepreneurial alertness (Baron & Ensley, 2006) and entrepreneurial orientation (Chandra, Styles, & Wilkinson, 2009), respectively – and so they are context-free. Others facets are linked to the host country context – e.g., customers and industry knowledge. This context-specific knowledge is key to identify the existence of unsatisfied market needs or under-employed resources that can be allocated more efficiently, to envision new suitable and efficient ways to attend the market and to evaluate such idea in terms of market acceptability, financial viability, and availability of resources (García-Cabrera & García-Soto, 2009). Thus, some of this knowledge is context-free while some is specific to each host country. According to the knowledge tacitness, opportunity recognition knowledge is only explicit to some extent, basically on the facet which is country specific. As in today's world information and data are abundant and freely available, entrepreneurs with entrepreneurial alertness will have the opportunity to access the required information to discover business opportunities in a particular foreign market.

Table 1
Classification of external sources of knowledge.

<table>
<tr><td colspan="2"></td><td colspan="2">Actors involved</td></tr>
<tr><td colspan="2"></td><td>Firm</td><td>Person</td></tr>
<tr><td rowspan="2">Nature of the link</td><td>Tie source</td><td>Business network</td><td>Social ties</td></tr>
<tr><td>Non-tie source</td><td colspan="2">Spillovers
(from other firms, trade promotion agencies or entrepreneurs in the region)</td></tr>
</table>

Source: Prepared by the authors.

Knowledge sources for the internationalizing SME

Traditionally, learning by doing has been a pivotal aspect of the internationalization process of firms (Johanson & Vahlne, 1977, 2009). Over time, knowledge about foreign markets may reduce perceptions of the cost of further internationalization, which may lead to more intense commitment to those markets (Eriksson et al., 1997). Although this experiential learning of the firm can be the cornerstone of the knowledge sourcing for the firm's internationalization, it is conceptually relevant, when considering a given new foreign market entry, to distinguish between previous experience and the one the firm can acquire while prospecting or operating in the target market, hereafter, learning by doing in the host country. In addition to experience as an internal source of knowledge, extant literature highlights the existence of external ones. External sources of knowledge include the different alternatives for international knowledge to be sourced outside a firm's organizational boundaries. In the particular case of young SMEs, external sources of knowledge are likely important to overcome liabilities of foreignness (Fernhaber et al., 2009). Consistent with Ellis (2011), we have developed a comprehensive schema for classifying external sources of knowledge in three different types depending on two variables: (i) the actor involved, the firm or its manager; and (ii) the nature of the link, tie or non-tie sources of knowledge (Table 1). We discuss all these categories of sources of knowledge below.

Previous experience

Firms can acquire knowledge at home before their first international experience such as knowledge to manage complexity, developed by having multiple operations at home and knowledge to manage differences in competitive conditions, developed by operating in business-to-business industries (Cuervo-Cazurra, 2011). Besides, prior international experience of firm's top management team can also be a source of international knowledge (Michailova & Wilson, 2008) being this termed inherited or congenital knowledge (Bruneel et al., 2010). Thus, previous experience, as a source of knowledge, is related to the transfer of know-how from one market to another or from previous markets in general to a new one. Although the positive effects from market to market in terms of learning seem not to be concordant with the important role ascribed to market-specific knowledge in the Uppsala model (Petersen & Pedersen, 2002), it is difficult to exclude some sort of scope economies with respect to learning about foreign market environments when interacting with firms that are psychically distant (Casson, 1995). However, problems may occur for entrant firms if inappropriate inferences are made from one market to another (Evans & Mavondo, 2002). Recently, Perkins (2014) have found that, for MNCs investing in a new host country, similarity of prior institutional experience significantly prolong survival; in contrast, firms with institutional experience unrelated to the target country's regulatory environment, experience learning penalties and are six times more likely to fail. In this respect, O'Grady and Lane (1996) point to managers overestimating the similarities between neighboring countries. Even countries that share language, historical, and legal traditions often have very different institutions that do not allow the simple transfer of business practices and attitudes across borders.

Learning by doing in the host country

According to Zhou (2007), SMEs can learn while exploring business opportunities in the target market, especially when facing new projects such as starting business operations abroad. Indeed, firms can conceive foreign markets as places where they can create new knowledge while exploring, not just by solving problems once operating abroad (Gabrielsson, Kirpalani, Dimitratos, Solberg, & Zucchella, 2008; Kuemmerle, 2002; Zhou, 2007). For example, market scanning and information utilization, "trial and error", or the forward-looking perspective to anticipate rising opportunities in the marketplace, result in an increased level of market knowledge by pursuing new market opportunities (Matsuno, Mentzer, & Özsomer, 2002; Zhou, 2007).

Business networks

Business networks refer to firms that use tie sources of knowledge with other entities, either home or host. A business network includes actors engaged in a wide variety of interdependent relationships (Johanson & Vahlne, 2009) which let firms learn from their partners (distributors, consultants, competitors, etc.). For example, home business networks let SMEs acquire knowledge to manage differences in institutional environments by allying to a foreign firm at home (Cuervo-Cazurra, 2011); host business networks let SMEs learn about market and institutional local conditions because of host partners involvement in that country (Chetty & Campbell-Hunt, 2003). Additionally, existing business relationships, because they may help identifying and exploiting opportunities, could have a considerable impact on the specific market a firm will decide to enter.

Social ties

This external source of knowledge refers to people that use proactively the relationship with others as a way to acquire knowledge (Ojala, 2009). An important idea in the social network and entrepreneurship literatures is that social ties serve as conduits for the spread of information about new opportunities (Aldrich & Zimmer, 1986). As information about opportunities diffuses unevenly through society, benefits arise for those who are among the first to recognize them, especially in the international context (Harris & Wheeler, 2005).

