

Business networking and internationalization: testing the mediation role of organizational learning

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Abstract

Purpose – The purpose of this study was to establish the mediation role of organizational learning in the relationship between business networking and internationalization of manufacturing small and medium-sized enterprises (SMEs) using evidence from Uganda.

Design/methodology/approach – This study is cross sectional and correlational. Data were collected through a questionnaire survey of 96 manufacturing SMEs. Data were analyzed through correlation coefficients, hierarchical regression and mediation analysis using Statistical Package for the Social Sciences and MedGraph - Excel Version.

Findings – Findings indicate that organizational learning partially mediates the relationship between business networking and internationalization of SMEs. Results further reveal that business networking and organizational learning significantly predict internationalization of SMEs.

Originality/value – This study contributes to the already existing literature on internationalization of SMEs as it provides initial empirical evidence on the mediating role of organizational learning in the relationship between business networking and internationalization of SMEs using evidence from a developing country – Uganda.

Keywords Internationalization, Business networking, Organizational learning, Small and medium-sized enterprises, Uganda

Paper type Research paper

1. Introduction

Internationalization of small and medium-sized enterprises (SMEs) has continued to attract the attention of both practitioners and academicians. Over the years, studies on internationalization of SMEs have become common but with calls for further research (*see; Anwar et al., 2018; Hennart et al., 2019; Sanyal et al., 2020; Vuorio et al., 2020; Wu and Deng, 2020*). The calls made

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by previous studies advocate for SMEs to develop strategies for internationalization given that SMEs are not yet represented in the international community as compared to large firms (Sanyal *et al.*, 2020). This poor representation is undesirable, since over 90% of businesses in developing countries like Uganda are SMEs (Ministry of Trade Industry and Cooperatives, 2015; Turyakira *et al.*, 2019). We believe that once SMEs are internationalized, they are likely to be more sustainable than remaining in their current status.

SMEs are the engines of growth for the development of Uganda's economy since they contribute more than 2.5 million jobs, produce more than 80% of manufactured products and contribute 20% of gross domestic product (Ministry of Trade Industry and Cooperatives, 2015; Namagembe *et al.*, 2019; Kimuli *et al.*, 2018). Bagher *et al.* (2019) indicate that internationalization enables SMEs to increase sales, create value and generate growth, access new knowledge and technologies. However, SMEs in Uganda have limited export capacity and consequently have challenges of competing internationally (NDP, 2020). As a result, of the top 500 business operating globally in Africa in 2017, Uganda has only three companies on the list, and surprisingly, none are in the manufacturing sub-sector.

Prior studies document a number of determinants of internationalization of SMEs for example firm resources and entrepreneurial orientation (Ngoma *et al.*, 2017), network competence and network relationship intensity (Ngoma and Ntale, 2014; Vahlne and Johanson, 2013; Ellis and Pecotich, 2001), organizational learning (Lord and Ranft, 2000), radical institutional changes and networks (Stoian *et al.*, 2016), entrepreneurship and network relationship (Amal *et al.*, 2010), ability to be an exporter, business age, size, intensity of research and development, growth rate and planning for export (Karadeniz and Göçer, 2007) and entrepreneurial orientation (Lan and Wu, 2010). In the presence of all the above studies, there seems to be no study that has interrogated the mediating role of organizational learning in the relationship between business networking and internationalization of SMEs using evidence from Uganda's manufacturing sector. We fill this research gap by reporting that business networking and organizational learning significantly predict internationalization of SMEs to the extent of 25%. Also, organizational learning is a partial mediation of business networking and internationalization of SMEs. We suggest that policy makers and management of SMEs uses this study results to enhance their operations.

The rest of the paper is organized as follows. Section 2 is literature review where hypotheses have been developed and this is followed by section 3 which is methodology. Section 4 is results while section 5 is discussion. The last section which is section 6 is summary and conclusion.

2. Literature review

2.1 Theoretical foundation

The network theory as developed by Johanson and Mattsson (1988) suggests that organizations' networks facilitate rapid internationalization. Johanson and Mattsson (1988) indicated that all firms in a market are considered to have links with their suppliers, subcontractors, customers and other market players in one or more networks. Emerson (1981) viewed a network as a series of two or more linked business relationships in which each exchange relationship is conceived as a collective actor between business firms. The theory indicates that internationalization of the business is a normal progression from network partnerships with international individuals and companies (Johansson and Mattson, 1988). As such, networking is a source of market information and knowledge that is acquired in longer terms when there are no relationships with the host country. Accordingly, SMEs can use their network to build trust with clients, get to know partners and become familiar with regulatory and public agencies in the international market (Paul, 2020). Qi and Chau (2018) added that networks enable firms to learn directly or indirectly from network members and using this knowledge, SMEs are likely to streamline their

operation in order to understand international cultures that are relevant in operating globally.

