

Internationalization of SMEs

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Chapter Introduction

1.1 Background

Internationalization, as well as globalization or cross-border expansion of markets, seems to be the natural trend in the evolution of the commercial activity of companies (Liñán et al., 2019). Although this phenomenon occurred with some fluency before the Second World War, it was hindered by the restrictions that the Cold War brought on access to information and the free flow of goods. However, the dynamics of globalization, the reduction of international barriers to the flow of goods and information, the high availability of investment capitals and the accelerated decrease in the logistics costs of international operations in the decade of the 90s, and the emergence of emerging economic sectors of great international potential such as biotechnology, completely changed the assumptions that the activity and profile of the international company had (Fayolle et al., 2017); what has led to the emergence of varied and increasingly complex (more comprehensive) explanations of internationalization; particularly of the SMEs.

In depth knowledge that provides documentation on the internationalization of SMEs contrasts with the scarcity of empirical work on the internationalization of companies based in developing countries (Kafouros et al., 2008; Fletcher, 2007; Crick and Spence, 2005). In addition, it has become common to read that internationalization is a calming factor in the international climate (Torres, 2007). Cruz (2010) performs an empirical investigation in 100 companies from 3 countries: Argentina, Bolivia and Panama, selected according to the ease of access to companies. It concludes that the vast majority of companies (65%) indicate that access to internationalization has been gradual; while a minority (11%) indicates that it has been at high

speed; while an important fraction of the interviewees (24%) expressed their status as "global born" companies.

In the case of small and medium enterprises (SMEs), the intention to reach international markets has been a constant doubt, and not so complex to answer for first world countries, where technological and cultural conditions have allowed access to international market with a successful methodology. For example, the markets of each region are just beginning a stage of exploratory internationalization, which raises the need of the global market.

Escandón and Hurtado, 2013 point out that the decision to enter a foreign market arises from the analysis of the global strategy considered to compete internationally, which depends on the competitive advantage in resources and capacities of the sector, of the country of origin or strategic alliances. Resources and ownership of specific advantages are important factors for the internationalization process of a firm (Gaur et al., 2014). It is necessary to emphasize that a sustainable advantage demands not only the ownership of assets and knowledge difficult to replicate, but also requires an exclusive battery of dynamic capabilities, which can be acquired and continuously created, extended, protected and maintained as a unique asset base. In the work of Lin and Wu (2014), they find that dynamic learning capacities mediate more effectively the consolidation of the most valuable, rare, inimitable and non-substitutable resources available to a firm.

Literature explores various theories or authors who made developments on factors to explain the process of accelerated internationalization of SMEs (Child and Hsieh, 2014; Daszkiewicz and Wach, 2012). The essence of internalization is based on a company chooses to exploit its assets internally (Ownership advantages), and safeguard that knowledge that gives

them superiority in their industry. In addition it is more profitable for the omission of the costs associated with the imperfections of external markets.

1.2 Rationale

The significance of this paper is to explore the strategy and approach of SMEs in the process of Internationalisation. The firm's strategy acquires a new dimension that implies, for example, that the competence of the firms is not located in the development of new products but in the capacity incorporated to develop these. This implies that the strategy must recognize how the firm needs to unlearn much of its past before finding its future. Therefore, the strategy is less concerned with obtaining a precise fit between goals and means and more with creating flexible goals that challenge employees.

1.3 Purpose of the Study

This paper aims to carry out an analytical review of the main approaches in the internationalization of SMEs and what are the main barriers of internationalisation for SMEs.

1.4 Research Questions

- What are the different theories and models of Internationalisation?
- What is the best approach for an SME to go global?
- What are the main barriers in the process of Internationalisation for SMEs?

Chapter 2 Literature Review

The internationalization process has long been at the heart of research (Meyer and Gelbude, 2006). Yener et al (2014) in their study explained, through research of previous literature and ethnographic study on an SME in Turkey, that SMEs face numerous challenges in their process of internationalization. Saeedi et al. (2012) in a longitudinal Study of a Pharmaceutical company in Iran discussed the rapid internationalization through single case study as the research strategy. Hauge and Havnes (2011) conducted a longitudinal study through two case studies of small Norwegian firms and discussed number of factors which may contribute in different patterns of development.