Spillovers

The term *spillover* is used to describe the transfer of knowledge across economic players (De Clercq, Hessels, & van Stel, 2008) without having to pay for it in a formal market transaction (Acs, Audretsch, & Feldman, 1994). Thus, firms can benefit from non-tie sources of knowledge as they can acquire knowledge from other firms through informal interactions when they are located in the same geographic proximity. The extant literature on firms' internationalization has highlighted the free transfer of knowledge about foreign markets and operations (Kneller & Pisu, 2007). These spillovers are relevant for SMEs, especially the younger ones, which often lack internal export knowledge or experience (Acs et al., 1994). But there are different types of established organizations in the territory that possess that knowledge: other firms enrolled in international business, government agencies and private consultancies that promote internationalization. Spillovers occur because of different channels including not only business cooperation and social ties (previously examined) but also informal interactions, transfer of employees, demonstration, and imitation effects (De Clercq et al., 2008; Fernhaber et al., 2009). The role of government agencies and other export promotion organizations must be highlighted as they offer specific information about the institutional context in the host country.

Besides, spillovers from other entrepreneurs can also be a form of non-tie sources of knowledge. This is the case of people that benefit of other nearby entrepreneurs or managers through informal interactions. These spillovers allow businessmen and entrepreneurs to acquire knowledge from other entrepreneurs or managers. This idea is related to the one proposed by De Clercq et al. (2008) who suggested the existence of spillover effects from the total entrepreneurial activity in a particular country. Specifically, people can access to knowledge from these nearby entrepreneurs by different spillover channels. For example, when entrepreneurs are exposed to stories and cases of the discovery and exploitation of entrepreneurial opportunities, they gain access to knowledge likely to prove useful when encountering unsatisfied market needs or under-employed resources that can be allocated more efficiently (Levie & Autio, 2008). Such examples endow entrepreneurs with an understanding of what is possible and what is feasible, making them more alert to opportunities and more able to tangibly assess and exploit opportunities (Fiet, 2000).

Entering into a developing economy: challenges in the process of knowledge acquisition

Once the specific characteristic of every type of knowledge and peculiarities of the different sources of knowledge have been examined, we will focus on the particularities of developing economies that may condition how SMEs would acquire each type of knowledge when entering into a developing economy.

Developing economies are characterized by "High levels of uncertainty in business environment; volatility and rapid developments in consumer demand; not always stable political systems; legal systems relatively weak; important role of social networks in exchange" (Choi et al., 2010:304). Institutional environments in these developing economies provide both challenges and potential benefits to foreign firms. Challenges stem from institutional voids (i.e., imperfect markets) and institutional uncertainty (i.e., changing rules, corruption). Institutional voids refer to imperfections in the market mechanisms caused by the lack of appropriate market supporting institutions (Khanna & Palepu, 1997), while institutional uncertainty is created by the expectation that the institutional rules governing businesses could change unpredictably (Henisz, 2000). These contextual conditions suppose a big challenge for SMEs from developed economies not accustomed to institutional weaknesses and certainly increase the costs of doing business there. However, potential benefits to foreign firms also emerge from developing economies with underdeveloped institutions. For example, market opportunities may compensate for the high costs of transaction and transformation, because early movers may have greater advantages in institutionally underdeveloped economies than in more advanced countries (Isobe, Makino, & Montgomery, 2000). So, weak institutions might be seen as the flipsides of the same coin. Companies that aspire to succeed in developing economies must take into account the particular institutional conditions (Meyer et al., 2009).

Taking these institutional peculiarities into account, certain considerations become relevant when analyzing the particular case of SMEs from a developed economy entering a developing one for the first time. First, although firm's previous experience could be a relevant source of internationalization knowledge, it could be a trap in the case of market-specific knowledge acquisition – i.e., business, institutional, and opportunity recognition knowledge. According to Perkins (2014), experience in specific markets generates a myopic managerial thinking that potentially prohibits adaptation to dissimilar institutional environments. Therefore, being flexible and

Table 2
Research framework: knowledge sources by types of required knowledge.

Sources of knowledge	Knowledge requirements			
	Internationalization	Business	Institutional	Opportunity recognition
Previous experience				
Learning by doing in the host country				
Business networks				
Social ties				
Spillovers				

The appropriateness of each source to acquire each type of knowledge will be contingent on the specific challenges

Source: Prepared by the authors.

open-minded can be a challenge to deal with prior experience when first entering in developing economies.

Second, firms often cannot access solid intelligence due to the lack of well-developed statistical agencies that collect, analyze, and disseminate economic and social information relevant to the decision-making processes, both at macro and micro levels in developing economies. There is limited information about the market and competition (Acs & Amorós, 2008) – i.e., business knowledge. So, entrepreneurs cannot make reliable assessments and compare alternative scenarios in order to make the best decision to be successful. Therefore, the procedure to identify and evaluate a business opportunity by entrepreneurs in developed economies may not be applicable in developing contexts with insufficient information available on economic and competitive variables – i.e., opportunity recognition knowledge. For example, firms can use opportunity discovery versus deliberate/systematic search. Although the second option is the most used by firms with prior international experience (Chandra et al., 2009), it can be difficult to apply in the absence of suitable information.

Third, in a developing economy institutions are more informal than formal, and therefore, they are not written. This implies that much of the relevant institutional knowledge is embedded in networks only accessible for those inside the network or through interpersonal relations, a reality that impairs foreigners not party to those structures (Tracey & Phillips, 2011). Thus, we can assume that SMEs face strong challenges in the process of knowledge acquisition. Such challenges are likely to be especially notable for tacit market-specific knowledge.

Taking all the above into consideration, we can expect that different types of knowledge require different suitable ways for SMEs to acquire them when facing their first entry in developing economies – i.e., according to their specificity and tacitness; in addition, the appropriateness of each source will depend on the specific challenges encountered at entering, as it is summarized in Table 2.

Methodology

Research context

According to the research objective, we must focus on SMEs from developed economies first entering developing economies. Notice that these firms must lack experience in previous developing economies, albeit they could have previously expanded into foreign developed economies.

It is also important to establish a single setting (from a particular developed economy to a particular developing one) to control for linguistic, geographic, psychic, and institutional distances. These distances affect both the required knowledge and the set of challenges to appropriately acquire the needed knowledge. For example, knowledge acquisition to gap institutional distance is easier when both countries have a common language, and provider special challenges when they have had a colonial relationship that have become a liability. In choosing the specific pair of countries, the stock of foreign direct investment (FDI) and international trade data have been discarded as these data reflects mainly the high amount of investment by large MNCs, masking SMEs' reality. Instead, we have established three key conditions to get a suitable research context: (1) developed economy with SMEs' recently investing in developing economies; (2) high institutional, but also linguistic distances that assure the challenges discussed above; and (3) investor economy without an extensive tradition in internationalization into the particular developing economy, discarding the possibility that SMEs' could have enter being supported by large and well-established companies. Thus we investigated the entry of SMEs from Spain into Africa, specifically Senegal.