2.2 Business networking and internationalization of SMEs

Business networking is the interconnected and organized system of ongoing economic and non-economic relationships within and outside business enterprises (Yeung, 1998). In addition, Johanson and Vahlne (2003) described it as a series of interconnected business relationships in which each business relationship is conceived as a collective actor between business firms. In view of this study, business networking is described as the process of establishing and maintaining the relationships with other businesses. In their study of service firms, Ngoma and Ntale (2014) found that there is a significant positive relationship between network relationship intensity and internationalization. Further, Johanson and Kao (2010) also established business network relationships as one of the management techniques by which businesses can enter the foreign markets. Zain and Ng (2006) indicate that there is a positive and significant relationship between network relationship and internationalization of SMEs. The studies of Coviello and Munro (1997) and Zain and Ng (2006) have also proved that business network relationships are important in firm internationalization. Business networks help a company enter new markets through a series of linking nodes and relationships.

In another study conducted by Ellis and Pecotich (2001), it was reported that business networks are vital to the identification of new marketing opportunities, penetrate into global markets and attaining competitive advantages through accumulation of international awareness and/or creating structured cross-border business linkages (Naldi and Davidsson, 2014). More so, Knight and Liesch (2016) Specify that the creation and persistence of network relationships are considered to be an important part of the internationalization process, both as an outcome and as inputs. As an outcome, it is imperative that globally driven SMEs return to networks of partnerships that can provide useful knowledge (Ellis, 2000). As an input, business network information benefits may affect the performance effect of internationalization strategies (Eberhard and Craig, 2013). Given that scholars support the relationship between business networking and internationalization of SMEs, it is a worthwhile endeavor to reaffirm the previous scholars' claims by hypothesizing that:

H1. Business networking is positively related to internationalization of SMEs.

2.3 Organizational learning and internationalization of SMEs

According to Lundberg (1995), organizational learning refers to certain learning mechanisms that exist within organizations. It is also a collection of procedures by which organizations' performance is enhanced (Al-hashem and Shaqrah, 2012). This study views organizational learning as a process of learning which occur within organizations. Organizational learning can be categorized as inter-organizational learning and international learning. Inter-organizational learning entails companies learning from other institutions, by engagement and evaluation, through leveraging information bases of others (Lundberg, 1995). Organizational learning was measured in terms of knowledge acquisition, information dissemination and information interpretation (Templeton *et al.*, 2002).

Casillas *et al.* (2015) indicate that the more knowledge a company has gained through intense learning activities, the more it would be able to leverage and utilize that expertise through subsequent foreign action. Learning among SMEs can be viewed as inter-organizational and international learning. Inter-organizational learning takes place between SMEs and large organizations as partners that help SMEs to internationalize (Yli-Renko *et al.*, 2001) and through interacting with them, SMEs are able to acquire information about customer needs and market trends, select the highest-potential foreign markets, anticipate and prepare for the conditions in those markets. Through learning, SMEs

are also capable of improving global entry capacities to facilitate their internationalization strategy. According to [Casillas et al. \(2015\)](#), the more knowledge SMEs acquire from foreign learning activities, the greater the incentives SMEs have to work abroad. From the foregoing discussion, it can be hypothesized that:

H2(a). Organizational learning is positively related to internationalization of SMEs.

2.4 Mediating role of organizational learning

According to [Kenny and Fahy \(2011\)](#), well-coordinated business networks and human-capital resources positively and significantly influence international performance. Indeed, through the supportive effort based on combined activities between actors, business networks can generate complementary and multidisciplinary knowledge ([Eiriz et al., 2017](#)). As a matter of fact, [Peronard and Brix \(2019\)](#) confirm that knowing the organizational learning context and the challenges related with this learning allows for a better intervention and allocation of resources to improve service network. Therefore, in context of the current study we believe that, since business networking is positively associated with organizational learning and organizational learning is positively associated with internationalization of SMEs, it is reasonable to expect a mediation effect of organizational learning in the relationship between business networking and internationalization of SMEs. Hence, we hypothesize that:

H2(b). Business networking is positively and significantly associated with organizational learning.