2.1 Models of Internationalisation

SMEs understand internationalization as a systematic and planned sequence of activities that, with the incremental use of information, facilitate the incursion into international markets by companies, implying with the passage of each stage, a higher level of evolution in administrative practices.

2.1.1 Hybrid model

In the experimental learning model there are only two phases: background and execution. In the background phase, the Uppsala School argues, that to a large extent the drivers of internationalization are the competences of the company, such as technology, innovation capacity, international experience and entrepreneurship (Li et al., 2014). The addition that makes the hybrid model is to consider that there are motivational aspects such as market research, consumer tracking and the acquisition of technology. Between the background and the execution, the hybrid model adds a third, which is planning, the backbone of the systematic planning model. This phase originally includes a sequence of market research, market choice and

selection of the entry mode. In the hybrid model version this sequence is not rigid and market research can be fed back with choice of the mode of entry, to the extent that in reality these decisions are made many times at the same time (Li et al., 2014).

According to Gann (2016), in the execution phase, internationalization is gradually increasing its level. This is how it evokes a low level of commitment and risk at an intermediate level that finally gives way to the high level; for example, production by subsidiaries, that is, physical production in distant markets. Here again the hybrid model includes the feedback of the different levels while there are new companies that have a global vision since their conception, which makes the scale of increasing involvement travels very quickly or even starts from the same state High level of commitment.

2.1.2 Network Theory and Model

Johanson and Mattsson (2015) said that the networked approach can be seen as an extended version of Uppsala model. Depending on the degree of involvement of the entrepreneur in a reticular system, two possible types of strategies one known as "alone" other qualified cooperative (Casper, 2007; Stuart et al., 2007; Laghzaoui, 2006).

For network models, internationalization occurs through the establishment and construction of new relationships (Fillis, 2011). With the network model, Etemad and Wright (2009) highlight how international growth is based on sharing the complementarity of competitive advantages with other firms. In this way, the most powerful partner has complementary advantages, which makes it possible to maximize the benefits of the partner (Etemad and Wright, 2009). Network theory seeks to explain internationalization through business cooperation mechanisms as a way to penetrate international markets collectively.

In short, network theory provides a broad understanding of the motives for SMEs to enter into agreements with other local or foreign companies. The network provides information advantages that predispose companies to expand their international presence. In addition, the position of the company within this network influences its ability to collaborate and partner available to him. Taking this definition, Arenius (2005) has shown that companies that internationalize can use their social capital to access relevant information and access to this information proves to be less costly and more effective than when obtained by mobilization of formal mechanisms. At present, this is one of the approaches to the internationalization of techno-logical-based companies that has received the most empirical research (Coviello and McAuley, 2009)

2.1.3 Holistic model

e Silva et al. (2018) said that in the holistic perspective, the process of internationalization occurs in any (and in all) of the parts of the value chain of a company from the conception and design of what is going to be produced, through the production and including the usual phases such as distribution and marketing. On this basis, internationalization is conceived as the process of formation of transnational external links made by companies over time, as of its founding date. For this work, three types of links are considered: the directional ones (internal, external and cooperative), the integrational ones (external transactional and internal or investment) and the functional ones or value chain (I D, production, distribution marketing).

2.1.4 Incremental Theory

Tykesson and Alserud (2011) have conducted a case study of three SMEs and confirm the applicability of Uppsala model but has also said that it is very general and that is why it is not

able to explain the complexities of internationalization process. Baiyeshea (2016) through a critical literature review discussed various incremental stages of internationalization of SMEs.

This approach has dominated the theories of internationalization and its empirical validity has been widely confirmed (Hutchinson et al., 2005). Over time, we realized that it hardly corresponded to the situation encountered by most SMEs. This is in order to better fit the reality of small and medium size companies that developed network theory.