Research design

We combined existing ideas in theory with field qualitative information from our specific case in order to identify the key elements and their relationships that permit theoretical development (Doz, 2011). To that aim, we gather information from several experts in order to get a richly textured description of our specific case and find empirical regularities as previous authors have made in the IB literature (e.g., Pananond, 2007; Sinkovics, Sinkovics, & Yamin, 2014). Experts participating in this study are consultants from Spain and Senegal with offices in one or both countries and with an extensive experience on facilitating SMEs' internationalization to Africa and Senegal in particular. The choice of consultants as experts to obtain the empirical evidence that support this work, rather than interviewing directly the internationalizing SMEs, is based on two arguments. First, this decision offers the opportunity to access to richer and more objective information because of the wider experience of consultants who have advised, and many times accompanied, several different firms. Second, asking the internationalizing firm means basing on the manager's view and memories of the situation faced by its firm the first time they enter Senegal. Those memories could be distorted by the subsequent experience in Senegal and in other developing economies where the particular firm could have entry afterwards. Thus, consultants' perspective is expected to be more aseptic and, therefore, more valid for the purposes of this research.

Specifically, experts are from four public agencies, and two private consultant organizations. As public and private organizations may have client-SMEs with different profiles and needs, they would cover all the spectrum of SMEs asking for help to internationalize toward Senegal. In addition, as these consultants have deep experience with a wide range of Spanish SMEs trying to internationalize to different countries (or to SMEs from different countries trying to entering Senegal), their information about the topic under study, is rich and comprehensive, as they can compare between different settings when helping researchers to identify the peculiarities

Table 3
Key informants: composition of the sample.

Participants	A	B	C	D	E	F
Organization description	Trade and economic promotion agency of the Government of a particular region of Spain that has a key role as a political, economic, and logistical platform to Africa	Public Consortium mainly integrated by the Spanish Ministry of Foreign Affairs and Cooperation	Private consulting service company with extensive experience in facilitating firm's internationalization, especially toward West Africa	Private consultant specialized in internationalization processes with extensive experience in Africa	Economic and Cultural Office of the Senegalese Embassy in Spain	Economic and Commercial Office of Spain in Dakar
Services offered	Funding Specialized technical advice International tendering search and advice Direct and reverse trade missions Home partner search for collaborative arrangement in foreign markets	Advertising the business opportunities that the African continent offers to Spanish firms Advising on the appropriate trade promotion organism Organize meetings and workshops with Africans business experts Objective information about the reality on each African country, coping with negative prejudices and overestimation of business opportunities	Accompaniment, transport, translation, and interpretation during the field visit Studies and research on specific markets Local partner search and partnership development in informal contexts Finding public and/or private funding lines and collaborating in the formulation of proposals for submission Lobbing support and handling corruption	Advice on how to minimize known risks Accompaniment, transport, translation and interpretation during the field visit International tendering advice Market selection research Tax advisory services	Promote investment opportunities for Spanish firms in Senegal Facilitation Information on the legal environment in Senegal	Identification of potential partners Scheduling of meetings with local firms Customized Information on foreign markets and trade opportunities Reverse trade missions Logistics support services Database with business opportunities in Senegal for Spanish firms
Interviewed expert	External promotion manager	Head of the Business and Economy Department	Chief Executive Officer	Chief Executive Officer	Head of the Economic Office	Head of the Economic Office
Expert experience advising Spanish SMEs entering Senegal	Since 2000, over 17 projects, 75% FDI, 15% exporting, and 10% tendering	Since 2010, approx. 10 projects, 60% exporting, 30% tendering, and 10% FDI	Since 2008, approx. 20 projects, 50% FDI, 10% exporting, and 40% tendering	Since 2004, approx. 12 projects, 75% exporting, and 25% FDI	Since 2013, over 20 projects combining FDI, exporting, and tendering	Since 2011, over 25 projects combining FDI, exporting, and tendering

Source: Prepared by the authors.

involved in the particular case of Spanish firms entering Senegal. Table 3 offers details about the participating organizations in this study, albeit their anonymity is preserved. Also, information about the experience of the interviewed expert in each participating organization is provided in terms of years of experience helping Spanish SMEs entering Senegal, approximate number of SMEs advised by them, and mode of entry of those firms.

The empirical work followed five stages. First, we identified the key experts. Second, we conducted face-to-face interviews in order to gather information about: (i) knowledge requirements of Spanish SMEs in their entry in Senegal as a first incursion in developing economies; (ii) challenges to successfully identify and acquire that knowledge; and (iii) the most appropriate sources of knowledge for each type of required knowledge. Third, the compiled information was categorized according to the above threefold structure. From this analysis and the extant literature, we prepared a questionnaire to get experts' assessment on a four-point Likert scale for each identified knowledge requirement, challenge, and source of knowledge. Forth, this questionnaire was sent by e-mail to the experts. Finally, all the gathered information was analyzed and compared, and relationships among variables were identified.

The fieldwork took place in two phases. The qualitative interview phase took place from February to May of 2014, while the quantitative evaluation phase was carried out in October 2014. Table 4 shows information about general profile of the clients entering Senegal of each particular trade promotion agency or consultant.

With respect to the geographical origin, ten years ago, the established Spanish firms in Senegal were a few SMEs from the Canary Islands, the closest Spanish region to Senegal. Nowadays the interests in this market came from all over the country. As we can observe in Table 4, many SMEs entering Senegal have previous experience in developing and/or developed foreign markets while some others SMEs are facing their first international entry ever. Some of them are interested in international expansion due to the 2007 worldwide crisis effects on domestic market and operate in service sectors such as agriculture, energy, water, consultancy, pharmaceutical, machinery, architecture, and civil engineering. A few are entrepreneurial people planning to startup in Senegal or MNCs that use a small affiliate firm located in Spain as a springboard to invest in Senegal. Among all these firms contacting our experts for support, our study is focused on Spanish SMEs entering

Table 4
General profile of clients entering Senegal by participants.