H2(c). Organizational learning mediates the relationship between business networking and internationalization of SMEs.

3. Methodology

3.1 Research design, population and sample

This study is cross-sectional and correlational. The study population is 185 SMEs from which a sample size of 127 manufacturing and exporting SMEs registered with Uganda export promotion board operating in Kampala was determined using [Krejcie and Morgan Table of 1970](#). Manufacturing SMEs in Kampala were sampled because the district has the greatest concentration of business activities in the country ([UBOS, 2016](#)). As such, simple random sampling was used to select the firms and then a lottery approach was used to pick the final respondents. The unit of inquiry was the SME owners or the managers in case where the owners were inaccessible. Data of 127 SMEs (100% response) were captured from primary sources using self-administered questionnaire. This high response rate can be attributed to data collection skills and experience possessed by the researcher and the research assistants. However, the data cleaning process left 96 (76%) useable observations; 24% were discarded due to the errors made by respondents in the process of filling the questionnaire and thus could not give reliable results.

3.2 Sample characteristics

The results in [Table 1](#) indicate that majority of the respondents were male (67%) and only (33%) were female which implies that more males are working in manufacturing exporting SMEs in Kampala than their female counterparts. Regarding the age of the respondents, the results indicate that 40% of the respondents were in the age bracket of 30–34, 23% in 34–39, 21% in 25–29, 11% in 18–24 and 5% were in the age bracket of 40 and above. This implies that manufacturing exporting SMEs in Kampala are dominated by the youth in the age bracket of 30–34 who are actively managing and running the operations of these companies. Concerning the level of education, the study found out that 52% of the respondents had a bachelor's degree, 28% had master's degree, and 15% secondary and 5% had completed their primary level. This implies that majority of the owners and managers of the manufacturing

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| Item | Frequency | Percentage |
|---------------------------------------|-----------|------------|
| <i>Gender</i> | | |
| Male | 64 | 67 |
| Female | 32 | 33 |
| Total | 96 | 100 |
| <i>Age bracket of the respondents</i> | | |
| 18–24 | 11 | 11 |
| 25–29 | 20 | 21 |
| 30–34 | 38 | 40 |
| 34–39 | 22 | 23 |
| 40 and above | 5 | 5 |
| Total | 96 | 100 |
| <i>Level of Education</i> | | |
| Primary | 5 | 5 |
| Secondary | 14 | 15 |
| Bachelor Degree | 50 | 52 |
| Masters | 27 | 28 |
| Total | 96 | 100 |
| <i>Role of the Respondent</i> | | |
| Owner | 49 | 51 |
| Employee | 47 | 49 |
| Total | 96 | 100 |

Table 1.
Characteristics of the
respondents

Source(s): Primary Data

exporting SMEs in Kampala have a bachelor's degree. This therefore shows that they have the knowledge of running their companies to the extent of internationalizing to other countries. As for the case of the role of the respondents in the firm, the results indicates that majority of the respondents were the owners of the SMEs that were sampled (51%) and 49% were chief executive officers or manager that actively participated in this study. This implies that majority of the owners of these SMEs are active in the day to day management and running of their companies.

3.3 The questionnaire, validity, reliability and operationalization of variables

Data collection was collected using self-administered questionnaires with close ended questions. All the study variables had Cronbach's alpha coefficient and CVI above the cut off value of 0.7 as recommended by Nunnally (1978), implying that the instrument was reliable and valid. We operationalize internalization of SMEs in terms of product and market dimension (Luostarinen, 1970); operations (Chetty, 1999); and time of internationalization (Ruzzier and Konecnik, 2006). Organizational learning was operationalized in terms of knowledge acquisition, information dissemination and information interpretation (Templeton *et al.*, 2002) and business networking was operationalized in terms of quality of networking among SMEs and measurement items included; trust, coordination and information sharing (Wincent *et al.*, 2013; Bonner *et al.*, 2005). We also control for firm size and legal since according to Bartov *et al.* (2000) failure to control for confounding variables could lead to falsely rejecting the hypothesis when in fact it should be accepted.