2.1.5 The Economic Approach

The school of economic thought in which the authors seek to illuminate the process of internationalization of SMEs borrow often is the theory of international trade and, in particular, the part concerning foreign direct investment (FDI thereafter). Rather than wait to have gained experience on local markets, the company will internationalize creating or acquiring a production site in a country other than their country of origin. Often companies of this type create their subsidiaries abroad without involving local partners or mobilize any network resources (Bodolica and Spraggon, 2006). The reasons for this strategy without alliance driven by the search of benefits deriving an asymmetric distribution of information. Disclosure to members of a network of information related to assets or products of the company internationalized potentially could indeed seriously undermine the comparative advantage so dearly acquired.

This research Study investigates and tries to find out the best model and approach for SMEs in internationalization process.

2.2 Internationalisation of SMEs in UK

Kalantaridis (2014) carried out a comparative research on the inter-nationalization of SMEs and their strategic behaviour in comparison with the way in which medium and large companies in clusters in UK access international markets. To assess the relationship between the

variables, the author collected information through telephone surveys, which included questions to investigate the presence of export activities, the incidence of international competition in the domestic market and the identification of the size of the firm. In order to analyze the relationships between the size of the company, the dimensions of internationalization and the strategy of the company, it developed contingency tables and used measures to compare the methods that were used in instances where the internationalization variables they resulted in ordinal data and intervals respectively.

Kalantaridis (2014) used the Chi-square method, the analysis of variance of tests and Spearman's correlations to determine statistical significance. Depending on the dimensions of inter-nationalization, the results of the study show that SMEs have difficulties in managing multidimensional international operations. Therefore, by grouping companies based on the internationalization dimensions above, the results showed that 48% of small businesses maintained international operations in one of three dimensions. This shows that there was a significantly lower incidence in small businesses that manage multidimensional international economic activities than among medium or large companies.

The study indicates that about 40% of the companies surveyed care more about day-to-day management; therefore, they were not willing to develop and implement a strategy. The development strategy is identical in the three sizes of companies when they take into account a one-dimensional internationalization. According to the results, the variation in the intensity of the strategic relationships takes place according to the activities of each business, so that such intensity does not affect the relationship between the size of the firm and the internationalization dimensions.

2.3 Barriers to internationalisation of SMEs

Due to their particular characteristics, SMEs face greater challenges than large companies at the time to enter foreign markets. Rahman et al. (2017) distinguish between internal and external barriers and establish subcategories within each of them. Johanson and Vahlne (2009) talk about the "psychic distance" in Internationalization. However, in the analysis of the data some barriers were identified that are important

- Tariff barriers and non-tariff barriers;
- Government policies and Immigration regulations;
- Changes in immigration policies;
- Fluctuations in currency exchange rate;
- Language differences;
- Currency exchange;
- Foreign customer expectations

Other studies, such as the one carried out by Hockey (2015) with the Australian government, the productivity commission began an investigation in Australia to companies that export or have tried to export services, where the idea was to examine obstacles to export growth, barriers, obstacles Internal and export process took data based on the theory of resources (Barney, 2011). For Hockey (2015) his research is composed of barriers that compromise

- Quality services of the company to export;
- Resources and capacities of each country;
- Reputation of the company and country;
- Cultural diversity;

- The brand and the image of the country

The following barriers were classified:

2.3.1 Internal Barriers

- Staff training to offer the service (technological skills, second language management, market knowledge and export conditions);
- Quality services of the company to export;
- High costs to start or sustain the company or business;
- Compliance with quality standards to be able to provide the tourist service (regulations such as registration, certifications and recognitions);
- Technical standards such as ease to perform online transactions (communication with customers, advertise services, make virtual payments, establish agreements and deliver virtual products)

2.3.2 External Barriers

- Tariff barriers and non-tariff barriers;
- Government policies and immigration regulations;
- Exchange rate fluctuations and exchange rate differences in exchange houses;
- Resources and capacities of each country (taxes, ease of doing business);
- Company image and country image (country brand): how they see the company from outside

2.3.3 Environmental Barriers

- The cultural differences between consumers and the suppliers affect the business (habits, negotiation, language, etc ...);
- Preferences and expectations of the foreign customer;

- Competition in the offer of services: several companies offer similar services

According to Hasim et al. (2018), in the category of general factors, the environment is the most significant barrier of the 3, this is because the culture, language, customer expectations, more important to get to make an internationalization inward, as factors of greatest influence in the provision of the service. Each barrier has individual factors. Thus, in the internal barriers the most important factor was the training of personnel, since it must be a basic and main issue for the company when one talks about services that are provided to a type of tourism and the effective management of a good selection of personnel.