Participants	A	B	C	D	E	F
Clients' characteristics	Any type of firms in terms of size, age, and industry from the region. Mainly service sector and Spanish traditional industries	Spanish SMEs from all size and age, mainly operating in the renewal energy, water, and tourism sectors	Financially strong and well established SMEs, mainly from the construction industry, and SMEs in other sectors in the region With high interest in doing opportunistic business in Africa, but without knowledge resources for internationalization	Well established Spanish SMEs from all type of industries Before the crisis of 2007, trading companies exporting goods from Europe to different African markets Since the crisis: mainly construction companies and young entrepreneurs in high tech markets	SMEs or entrepreneurial people that are planning to invest in Senegal Some MNCs that use an affiliate firm located in Spain as a springboard to invest in Senegal Industries: energy, construction, pharmaceutical, machinery, transportation, water, sanitation services, agriculture, etc.	Ten years ago mainly Canary SMEs, nowadays any type of firms in terms of size, age, and industry
Clients' previous expansion	Few firms with national scope Some experienced international companies, but not in developing markets Some with previous experience in Africa	Exporting SMEs looking for their first entry into an African market	No international experience First entry into an African market	Very few with previous expansion at a national level Some with previous experience in foreign markets, even in Africa Most trying their first entry into an African market	No information on the SMEs' background	SMEs experienced in international markets, frequently with an export manager
Clients' main demands	Funding and financing Trade missions	Funding and financing Advice on the appropriate African market and sector Searching for partners to make businesses Invest procedures Reliable local partner search	No clear demands Sometimes just get introduced to the right local person to make a short-term good business	Accessing to public funding Taxation issues Sometimes just get introduced to the right local person to make a business Market selection research	Information about the conditions of Senegal, legal system, border facilitation How to establish a representative or a joint-venture with a Senegalese partner Very few get introduced to the right local person to cooperate	Exporting firms look for knowledge about: market conditions, payment methods, business culture, etc. Investors look for knowledge about: taxation, labor market, and laws and enforcement

Source: Prepared by the authors.

Senegal as a first incursion in developing economies. To facilitate data analysis and to make it more systematic we used templates. Table 5 provides experts assessment using a Likert scale of the specific knowledge requirements, challenges, and sources of our focused SMEs. Qualitative information and experts statements are introduced in our discussion. Nonetheless, the discussion that is shown below does not correspond to the declarations of a particular expert. Instead, it is the result of our comprehensive analysis of the gathered information.

Discussion

SMEs' knowledge requirements to enter developing economies

According to the research objective, this discussion is focused on SMEs from a developed economy first entering into a developing market, hence experienced SMEs in this type of markets are not considered. As focused SMEs lack this experience, their knowledge requirements are wide-ranging – i.e., internationalization, business, institutional, and opportunity recognition, as experts have confirmed. This general fact gives support to previous literature. However, not all types of knowledge have the same relevance when SMEs try to succeed entering a developing market for the first time, as it can be observed in Table 5, and it is discussed in detail below.

Internationalization knowledge

The experts identify, especially for internationally unexperienced SMEs, a wide lack of internationalization knowledge about managing complexity, how to plan the entry, how to deal with procedures and paperwork (taxation, financing, shipping, etc.), how to market the firm's products and services abroad, or managers' proficiency in foreign languages, among other common issues when internationalizing to a new foreign country. Although many SMEs may lack such knowledge, it is considered by experts less relevant than market-specific knowledge when first entering a developing economy such as Senegal (see Table 5). However, experts highlight a specific internationalization knowledge which is really relevant

Table 5
Knowledge requirements, challenges, and sources.

Items	Experts					
	A	B	C	D	E	F
SMEs' knowledge requirements						
Internationalization knowledge						
How to manage the complexity of operating in different locations	2	3	3	2	2	2
Foreign languages	2	2	3	3	3	3
How to market the firm's products and services abroad	2	3	3	2	2	2
How to deal with procedures and paperwork (taxation, shipping)	2	2	3	3	2	2
How to plan the international entry	n.d.[a]	2	3	3	2	2
Awareness of market-specific knowledge required	3	4	4	3	4	3
Where to seek the required knowledge	4	4	4	4	3	4
Business knowledge						
About clients in Senegal	4	4	4	2	4	3
About the distribution channels in Senegal	4	4	4	3	4	3
About local and foreign competitors in Senegal	4	4	4	3	4	3
Institutional knowledge						
Laws, policies, and regulations in Senegal	3	4	4	4	4	3
Cultural values in Senegal	3	4	4	3	4	4
Common business practices in Senegal	4	4	4	3	4	4
How to differentiate commissions from corruption	n.d.	n.d.	4	3	4	4
Opportunity recognition knowledge						
Information and data to identify international opportunities	4	4	4	4	3	4
Entrepreneurial alertness	2	4	4	3	3	3
Challenges to access to required knowledge						
Myopic managerial thinking	3	3	3	3	4	4
Lack of Senegalese country information in statistical agencies	2	2	2	3	1	2
Lack of financial resources to study the Senegalese market	2	3	3	2	n.d.	2
Relevant knowledge embedded in Senegalese networks	3	4	3	3	3	3
Senegalese business networks locked to foreigners	1	3	3	3	2	1
Absence of a culture of cooperation in Spain	4	4	4	4	n.d.	2
Overconfidence when dealing with Africans	n.d.	2	2	3	2	1
Considering Africa as a single reality	n.d.	3	4	3	3	3
Not flexible managers or firms in Spain	n.d.	n.d.	3	4	n.d.	3
SMEs' knowledge sources						
Experience (learning by doing)						
Experience of managers before working for the firm (inherited knowledge)	n.d.	n.d.	2	2	n.d.	2
Experience at home while managing the business	2	2	2	4	2	1
Experience in other developed countries	3	2	2	3	n.d.	2
Experience in Senegal while exploring the business opportunities	4	3	4	4	4	4
Business networks						
With Spanish firms at home	2	2	2	1	2	1
With Spanish firms in Senegal	2	2	1	2	3	3
With Senegalese firms in Spain	n.d.	n.d.	1	1	1	1
With Senegalese firms in Senegal	1	2	2	1	3	3
With private consultants	n.d.	2	2	1	n.d.	3
Social ties						
Relationship with Spanish people	2	3	3	4	4	1
Relationship with Senegalese people in Spain	n.d.	3	1	2	n.d.	4
Relationship with Senegalese people in Senegal	n.d.	3	2	2	n.d.	1
Spillovers from other firms and managers at home						
Spanish firms enrolled in international business in Senegal	2	n.d.	1	3	4	3
Spanish government agencies that promote internationalization	4	4	4	3	n.d.	3
Senegalese government agencies that promote internationalization	n.d.	n.d.	n.d.	n.d.	3	n.d.