4. Results

4.1 Descriptive characteristics

We present descriptive statistics for the study variables in Table 2. With respect to the dependent variable (internationalization of SMEs), we note that the mean is 4.19 and

| Variable | <i>N</i> | Min | Max | Mean | Std. Deviation |
|------------------------------|----------|------|------|------|----------------|
| Internationalization of SMEs | 96 | 3.19 | 4.82 | 4.19 | 0.431 |
| Operation mode | 96 | 2.25 | 4.88 | 4.05 | 0.585 |
| Market | 96 | 1.33 | 5.00 | 4.33 | 0.588 |
| Product | 96 | 2.25 | 5.00 | 4.25 | 0.592 |
| Time | 96 | 1.00 | 5.00 | 4.15 | 0.909 |
| Business networking | 96 | 2.80 | 4.85 | 4.26 | 0.342 |
| Trust | 96 | 2.43 | 5.00 | 4.25 | 0.425 |
| Coordination | 96 | 3.00 | 5.00 | 4.24 | 0.418 |
| Information sharing | 96 | 2.00 | 5.00 | 4.27 | 0.459 |
| Organizational learning | 96 | 3.52 | 4.83 | 4.35 | 0.288 |
| Knowledge acquisition | 96 | 3.43 | 5.00 | 4.38 | 0.316 |
| Information dissemination | 96 | 3.17 | 5.00 | 4.39 | 0.348 |
| Information interpretation | 96 | 3.11 | 5.00 | 4.26 | 0.433 |
| Firm size | 96 | 1.00 | 4.00 | 1.45 | 0.630 |
| Legal status | 96 | 1.00 | 3.00 | 1.05 | 0.266 |

Source(s): Primary data

Table 2.
Descriptive statistics

the standard deviation is 0.431. The means and standard deviations for business networking and organizational learning are 4.26 and 0.34, 4.35 and 0.28, respectively. Field (2009) argues that means and standard deviation represent a summary of the data while standard deviations show how well the means represent the data. The purpose is to establish whether the statistic means are a good fit of the observed data (Field, 2009). The standard deviations are small as compared to the means and this implies that calculated means highly represent the observed data (Field, 2009).

4.2 Correlation analysis results

We present our Pearson correlation coefficients in Table 3. Results indicate that there is significant relationship between business networking and internationalization of SMEs ($r = 0.438, p < 0.01$). This means that a positive change in business networking will lead to a positive change in internationalization of SMEs and therefore H1 is preliminarily supported. Results further indicate that there is a significant relationship between organizational learning and internationalization of SMEs ($r = 0.396, p < 0.01$). This means that a positive change in organizational learning will lead to a positive change in internationalization of SMEs and thus providing initial support for H2(a). Business networking is significantly associated with organizational learning ($r = 0.513, p < 0.01$) which means that businesses with networks learn from those networks. So, these results imply that a unit change in business networks will lead to 0.513 change in organizational learning. This further supports the idea that organizational learning can mediate the relationship between business networking and internationalization of SMEs. As it is for now, H2(b) is preliminarily supported. The correlation analysis results also show that, control variables that is, firm age, legal status and internationalization of SMEs are not significantly related at the 1% level. This implies that control variables do not confound the results of testing for the relationship between business networking, organizational learning and internationalization of SMEs. Consequently, the relationship between business networking, organizational learning and internationalization of SMEs is not affected by the control variables.

4.3 Mediation tests

According to Baron and Kenny (1986), mediation occurs if the following conditions are met:

- (1) Variations in the independent variable significantly account for variance in the presumed mediator;