These are some of the actions that can most benefit a business activity. In the external barriers the most important was the exchange rate. In the environmental barriers the most important factor is culture, which can be a significant barrier since it marks success or failure in an internationalization process, not only in language but also customs and forms of relationships (Odunukan et al., 2018). There are some obstacles that are located in the last places, so they were not considered so relevant. They are regulation and migration policies, but they are taken into account since in some countries they take on more importance.

Chapter 3 Methodology

3.1 Introduction

The validity of the research works is closely related to the scientific rigour applied when selecting and using a research methodology, be it qualitative or quantitative. In this sense, the selection of a particular type of methodology will depend on the object of study proposed. On this occasion, the object of study is aimed at obtaining preliminary evidence of the possible factors that induce SMEs to follow an accelerated internationalization model.

Therefore, this study is exploratory and descriptive, which will probably be an input that will serve as a basis for the execution of other future investigations, which deal with this study object in greater depth. Hence, the methodology used for this research is the qualitative one, supported by the bibliographic study and the multi-case strategy.

3.2 Types of Research Methodologies

The type of methodology that should be used in any research work goes hand in hand with the objectives and characteristics of the object of study. In social sciences two approaches related to research processes are presented: qualitative research and quantitative research (Bryman, 2016). Although there are very marked differences between the two approaches, they are not antagonistic or independent of each other; both make positive contributions in their eagerness to offer explanations of the reality in which we live. Likewise, the two approaches can complement each other, that is, be integrated through a triangulation in order to develop knowledge (Turner et al., 2017).

Qualitative research facilitates this research study (Flick, 2018). This type of methodology is considered much more flexible and open and it allows observing other peripheral phenomena and / or related to the object of study, just when it is being applied. Therefore, the performance of the researcher (person known by the subject) plays an important role interpreting, linking or interconnecting situations and opinions, forming a close relationship between the researcher and the subject under study (Bryman, 2016; Silverman, 2016). Therefore, this approach is more oriented to the understanding of the phenomena within a context, than to their explanation (Silverman, 2016), this is precisely one of the causes for which the results cannot be inferred to a population (Flick, 2018).

On the other hand, quantitative research emphasizes on the construction of instruments and a scientific rigor defined by the statistical precision and replicability of the results (Nardi, 2018). Under this approach, the researcher cares about visible phenomena; the theory is what guides the reflection and also makes use of variables and indicators susceptible to measurements and controls. In general, this methodology emphasizes quantitative aspects. In general, relationships are causal and the use of dependent variables and independent variables is common (Bryman, 2016). Likewise, it relies on data collection techniques such as: questionnaires, statistical models, experimental research and other similar ones. Something to highlight in this methodological approach is that the findings found can be inferred from a population, once an adequate selection of the sample has been made.

It should be remembered that the objective of the present study is to identify the possible factors that affect the creation of companies of accelerated internationalization and then check if these factors are similar or differ from those identified in other countries of greater economic development (United States, Canada, among others) found in the literature reviewed.

In this sense, given the particulars of this study, which seeks to deepen knowledge through the exploration of an event within a new context, it was considered that the qualitative methodology, by its nature, has been the research tool that best suits our purposes. One of the methodological strategies commonly used in the qualitative approach is the case study. This research study opted for qualitative research with case study research and with extensive fieldwork through the use of semi-structured interviews. The interviews were prepared with an open-ended questionnaire based on the concepts covered in the theoretical framework. The selection of questions corresponds to the purpose of this work. They were prepared with the objective that the participant provides extra information to the interviewer.