[a] n.d., expert had not enough information to assess the item.
Source: Prepared by the authors.

in the case of unexperienced Spanish SMEs: the mere awareness of the need of acquiring market-specific knowledge, and the sources to find this knowledge. For example, expert B frequently advises those SMEs on the appropriate trade promotion organism to get the required support.

Business knowledge

All experts highlighted the relevance of knowing the competitive structure of each particular industry in the specific developing country – e.g., potential clients, most-used channels of distribution, foreign competitors, etc., that is, business knowledge. Actually, SMEs entering Senegal are frequently advised by experts about the developing market-specific risks and transaction costs within each industry in order to prevent failure risk. Our experts agreed on the relevance of business knowledge since SMEs' are unaware of these risks which are almost inexistent in developed economies but are frequent and of great relevance to make successful business in these countries (e.g., in the case of Senegal is relevant, in the commercial sector, knowing how to fix the terms of the price of a container; in the construction industry, how to assure the payment; in public tenders, how to manage the execution of the project in case of winning).

Institutional knowledge

Concerning this type of knowledge, there is a consensus about the high relevance of regulative, normative, and cognitive institutions. It is obvious that managers need to know about laws, policies, and regulations in the specific country, but the most important issue, in Senegal, is not the instability and insufficient legal framework, as managers could expect, but the enforcement of law. This weakness combined with the relevant role of normative and cognitive institutions in business activities (Puffer, McCarthy, & Boisot, 2010) makes institutional knowledge really relevant for western entrants in Senegal, as highlighted by expert E.

From a normative perspective, the relevance of developing a trustable personal relationship just to open the possibility of an ulterior business relation is highly unknown. According to expert C, being able to keep informal talks about recent historical events or popular football leagues in Senegal can be critical for a further fruitful business relationship. Also, experts E and F highlighted the cultural distance in terms of time conception, since business in Senegal goes much slower. With respect to cognitive institutions, a key issue is how accessing a relevant partner to make the business in the host country. For example, in Senegal is very difficult to identify the suitable firm or partner and being successful introducing yourself to directly offer the deal; you need a trustable intermediary instead. This intermediary will expect a benefit from the business, so they will prevent the actual contact unless receiving the expected earnings. Also, a thorny issue is the fact that government officials and corporate managers expect to receive anything of value to, for instance, expedite transactions. This is culturally acceptable in Senegal, according to experts, and even legal in many developing countries (Cavusgil, Knight, & Riesenberger, 2014). In words of expert F: "As Senegalese people are mainly Muslims, so a giving culture, any favor is rewarded with money". Thus, institutional knowledge is of an extreme importance for a first entry in this economy.

Opportunity recognition knowledge

Experts highlighted the relevance of monitoring the right data and information to identify business opportunities in Senegal and also of possessing entrepreneurial alertness to recognize where and how business could be profitable. Nevertheless, both knowledge requirements could be good complements, but also good substitutes. For instance, considering all the information provided by experts, we have identified two managers' profiles according to their entrepreneurial alertness. First, some managers have a high level of alertness and identify business opportunities in Senegal without much information and formal desk research. They are able to recognize and assess those opportunities while talking and informally negotiating with business people in Senegal, without strategic analysis. They usually ask participant D to get introduced to the right local person to make a business, and then proceed in an adventure manner, just guided by their entrepreneurial flair. Second, others managers have less entrepreneurial alertness and therefore require information and data relevant to recognize and assess different business opportunities. For example, some managers in this group systematically search for competitive tenders and biddings in these countries to identify business opportunities stemming from development cooperation funds.

SMEs' challenges in the knowledge acquisition to enter developing economies

Based on the review of extant literature we identified four main challenges that SMEs face in the knowledge acquisition process when entering into a developing economy: (1) myopic managerial thinking that potentially prohibits adaptation to dissimilar institutional environments; (2) lack of well-developed statistical agencies that collect, analyze, and disseminate economic and social information in developing economies; (3) relevant institutional knowledge embedded in local networks; and (4) local business networks locked to foreigners. Our study corroborates the existence of these challenges, albeit experts suggest that only two out of the four are really relevant when Spanish SMEs enter Senegal as the their first developing foreign market: the myopic managerial thinking and the existence of knowledge embedded in local networks. Also, they suggest the existence of additional challenges of high relevance – i.e., absence of a culture of cooperation in Spain, considering Africa as a single reality, and not flexile managers or firms in Spain; and challenges of medium relevance – i.e., SME's lack of financial resource to study the host market and the overconfidence when dealing with Africans. This suggests that challenges in the knowledge acquisition process when entering into a developing economy for the first time are contingent upon the countries involved. We provide details about these challenges below.

Relevant challenges for Spanish SMEs first entering Senegal

With respect to *myopic managerial thinking*, our experts notice the existence of a relevant group of SMEs that take the decision of internationalizing to Senegal as an alternative path to survive the Spanish context of crisis. Many of these SMEs without any previous internationalization experience look for new markets with favorable competitive conditions, and erroneously these unexperienced SMEs consider African countries as such. Specifically, experts highlighted that Spanish SMEs tend to consider that internationalizing to African developing economies, particularly to Senegal, is less demanding than toward developed economies where competitive conditions are tougher. From their view, African developing economies are characterized by a low offer of competitive products and services. Also local competitors can be almost ignored since they are expected to lack competitive advantages. So, these unexperienced SMEs assume they will easily succeed with the same or even worse products and services than they commercialize in their home developed economies. But this is not true. Expert D highlights that "Africans are a little tired of Europeans trying to sell them bad products". Expert C advises: "Not because you pay a commission you spontaneously get the business in Senegal, you must also offer a good product or service". Expert B warns about the damage of the common thought "In Africa, everything must still be done". For example, foreigners from colonial countries can be highly established with competitive products and services, such as French MNEs in Senegal. They have socialized to African cultures and they know how to adapt and compete there. Also, products and services commercialized in developed countries cannot be always transferred without adaptation to developing markets. Hence, these SMEs face a relevant challenge in the process of knowledge acquisition: myopic managerial thinking.