Table 3.
Zero order correlations

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|------------------------------|----------------------|----------------------|---------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------|---------------------|----|
| Internationalization of SMEs | 1 | | | | | | | | | | | | | | |
| Operation mode | 0.626 ^{***} | 1 | | | | | | | | | | | | | |
| Market | 0.559 ^{***} | 0.102 | 1 | | | | | | | | | | | | |
| Product | 0.603 ^{***} | 0.232 [*] | 0.302 ^{**} | 1 | | | | | | | | | | | |
| Time | 0.741 ^{***} | 0.327 ^{***} | 0.151 [*] | 0.149 | 1 | | | | | | | | | | |
| Business networking | 0.438 ^{**} | 0.441 ^{***} | 0.231 [*] | 0.146 | 0.302 ^{**} | 1 | | | | | | | | | |
| Trust | 0.374 ^{***} | 0.453 ^{***} | 0.211 [*] | 0.099 | 0.217 [*] | 0.832 ^{**} | 1 | | | | | | | | |
| Coordination | 0.357 ^{***} | 0.381 ^{***} | 0.114 | 0.079 | 0.308 ^{**} | 0.750 ^{**} | 0.485 ^{***} | 1 | | | | | | | |
| Information sharing | 0.306 ^{***} | 0.219 [*] | 0.217 ^{**} | 0.163 | 0.193 | 0.779 ^{**} | 0.490 ^{***} | 0.315 ^{***} | 1 | | | | | | |
| Organizational learning | 0.396 ^{***} | 0.232 [*] | 0.342 [*] | 0.214 [*] | 0.241 [*] | 0.513 ^{**} | 0.423 ^{**} | 0.352 ^{**} | 0.432 ^{**} | 1 | | | | | |
| Knowledge acquisition | 0.330 ^{***} | 0.166 | 0.348 ^{**} | 0.161 | 0.189 | 0.466 ^{**} | 0.337 ^{***} | 0.343 ^{***} | 0.418 ^{***} | 0.771 ^{***} | 1 | | | | |
| Information dissemination | 0.158 | -0.060 | 0.226 [*] | 0.234 [*] | 0.039 | 0.182 | 0.132 | 0.096 | 0.196 | 0.731 ^{***} | 0.365 ^{**} | 1 | | | |
| Information interpretation | 0.422 ^{***} | 0.389 ^{***} | 0.246 [*] | 0.122 | 0.311 ^{***} | 0.536 ^{***} | 0.492 ^{***} | 0.375 ^{***} | 0.400 ^{***} | 0.845 ^{***} | 0.514 ^{***} | 0.387 ^{***} | 1 | | |
| Firm size | 0.101 | 0.162 | -0.019 | -0.049 | 0.133 | -0.010 | 0.027 | -0.048 | -0.005 | -0.091 | -0.043 | -0.154 | -0.026 | 1 | |
| Legal status | 0.018 | -0.066 | 0.067 | -0.033 | 0.055 | -0.089 | -0.104 | -0.076 | -0.032 | -0.083 | -0.149 | 0.004 | -0.060 | 0.298 ^{**} | 1 |

Note(s): ***Correlation is significant at the 0.01 level (2-tailed)

*Correlation is significant at the 0.05 level (2-tailed)

Source(s): Primary data

- (2) Variations in the mediator significantly account for variance in the dependent variable;
- (3) Variations in the independent variable significantly account for variance in the dependent variable;
- (4) The effect of the independent variable on the dependent variable significantly reduces when the mediator is included in the equation.

The results of the three regressions in Table 4 show that the Baron criteria for establishing mediation effects have been met. First, business networking accounts for a significant proportion of variance in internationalization of SMEs ($\beta = 0.438, p < 0.01$). Second, business networking accounts for a significant proportion of variance in organizational learning ($\beta = 0.513, p < 0.01$) and thus providing support for H2(b). Third, organizational learning accounts for a significant proportion of variance in internationalization of SMEs ($\beta = 0.232, p < 0.01$). Last, the absolute effect of business networking on internationalization of SMEs reduced in the third model ($\beta = 0.319$) from that in model 1 ($\beta = 0.438$). Thus, all conditions have been met, thereby establishing organizational learning as a true mediator in the relationship between business networking and internationalization of SMEs.

However, it is noted that the Baron and Kenny (1986) steps are at best a starting point in mediation analysis. A further step was taken to test the significance of the mediation effect. In order to do this, a Sobel z-value was generated through a MedGraph. The results in Figure 1

| Predictor | Internationalization of SMEs Model 1 | | | Dependent variable Organizational learning Model 2 | | | Internationalization of SMEs Model 3 | | |
|-------------------------|--------------------------------------|-------|---------|--|-------|---------|--------------------------------------|-------|---------|
| | B | SE | β | B | SE | β | B | SE | β |
| | Constant | 1.841 | 0.500 | | 2.506 | 0.319 | | 0.968 | 0.631 |
| Business networking | 0.553** | 0.117 | 0.438 | 0.432** | 0.075 | 0.513 | 0.402** | 0.134 | 0.319 |
| Organizational learning | | | | | | | 0.348** | 0.159 | 0.232 |