3.3 Case studies as a research strategy

The case study method as an analytical research strategy, serves to order and present the information of qualitative works, based on the deep explanation of a case or several of them (Hancock and Algozzine, 2016). Yin (2017) tries to define the case study as a research strategy that includes all the methods of incorporation logic in the design of specific approaches for data collection and analysis of these. This investigator suggests that the case study turns out to be a good option for presenting the results, when the investigator is faced with the following situations:

- When you need to answer the questions of how and why of an event(s)
- When you cannot control the event you are investigating.

Hancock and Algozzine (2016) add two aspects, additional to those exposed by Yin, which are directed in the following sense:

1. The objective is to investigate in depth a certain process while preserving the total vision of the phenomenon;
2. There is no intention to establish a statistical generalization of the event studied.

Likewise, Yin (2017) points out two distinctive characteristics of the case study, these are: first, that it is a contemporary phenomenon that develops in the context of real life and second, that the boundaries between the phenomenon and the context do not clearly evidenced. This last element results in Yin (2017) establishing differences between case studies, establishing three different types: exploratory, descriptive and explanatory. The exploratory investigate situations that do not yet have a well-defined theoretical framework or where there is no clarity regarding the different theoretical results obtained, the descriptive ones analyze how phenomena occur in real life and the explanatory ones focus mainly on studying very complex phenomena and try to identify the causes or why they occur in real life (Yin, 2017).

The cases can also be single or multiple. Multiple cases are used when we want to empirically evaluate pre-established theories or construct new theoretical explanations of the phenomena that are being investigated (Ridder, 2017; Yin, 2017).

In another order, the generalization of the results obtained through the case studies has been highly questioned. Yin (2017), states that the results obtained from these studies should be generalized analytically and not statistically. In this regard, he notes that the cases do not constitute a representative sample of a phenomenon, therefore, the results should not be generalized to a population; failing that, the theory becomes the pattern by which the empirical results of a case study can be compared. These results can be used in other contexts, under

similar theoretical conditions, using the analytical procedure of associated patterns (Ridder, 2017).

Finally, taking into consideration the objective of the investigation and the particular characteristics already indicated on the case studies, it is observed that this methodological strategy is adapted to the needs and requirements of our investigation, especially the exploratory type.

3.4 Research Design

Based on what is established by Yin (2017), the research design is an action plan in which each of the stages that comprise a research process is described sequentially. For this purpose, it begins with the questions proposed in the initial stages of the study and from here, other activities arise such as the collection and analysis of the data, which then lead to the formulation of the conclusions or responses to the previously established propositions.

The five phases of the research design proposed by Yin (2017) and used in this study are:

- Study or research issues
- Initial proposals
- Unit of analysis
- Logic that links the data with the propositions
- Criteria used to interpret the data

In addition, through the evaluation of the perception of three interviewees with a different vision, using a previously designed questionnaire, the culture is related to the early internationalization of these small companies.

3.5 Research issues

In order to achieve the objective of this research that has already been mentioned and based on the perceptions and valuations obtained by the general managers and founders of the companies that were subject to study since they have followed accelerated internationalization processes, we proceeded to formulate two initial research questions set out below:

- What factors influence the existence of SMEs with accelerated internationalization?
- Will the factors that promote the birth of SMEs with accelerated internationalization in developed countries be the same?

3.6 The unit of analysis

In order to define the unit of analysis, it was necessary to establish several criteria that the companies that were chosen as case studies must meet, it is necessary to operationalize the concept, because there is no criterion that qualifies in a single way the companies of rapid internationalization, hence, that arbitrary criteria used in this regard have emerged. In view of the above, it was decided to consider for this investigation three operational elements that are indicated below:

1. The type of company;
2. The time elapsed since the foundation of the company and the period in which it begins its internationalization activity;
3. The percentage of production that companies sold in foreign markets.

It is worth clarifying that the incursion to a specific number of countries or continents was not considered, therefore, the scope of internationalization included one or more countries equally.