Also, as literature suggests, firm's previous experience in foreign developed countries could be also a trap for the acquisition of market-specific knowledge – i.e., business, institutional, and opportunity recognition knowledge. Indeed, this previous experience may potentially obstacle SME's adaptation to dissimilar institutional environments (Perkins, 2014). For example, experienced SMEs in host developed economies would consider that having a high level of technology and competitive products and services are the key resources for entering into a new market. But this is not true in the case of Senegal. In this country firms must pay attention to personal relationships, to the development of trust between the parties, and to relationships continuity. Also, experts warn about the temptation of doing business in the short term or without allowing local partners to be part in the business. For instance, just exporting and selling a container of goods could be a suitable way to get a first contact with a new foreign market as the gradual approach to internationalization suggests (Gabrielsson et al., 2008; Kuemmerle, 2002), but these managerial practice will likely lead to failure in Senegal. Indeed, expert B notices that Senegalese aspire to develop their firms while interacting with Western SMEs. Expert C clearly remarks that internationally experienced Spanish SMEs face problems to adapt to the Senegalese context. Again we refer to the myopic managerial thinking for the particular case of experienced SMEs. In this particular case previous experience could be a liability.

Also, our empirical study corroborates the existence of a relevant challenge related to the *knowledge embedded in local networks*. As institutions are more informal than formal, and therefore, they are not written, much of the relevant institutional knowledge is embedded in networks only accessible for those inside the network. This was recognized by all the experts, being especially notable for tacit market-specific knowledge.

Furthermore, additional relevant challenges to those identified in our review of extant literature were identified. First, the *absence of a culture of cooperation in Spain*, where SMEs have traditionally embarked in entrepreneurial projects mainly in isolation. Thus, there is no a strong tradition in cooperative projects to facilitate the internationalization process. To this respect expert C highlights that if alliances are relevant to successfully carry out internationalization projects, this relevance maximizes in the case of a first entry into developing economies. Indeed, experts have witnessed real-life cases of successful SMEs' internationalization to these economies based on a collaborative project including suppliers, manufactures, distributors, and other relevant actors. The collaborative projects allow firms to be less dependent of knowledge embedded in local networks and to make safe and efficient transactions in the unknown and uncertain host country context.

Second, *considering Africa as a single reality* must be recognize as a relevant challenge. There exist the common and wrong belief that Africa is just one reality and that this continent provides firms just one different context where operate. Experts C, D, E and F warn about this fallacy that make firms to take unsuitable decisions. On the contrary, each country has a different political system, culture and institutions, different level of natural resources, and different challenges in their path to economic and social development.

Finally, a third relevant challenge identified by experts is the existence of *not flexible managers or firms in Spain*. Expert F exposes this idea while comparing business people from different countries: "In Senegal a Chinese or an Indian do not make questions about the legal faith or the enforcement of law because they adapt well to uncertainty of legal environments, but for Spaniards and Europeans this ambiguity is a real defy". As a result of the lack of flexibility to assimilate the local specific knowledge about business, the Spanish managers try to enter the market interacting with local firms on the ground of their own culture and way of doing business, as expert C highlights. Expert D has noticed that Spanish managers think that "What is different is negative", and so they do not accept the existing dissimilarities. Consequently, they make decisions with the aim of reducing risks, for instance choosing exports instead of foreign direct investment. An additional example is provided by expert C with respect to SMEs' rejection to allocate a part of their budget to pay intermediaries' commissions, so refusing to play using the common rules of the game in these countries.

Challenges of medium relevance for Spanish SMEs first entering Senegal

The empirical analysis also shows the existence of another set of challenges faced in the knowledge acquisition process when Spanish SMEs enter in Senegal as a first incursion in developing economies, being these challenges of medium or medium to low relevance. However, according to experts, these challenges can be a great obstacle for SMEs from other developed countries entering Senegal or for Spanish SMEs entering into other developing economies.

First, the *lack of country information in statistical agencies* can be an important difficulty. This obstacle has been identified by previous literature as in developing countries there is limited information about markets and competition (Acs & Amorós, 2008) due to the lack of well-developed statistical agencies that collect, analyze, and disseminate economic and social information. However, ten years ago Senegal started up a statistical agency offering information to foreigners. Expert F highlights that Senegal offers more information to potential investors than any other African country, albeit less than a Western country such as France or Spain. Also, in the absent of some particular and relevant public information, SMEs might develop their own market research to access to solid intelligence relevant to the decision-making processes.

Second, SMEs' *lack of financial resources to study the host country market* due to the small size of this group of firms must be highlighted. With respect to this challenge, experts notice that Spanish SMEs mainly use the opportunity discovery process based on unplanned visits and informal contacts to sell their products or make single transactions, rather than deliberate and systematic searches based on the compilation of information on economic and competitive variables. This strategy to identify business opportunities is consistent with Chandra et al.'s (2009) findings about the highest use of deliberate search by firms with prior international experience, which does not correspond with the majority of the Spanish SMEs entering Senegal. In addition, some Spanish SMEs have this previous international experience and choose the deliberate search as a way to identify business opportunities and organize the implementing of the business in Senegal. But these firms usually have the resources to access to the required knowledge. Expert C asserts that these SMEs with economic resources use them to solve the problem of accessing to relevant knowledge. They either make research to study the target market or they hire specialized export managers with experience in that market. Thus, experts do not perceive as a challenge the lack of SMEs' resources. They identify different ways SMEs can use to explore the market to get the required knowledge that will vary according to the SMEs' profile.