Note(s): **Significant at the 0.01 level

Table 4. Mediation tests

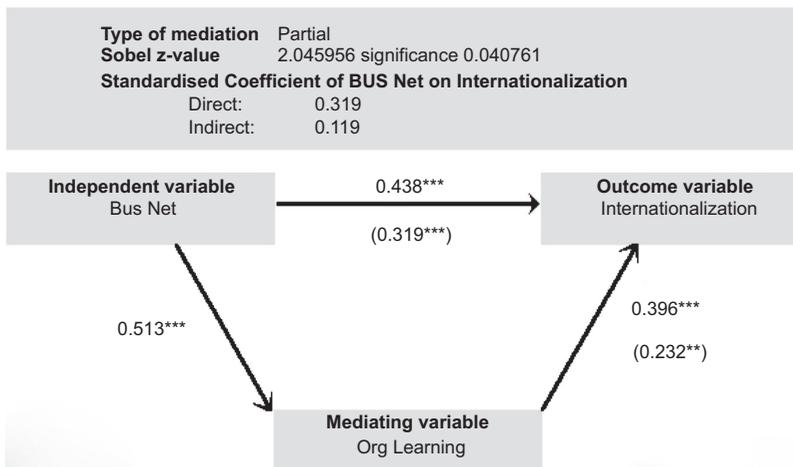


Figure 1. A MedGraph showing the mediation effect of organizational learning in the relationship between business networking and internationalization of SMEs

(MedGraph) indicate a large and significant Sobel z -value 2.05 ($p < 0.05$). The figure shows that when organizational learning is introduced, the standardized beta (β) for the relationship between business networking and internationalization of SMEs reduces from $\beta = 0.438$ to $\beta = 0.319$. This confirms that organizational learning mediates the relationship between business networking and internationalization of SMEs and thus H2(c) is supported. Further still, since the correlation between the business networking and internationalization of SMEs has not been reduced to zero after introducing organizational learning, it implies that a partial type of mediation exists. A ratio index (i.e. indirect effect/total effect) of 27% given by $(0.119/0.438 \times 100)$ was computed. This indicates that 27% of the effect of business networking on internationalization goes through organizational learning, while the 73% is a direct effect.

4.4 Regression analysis results

Because correlation analysis results provide preliminary support for the hypotheses, we further run the hierarchical regression to confirm our study hypotheses and to establish the contribution of the independent variables to the dependent variable. In a hierarchical regression analysis, variables are entered into the system following a suitable criterion. According to Field (2009), predictor variables are selected based on past work and the experimenter / researcher decides in which order to enter the predictors into the model. Our model 1 is the baseline model which contains control variables. Control variables were entered first to eliminate the noise. In Model I, control variables were not significant and this implies that control variables do not confound the results of testing for the relationship between the main study variables. For the main study variables, business networking was entered first since it was the most significant in the correlation analysis results and this was followed by organizational learning. In model II, business networking is entered into the model and it is significant. In Model III which is the final model, Organizational learning is introduced and it is significant.

The overall model is statistically significant with the two predictor variables (business networking and organizational learning) accounting for 21.5% of the variance in internationalization of SMEs. We used standardized β to report our results in Table 5. The standardized values were used in this study and not the unstandardized because, the later takes on real values with no common measurement and yet this study had control variables which were measured differently from the study variables. Field (2009) explains standardization as a process of converting a variable into a standard unit of measurement and the unit of measurement typically used is standard deviation units. Therefore, standardization allows the researcher to compare data when different units of measurement have been used. Of the two main study predictor variables, business networking had a higher standardized. In terms of hypothesis testing, H1 and H2(a) are confirmed.

| Item | Model I | Model II | Model III | VIF | Tolerance |
|---|---------|----------|-----------|-------|-----------|
| Constant | 4.112 | 1.677 | 0.720 | | |
| Business networking | | 0.441** | 0.315** | 1.366 | 0.732 |
| Organizational learning | | | 0.248** | 1.370 | 0.730 |
| <i>Control Variables</i> | | | | | |
| Firm size | 0.105 | 0.098 | 0.118 | | |
| Legal status | -0.013 | 0.028 | 0.031 | | |
| Model F | 1.491 | 7.840** | 7.517** | | |
| Adjusted R Square | 0.011 | 0.178 | 0.215 | | |
| R Square change | 0.010 | 0.193 | 0.045 | | |
| Durbin Watson | | | 1.879 | | |
| Note(s): **Significant at the 0.01 level | | | | | |