To rate the interviews and add relevant value to this work, three respondents are selected that already act with the issue of internationalization with a focus on SMEs. The data collected through the interviews were transcribed in Word documents and structured according to the format of this work, with comparative analysis of participants' perceptions and cultures.

3.7 Criteria for interpreting the data

The data were interpreted from the connection between the empirical evidence obtained from the four case studies, with the expected theoretical model and pattern. For this purpose, comparative tables were prepared by means of which the degree of compliance with the associated factors was achieved in each of the established dimensions and therefore, in each of the cases studied, all this based on the assessments made by the interviewers.

As it is an in-depth evaluation and a work focused on internationalization, recognized professionals were chosen according to the limitation of this work. Within the incentive process, a copy of the model used to attract companies from the United States based on the born global concept. This was the basis to meet the objectives proposed by the questions below:

1. What is your knowledge in the internationalization of small businesses?
2. What is your perception and projection of small businesses in the international market for the next few years?
3. What is your diagnosis about the internationalization of small businesses?

4. What success experience did you find in the market that you could comment on as a success story?
5. What are the main steps executed by this company that caught your attention in the light of international management?
6. How do you think a small business with a focus on internationalization would be activated with governmental and non-governmental support?
7. What would be the expected results if we apply your optimistic and pessimistic perspectives in the short, medium and long term? What would be the consequences?

3.8 Validity criteria used in the investigation

Based on Yin (2017), construct validity was achieved in this investigation by combining different sources of information (primary and secondary) in order to establish a chain of evidence that would allow obtaining several perspectives in each case studied. The primary information was obtained through unstructured in-depth interviews applied to the founders / general managers who were involved with the internationalization process of the companies studied. These interviews were approximately 2 hours; a draft of the information collected was sent to the interviewees so that they could verify the accuracy and other details of information obtained in the interviews.

Within the secondary sources, bibliographies obtained mainly from articles found in international databases such as EBSCO and Emerald were used, in addition, books and magazines were used and have dealt with the issue of internationalization. With these inputs a literature review was carried out that served as the basis for developing an expected model and

theoretical pattern with respect to the factors that influence the creation of accelerated internationalization companies.

In that same sense, other valuable information related to the companies under study was obtained, from the information contained in the websites of those companies. It is important to clarify that the triangulation of the information was not carried out because it exceeded its limits, so it is considered as a line of work in future research.

On the other hand, the internal validity was achieved through the comparison of the perceptions of value made by the interviewees by contrasting them with the theoretical model and pattern developed and with the construction of the comparative tables with the explanations. External validity was obtained through the development of research replicas in companies with different economic activities and located in different sectors (high and low technology). In addition, analytical generalizations were made of the results and not statistics.

Chapter 4 Results and Analysis

4.1 Introduction

This section of the thesis provides analysis of primary data or empirical evidence gathered through interviews of SME managers/owners. The analytical technique adopted was thematic analysis. The data analysis process started with using a set of keywords extracted from research objectives. The keywords were used to search and collect most relevant information from interview transcripts. The next step was to organise the collected information into categories. The researcher then identified commonalities and patterns that can be generalised and thus formed final themes. In addition, the researcher provided quotations from interview transcripts to support the inferences while also comparison the results with those of past studies to show consistency with past literature.

4.2 Key factors of the internationalization of SMEs

The interviews revealed a variety of factors that serve as enablers or facilitators for SMEs to internationalise. It is interesting to note that if these factors exist they serve as facilitator and if SMEs lack them they become obstacles, inhibitors, or barriers to internationalisation of SMEs. This study identified five main groups of factors.

4.3 The Managerial Profile - Skills and Capabilities of the Owner/Manager

One of the managers stated, *The decision to reach international market is completely dependent upon the ability of its owner to identify an opportunity and then exploit it fully*

Similar conclusions have been drawn by Costa, Soares, and de Sousa, (2015) it is important to remember that the internationalization of SMEs is an entrepreneurial act that depends, in particular, on the profile of the Chief Executive Officer, his strategic orientation and his willingness to manage his business in a context of complexity and complexity and high uncertainty. Several studies have identified a number of characteristics related to SME owners that were also identified by interviewees.