Third, another challenge of medium relevance is the *overconfidence when dealing with Africans*. According to experts, overconfidence and arrogance when assessing African developing markets, as well as the existence of negative prejudices hamper fruitful interactions between host and local actors. This can be common when Western firms entry into developing countries. However, according to expert F, there is no overconfidence in the case of Spanish SMEs entering Senegal, but only a certain perception that businesses in Senegal are easier than in other countries. Expert E remarks the existence of a modern and voluntary cooperation based on an equal relationship, where the non-existence of liabilities associated to a past colonial affiliation clearly reduce the relevance of this potential challenge. Expert D, however, tells about a reciprocal and equal overconfidence from both parts, so he also disregards the single direction suggested by this challenge. In his opinion, there exist negative prejudices from each part: "The Spaniards believe that as the other part is African, they can go there, make business, earn a lot of money, and come back home... but the Africans consider that Spaniards come to Africa to cheat them, so they must cheat first". Although these thoughts are continually decreasing between these two countries, they can endure in some people.

A fourth and final challenge, which has been recognized by previous literature, is the existence of *local business networks locked to foreigners* (Tracey & Phillips, 2011). However, all the experts in our case study agree that Senegal is a country that shows openness to foreignness, albeit they recognize that the intermediary action is a prerequisite to be accepted in a network. Also, Expert C remarks that the local market shows a clear will to make business with Spanish people, being this will higher than the prevailing when interacting with managers from other nationalities. Spaniards perceive this preference for making business with them. The low relevance of this last challenge in our particular case of study seems to be founded in the Senegalese general openness to foreignness, combined with the lack of arrogance of Spaniards when interacting with them, which is valued by locals.

Knowledge sources used to enter into developing economies

Besides the traditional internal source of knowledge, which is the firm's own experience, we have discussed the external sources that allow international knowledge to be obtained outside SMEs' organizational boundaries: business networks, social ties, and spillovers. We will refer to them below for our specific case under study.

Previous experience

Concerning previous experience, needless to say that the richer the previous experience developed by the firm managing complexity at home or even in previous international expansion activities, the better the firm's readiness to cope with the challenge of entering a new foreign market. For example, the internationally experienced SME will know about the basic of internationalization knowledge like knowing how to market abroad, what type of information will required and where can it be obtained. Nevertheless, it has been proven by Perkins (2014) that previous experience is useful whenever the firm is entering a new institutionally similar market; but it is a liability when the firm tries to enter a new institutionally distant market, which is our case. The information obtained from our case study suggests that this can be so because previous experience would give no information on the real key knowledge which is market-specific. Therefore, this previous experience will not be useful at all to cope with the lack of key business and institutional knowledge and it could even become a liability. Nonetheless, experts C and D, highlighted that some Spanish firms entering into Senegal did not have any international experience or even some are firms focused in the local/province level market that are looking for foreign markets to achieve survival in a crisis situation. So, for the case of Spanish SMEs entering into Senegal, previous international experience is not of higher relevance to acquire the key required knowledge.

Learning by doing in the host country

With respect to firms' experience acquired while exploring the business opportunities in the specific foreign market, in our case Senegal, it must be highlighted that this is one of the most relevant source of knowledge for Spanish SMEs according to our experts. In fact, all experts agreed on the need of Spanish managers to travel to Senegal several times to assess the business opportunity and to evaluate the different entry strategies for the best opportunity exploitation, as they currently do. According to expert F, market research in countries like Senegal is not possible to be done just as a desk research, like you do when entering EU or other developed countries. Indeed market studies are not useful unless they are firm-, industry-, and market-specific, and only a tiny group of internationally experienced SMEs carry out this kind of research when entering Senegal. In words of expert D: "There is no such thing as a manual for Africa", which highlights the relevance of learning by doing in each African country.

Business networks

Concerning the use of business networks, according to experts there is a low to moderate use of these tie alliances albeit they are of high relevance to acquire the market-specific knowledge. The alliances used in this case are of three types. First, SMEs could be collaborating with other Spanish firms at home, which are being promoted by the government according to expert A. Expert B found, for example, architects and engineers cooperating in groups of economic interest and hiring together an expert who will look for tenders. This type of alliances is also common in specific sectors like tourism, as expert D pointed. Second, Spanish SMEs would also cooperate with other Spanish firms already established in Senegal. Actually expert F highlighted the useful role that the *Asociación de Empresarios Españoles en Senegal* is playing. Finally, the last common type of alliance is the one that ties a foreign entrant with a local partner. This is the type that we would expect to produce better results in terms of the acquisition of the key market-specific knowledge. Nevertheless, only the experts E and F agreed on qualifying the use of these alliances as moderate, the rest assessed this type as of a low use. According to expert F, you need a Senegalese partner not only to capture relevant business and institutional knowledge, but also to make business possible. For example, if you want to export your products to Senegal, you should know that to do this successfully you have to cooperate with a Senegalese company; otherwise you will have to find a Lebanese ally because Lebanese has a long tradition and has the control of most of the imports in Senegal. Otherwise, you have to look as an ally to a freight forwarder.

Special mention deserves the formal alliances with Spanish private consultants specialized in international expansion toward Africa. Expert F highlighted that many unexperienced SMEs choose to get the support of an expert and some others with resources even hire an export manager to facilitate the development of the process. In expert C's opinion, there is no culture of considering this type of private specialized firms as a strategic resource to rely on in the medium- to long-run. Some unexperienced Spanish firms will contract a specific accompaniment to a particular meeting, for example, and then think that they can do the rest by themselves. Afterwards many of them will fail. This resource could help SMEs accessing to the right person in an informal context that otherwise is difficult to get.

Social ties

In relation with social ties, which refers to people that use proactively the relationship with others as a source of knowledge (Ojala, 2009), we must distinguish two important sources of knowledge: the relationship with Spanish people and the potential relationship with a Senegalese living in Spain. On the one hand, according to expert B, many entrepreneurs choose to enter Senegal because of a personal relationships, this could be connected with the idea of spillovers, because the higher the number of firms doing business in a particular foreign country from a specific region the greater the possibility in the region to build a personal relationship that could somehow connect your firm with that foreign market. On the other hand, because we can find many Senegalese living and working in Spain, some firms uses a contact with a Senegalese to develop a good business in Senegal, as expert F has pointed. Social ties, according to all experts, are a relevant source of knowledge useful to get general information and interest in the particular country and even to contact to key people in that country.