Table 5. Hierarchical regression analysis

5. Discussion

According to the present results, business networking and organizational learning are significant predictors of internationalization of manufacturing exporting SMEs. Further, it can be noted that organizational learning mediates the relationship between business networking and internationalization of SMEs. If SME owners and managers improve their networks through giving out business cards, attending local and international seminars, workshops and conferences, there is a strong possibility of getting information about markets in other countries. In addition, as SMEs owners and managers develop trust with other SMEs, they can establish alliances and sell their products jointly to international markets. Our findings are in agreement with studies conducted by previous scholars for example [Ngoma and Ntale \(2014\)](#), found that network relationship and intensity significantly predict internationalization of service firms in Uganda. Similarly [Chetty and Wilson \(2003\)](#) revealed that SMEs rely on their network relationships to learn about internationalization, to select their mode of internationalization, to acquire information about new markets and to acquire resources from them in order to internationalize. Furthermore, [Zain and Ng \(2006\)](#) confirmed that the small software firms often relied on network relationships in their internationalization processes in terms of market selection and mode of entry. The types of networks mentioned in their findings include relatives, an ex-employer, friends and contacts. In one of their cases a network member whom the case firm trusted and had confidence in, partly drove the case firm to expand to a new market. [Coviello and Munro \(1995, 1997\)](#) asserted that network ties shapes and drives small software firms' internationalization process.

There exists no studies that directly link organizational learning and internationalization of SMEs, and in this study, we provide an initial empirical evidence of the relationship between the two. It is important that an organization learns and put the knowledge acquired into practice. Once the employees of an organization are aware of handling international markets in a timely manner, then internationalization will be realized. The knowledge and skills obtained from peers and institutions of higher learning need to be put in practice in an organization to achieve organization objectives. In relation to mediation effects, the study findings indicate organizational learning partially mediates the relationship between business networking and internationalization of SMEs. This signifies that the entire effect does not only go through the main predictor variable (business networking) but also organizational learning. Hence, a specific mechanism or pathway by which a relationship occurs between business networking and internationalization of SMEs is direct, though organizational learning partially mediates the connection between the two. [Beckman and Haunschild \(2002\)](#) confirmed that SMEs with broader networks make them exposed to more experiences, various competencies and added opportunities. Businesses therefore need to embrace learning in their operations. According to [Kenny and Fahy \(2011\)](#), well-coordinated business networks and human-capital resources positively and significantly influence international performance ([Kenny and Fahy, 2011](#)). Additionally, supportive effort based on combined activities between actors, business networks can generate complementary and multidisciplinary knowledge that translates into internationalization of SMEs ([Eiriz et al., 2017](#)). So, businesses that embrace organizational learning will be able to capture markets outside their locality especially if they have developed business networks. Whereas businesses may develop networks and explore international markets such as the European Union, they may fail to maintain those markets if they do not learn how to manage those markets. Our argument in this study is that through the networks, business gets exposed to the international markets. Also, it is through the networks that organization learns the various norms of different markets. Our conclusion is as businesses create networks, they should be able to learn from those networks as this will enable such business to prosper at the international markets.

6. Summary and conclusion

This study aimed to establish the contribution of business networking and organizational learning on internationalization of SMEs. This was achieved through a questionnaire survey of 96 SMEs where either the SME manager or the owner was considered for the study. Results suggest that business networking and organizational learning are significant predictors of internationalization of SMEs. Results further indicate that organizational learning is a partial mediator of the relationship between business networking and internationalization of SMEs. This study makes several contributions to the academicians, policy makers and the business community.

The study contributes to the existing literature by providing initial empirical evidence on the contribution of business networking and organizational learning on internationalization of SMEs. The study further documents that organizational learning mediates the relationship between business networking and internationalization of SMEs. Policy makers and management of SMEs may have to promote networking in their firms to improve their performance internationally. It is also important that organizational learning in form of training employees is done frequently and possibly in each year as this has a positive impact toward internationalization of SMEs. Lastly, society must appreciate that once they join the SMEs or any other sector concerned with provision of goods and services, networking and organizational learning is vital. Like any other study, this study also has limitations. The study predictor variables only explain 21.5% of the variance in internationalization of SMEs and this implies that there are other predictors of internationalization of SMEs. Future research could explore other determinants of internationalization of SMEs both in Uganda and outside Uganda. None the less, this study provides initial empirical evidence on the contribution of business networking and organizational learning.

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