Another participant highlighted the same fact in following words, *It depends upon the long vision of the owner regarding the company and its future. The owner leads and directs the entire team towards international market and possible success*

Regarding visionary entrepreneurs, Wachira, (2014) concluded that the importance of the entrepreneur's vision, which is shaped by his personality, his experience of living abroad or having worked there. The overseas experience builds cultural knowledge and skills and educates the leader on the different ways that can be found elsewhere. Beyond language proficiency, it is a relatively fine understanding of cultural behaviors and differences that act as a key factor in the internationalization of firms. These experiences are also conducive to innovation through the provision of new ideas. In addition, the manager's level of education also contributes to developing his competence in instilling an international vision into his company, which can arouse curiosity and interest in exploring unknown markets. It should also be noted that more educated leaders develop their skills to work "effectively" in contexts of uncertainty because they know that it can be better circumscribed and thus mitigated, by documenting and collecting relevant information.

Another participant highlighted the role of owner as followed, *The owners has to recognise resources and capabilities of the firm, risks of internationalisation, and motivate all employees to face the risks and work for the goal determined*

Lavra, (2015) also made similar conclusions and concluded that one of the main factors is the manager's attitude and ability to take risks are also considered key factors in internationalization. A favorable attitude towards international activities can motivate employees, which is necessary in situations where there is a great deal of uncertainty, while guaranteeing a sufficient deployment of resources as well as a certain acceptance of the risks likely to compromise the employees. anticipated results at the least difficulty.

4.4 Endogenous Factors of SMEs

One of the managers stated, *Having an excellent or unique or innovative product is not enough, there are many other factors such as positioning the firm, identifying competitive advantage, and business strategy*

According to Nowiński and Bakinowska, (2012) succeeding on the global stage requires SMEs to master a number of business practices or adopt particular modes of operation or organization, otherwise their survival may be threatened. Beyond the innovation capacity that allows companies to build a competitive advantage, the literature and testimonials of many business leaders recognize the importance of mastering other strategic capabilities such as reticular capabilities to work with others, the ability to respond to a demanding clientele, the ability to react to a hostile environment and the ability to adapt to changes in the same environment. These capabilities will be translated by the availability of key resources as well as

specific skills that will enable the company to build a competitive advantage. Therefore it can be inferred that endogenous factors if present are facilitators and if absent are obstacles.

Furthermore, one of the participants stressed upon the innovation as facilitator of internationalisation and argued, *You have to have an innovative idea leading to an innovative product or service that is marketable into the global market and is likely to provide lucrative market share*

Todo and Sato, (2011) highlighted innovation in similar context and argued that in analyses of the internationalization of SMEs, innovation is an integral part of the business model that companies must adopt. From a formal point of view, innovation is defined, in the broad sense, as the implementation of a product (good or service), or a new or significantly improved process (for the firm), a new method of marketing or a new organizational method in business practices, workplace organization or external relations. This definition recognizes that innovation goes beyond the control of technological resources and the delivery of R&D activities, but requires the use of a wide range of resources and skills that are the flexibility, openness and learning capacity of SMEs.

Another participant stressed upon the role and contribution of human resources in innovation, *The owners must encourage employees to develop new and innovative ideas and keep an eye on international market to determine the right time to use the ideas*

The same argument was put forward by Saeed and Ziaulhaq, (2018) when the study argued that in particular, competent human resources who are committed to the success of the organization and which constitute the essence of its intellectual capital. In the extent of the national and international social capital of the enterprise; integration into collaborative networks

that can share costs, reduce uncertainty, and bridge strategic information gaps. The use of tools or technologies to ensure flexibility and quality while reducing delays to a minimum. Innovation, however, should not be seen exclusively as a causal dimension of internationalization, but also as a consequence. This implies that the innovator can enter a foreign market, but to survive, it must have the capacity to renew its innovations, that is, to innovate globally and continuously.