Spillovers

Spillovers from other firms and managers at home that has already succeeded doing business in Senegal is recognize as an important source of knowledge used by Spanish SMEs according to expert E. Besides, expert D put forward that some SMEs get everything organized to enter in Senegal just imitating good ideas of some firms already established there. But no doubt that in experts' opinion, the most important source of freely available information to help internationalization in general is Spanish government agencies that promote internationalization. Spanish government agencies are doing a tremendous effort to improve the implication and commitment of the Spanish firms in foreign market in general, like ICEX, or even in Africa, like Casa África. For instance, sometimes an entrepreneur has chosen Senegal because he/she decided to participate in a commercial mission organized by any public export promotion agency. They freely advise SMEs on, for instance, the potential risk associated with certain business practice. Expert F usually gives valuable information on the specific risk of doing business in Senegal and general information on taxation, legal and labor issues, etc.

Conclusions

This paper analyzes the types of knowledge SMEs from a developed economy require for a first entry in a developing economy ever, the most used sources for acquiring that knowledge, and the challenges they face in this knowledge acquisition process. Evidence from our qualitative study of the case of Spanish SMEs entering Senegal as their first entry in a developing economy offers preliminary support to some knowledge requirements, sources of knowledge, and challenges identified by previous literature. Also, this work helps discriminate the relevance of each type of knowledge, knowledge sources and challenges that SMEs face when entering a particular developing economy for the first time. As a result, contributions are offered to the international business literature. First, our empirical work suggest that the relevance of each type of knowledge, challenge, and sources involved in the process of knowledge acquisition is contingent upon the specific pair of countries involved. It is not just a question of national culture and institutions of the home and the host country, nor the specific distances between them, that of course are relevant. It is also a matter of the affinities and feelings between the parties. Hence, research in the international business field focused on this topic could benefit from the analyses of various cases involving different developing–developed country combinations before general models can be proposed to explain this phenomenon.

Second, with respect to knowledge requirements, our work suggests that it is market-specific knowledge and particularly institutional, opportunity recognition, and business ones, the types of knowledge that are really relevant when entering a developing market for the first time. The specific content of knowledge to be acquired will depend on the particular home and host countries. However, because SMEs are frequently unaware of the market-specific risks and transactions costs within each industry in a given developing market, as these risks and costs are almost inexistent in developed economies, being advised about these aspects of the business knowledge can be considered of high relevance to enter any developing country.

As far as challenges encountered by SMEs concerns, our work suggests that they are particularly contingent upon the context. They can be related to the home country – e.g., myopic managerial thinking, inflexible managers, or absence of a culture of cooperation, to the host country – e.g., relevant knowledge embedded in local networks, and to the specific combination of countries, albeit these latter did not show to be relevant in our case – e.g., local business network locked to the particular foreign country, overconfidence between the international partners. All these challenges hamper SMEs' awareness of the market-specific knowledge required. So, although we started this work with the premise that the key element for succeeding in foreign markets is the appropriate access to the required knowledge, in the case of the first entry in developing economies, our results disregard this premise. We have found that there is a previous challenge for some SMEs: to get beyond the understanding of firm's internationalization as a simple extension of the home business abroad. This could be suggesting that there is an additional way of managers understanding of the internationalization, which is previous to the four understandings uncovered by Lamb et al. (2011) for SMEs. For these authors, the first phase would be understanding internationalization as confronting opportunities. In this phase, owners focus on seeking knowledge and being knowledgeable about the nuances within different international markets. Our phase 0 of understanding is caused by a mix of challenges that are specific to the particular context under study.

Regarding knowledge sources, our study puts forward that each source of knowledge is useful to access to certain types of knowledge (Table 6). For example, learning by doing in the host country through market research is only useful when this research is firm-, industry-, and market-specific, so that it is extremely difficult to generalize across industries even within a given country. As a consequence market research carried out just as a desk research is not useful to acquire market-specific knowledge (e.g., business or institutional knowledge). Also, in cases where there exist people from a given developing market living in the SMEs' country of origin, as well as a high number of firms doing business in such developing market from the same home country, social ties become a relevant source of knowledge useful to get general information about the given developing country. Nonetheless, SMEs not always use the most appropriate sources of knowledge. This could be prevented by the challenges discussed above. This fact generates a gap between the appropriateness of each source of knowledge and the use that SMEs make of them, as it was found in the case of Spanish SMEs entering Senegal as their first incursion in developing economies.

Implications

This work can be useful for academics to propose the appropriate practical suggestions in the areas of public policy and private investors. First, export promotion organizations should take into account that they are specialized in the offer of different and complementary services that SMEs need when first entering into developing economies. So, our work suggests that public agencies and consulting firms should cooperate and coordinate their offers toward SMEs in order to assist them in their internationalization. Also our findings can help those agencies to adapt the services offered according to the relevance of each required knowledge, and the potential challenges SMEs can face. This is relevant as these managers could be in a very basic phase of internationalization understanding. Second, SMEs should be concerned not just about the host market conditions in a developing economy, but also about their own readiness to face the internalization process. So, some of them could find useful to be open to nearby managers that have previously succeeded in these type of markets.

Table 6
Suitability of knowledge sources to acquire the different types of required knowledge.

Sources of knowledge	Knowledge requirements			
	Internationalization	Business	Institutional	Opportunity recognition
Previous experience	Very useful	Not useful/a liability	Not useful/a liability	Could help/a liability
Learning by doing in the host country	–	Useful	Useful	Very useful
Business networks	Not need/could help	Could be useful	Could be useful	Very useful
Social ties	Not useful	Very useful	Very useful	Very useful
Spillovers	Could help/useful	Not useful/could help	Not useful	Very useful

Source: Prepared by the authors.

Limitations

Because the case study is based on the information gathered from export promotion organizations and private consultants that support Spanish SMEs entering Senegal, the information may be biased to firms that have decided to request those professional services. Therefore, in a case study focused on SMEs as the unit of analysis, both alone and accompanied firms should be included. Also, although our choice of SMEs from a particular developed economy entering a particular developing one as their first incursion in developing economies offers a suitable context to analyze the phenomenon under study, that choice risks any possibility to generalize the results. Further studies will benefit from the use of larger samples and alternatives methodologies that let comparisons among firms facing different linguistic, geographic, and institutional distances when first internationalizing to a developing economy.

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