4.5 Size of the SME

Size was recognised by many interviewees, consider the following statement, *Size of the SMEs is an important determinant as the smaller the company the longer it takes for it to undertake internationalisation projects*

According to Raymond and St-Pierre, (2013) size can act as a barrier to internationalization, but it can also influence the process of internationalization. The study suggested that smaller firms will instead choose to internationalize in stages, unlike larger firms with better resources. This "staple" approach, which is one of the dominant paradigms in the literature on internationalization, advocates that each stage is triggered according to the success achieved at the previous stage, following a learning process. However, the role of size is increasingly challenged with the development of "global born companies" and also, important to understand the behaviors and strategies of SME leaders.

Another participant stated, *Larger size implies more resources, bigger network, more intellectual capital, more resources, more financial strength! All these facilitate internationalisation. Unless you have these the risk and uncertainty prevails*

Similar concept has been discussed by Laudal, (2011). The author argued that the argument of size is based on the fact that the higher the size argument, the more internal and accessible the resources and skills are available to reduce the risks of international activities and absorb the fixed costs. The network perspective counterbalances arguments that support size as a discriminating factor in the internationalization of SMEs. The study emphasised how essential collaborations are in the new economy, given the intensity of competition, the growing importance of "knowledge" as an essential component of products, the high costs of production of this knowledge as well as the short duration of their relevance. Collaborations therefore allow access to complementary resources while sharing the risks of different decisions.

4.6 SME Performance and Internationalization

There were contrasting opinions about the role of performance. Consider the following statement, *Some might be encouraged by high performance to undertake riskier projects and access global market, while others may remain satisfy with current performance and simply ignore potential opportunities*

According to Ruzzier and Ruzzier, (2015) the relationship between performance and internationalisation remains undetermined and complex issue for which there is currently no absolute answer, except facts reported in different studies that do not take into account all components of internationalization. This explains the diversity of results presented in the literature. In order to be able to "appreciate" the link between internationalization and the performance of SMEs, it is important to explore the growth or expansion strategy. It will be understood that the company's performance can be measured by the variation of national or international turnover, but not necessarily by immediate profit margins. Strategies can take a

long time to produce the full set of expected effects and choosing the right performance indicator is a delicate exercise that, if it fails, will lead to wrong conclusions for the company. In the same vein, one must not measure international performance by the export rate for a company that chooses to relocate its production to be more competitive!

Another participant argued in favour of performance and stated, *Exporting to global market [internationalisation] is definitely a sign of growth and performance indicator. This can only be conceived when the firm is performing well in local market*

According to Smolarski and Kut, (2011) the "export rate" of companies is the main indicator of performance of international activities. This measure is incomplete for SMEs, because it neglects the different dimensions of internationalization presented earlier, does not take into account the strategy advocated by the head of companies and other factors as relevant as the delay apprenticeship or the size of the national market. In addition, the export rate ignores the durability of international activities, the degree of organization of the enterprise or the complexity of certain activities, particularly on lesser known markets.

Another participant in contrast to previous statements argued, *Linking internationalization with corporate performance does not shed light on what drives performance - what decisions were made, what business model was favored, how resources are organized, and so on. To identify these stimuli or "factors" of performance, it is necessary to break the company into a portfolio of actions and decisions, and have an adequate analysis grid.*

Within this context, Hsu, Chen, and Cheng, (2013) argued that different dimensions of internationalization "influence" on the company. Few studies can identify all this information. A useful way to identify as many impacts as possible is first to question the challenges that the

entrepreneur is trying to overcome by internationalization. In this way, it will be easier to identify the relevant performance indicators, which can measure growth, efficiency, integration into a global value chain, or simply the satisfaction of the leader in conquering five continents. Furthermore, companies with "early internationalization" or "born global" escape the discussions about size and direct the researchers to other justifications for the role of this variable, or the context in which its role can be decisive. However, its influence on imports or other forms of internationalization is totally unknown and needs to be studied in a specific way if we want to better understand the competitiveness of SMEs.

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