Internationalisation of SMEs: Critical Review of Theories and Antecedents

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INTRODUCTION

The role of small and medium-sized enterprises (SMEs) has received significant attention worldwide, and their contribution to economic development and national production is also vital. Globalization of the markets, improvements in technology, support from the governments and political and economic activities stimulate the progression of internationalization of SMEs (Krammer et al., 2018). The momentous contribution of these small and medium enterprises to innovation, creation of employment opportunities and economic restoration are significant (Westhead et al., 2001). When considering the world economy, it has been noticed that the social and economic importance of small and medium enterprises is recognizable. SMEs contribute to 99% of all enterprises in the European Union and account for 94 million employment opportunities which marks about two-thirds of total employment in the non-governmental sector in the Europian Union (Ruzzier & Ruzzier, 2015). Regardless of the country's economic strength, SMEs play a momentous role in any nation’s economy. Even though SMEs account for a substantial contribution to economic development, SMEs’ involvement in international business activities is reported to be significantly low. Most of the previous ideas of internationalization have been based on the study of multinational behavior (Ruzzier et al., 2006). Moreover, most of these studies have primarily looked at the internationalization of SMEs in developed countries (Ahmad, 2006; Li, 2007; Pananond, 2007; Ahmad & Kitchen, 2008). Therefore, it is crucial to study how small and medium businesses in developing countries gradually expand their presence in global markets and what are the theories and models developed to explain their behavior in internationalization. The purpose of this study is to examine the underlying theories and models of SME internationalization, antecedents of SME internationalization and how different researchers have tested these models and antecedents in their studies from time to time. Under this study, the author is attempting to conduct a theoretical review of the wide array of literature published in various sources relating to the internationalization of small and medium organizations. The present research enlarges the body of knowledge by synthesizing and organizing previous researches into a central integrative framework that gives a comprehensive understanding of SME internationalization in developing countries.

THEORETICAL OVERVIEW

Small and Medium Enterprises

Small and medium businesses have been highlighted as a key strategic sector for boosting economic and social development. SMEs have received widespread recognition as a major source of employment, revenue, poverty reduction and regional development over the years (Vijayakumar, 2013). SMEs are involved in a wide range of economic activities including agriculture, manufacturing, mining, construction and the service sector. In today's competitive and demanding global conditions, the active SME sector is critical for emerging countries' economic success. There is no commonly agreed definition for a small or medium-sized business. SMEs can be defined using multiple factors such as number of employement, the amount of capital spent, the amount of revenue generated or a combination of the several factors. The Table 01 demonstrates the various definitions available for SMEs in the global context as well as in the local context.

Institution	Definition
Global context	
European Union	Small firms employ fewer than 50 people and have annual sales of less than EUR 10 million or a balance sheet total of less than EUR 10 million. Medium-sized firms employ 50 - 250 people and have annual sales of less than EUR 50 million or a balance sheet total of less than EUR 43 million.
World Bank	Enterprises with up to 300 employees and total annual sales of up to US$15 million.
International Monitory Fund (IMF)	An enterprise with fewer than 50 people and capital investment less than 5 million.
World Trade Organization	Firms employing between 10 and 250 people. Firms with up to 10 employees are usually referred to as micro firms.

Table 1: Definitions of Small and Medium Enterprises

Local context	
Central Bank Sri Lanka	Enterprises with an annual turnover not exceeding Rs. 750 Million.
Industrial Development Board (IDB)	Organization with a capital investment in equipment and machinery of less than Rs.4 million (US$ 42,000) and a total number of regular employees of less than 50.
Export Development Board Sri Lanka	Number of employees does not exceed 300 employees and if its revenue does not exceed 750 million LKR.
Ministry of Industry and Commerce	Annual turnover between 16 Million to 200 Million and employees between 11-200.

Source: Global and Local institutes

SMEs contribute more to the economy in terms of job creation and poverty reduction from a social development standpoint (Subhan et al., 2013). The figure 1 shows the SME contribution to the global economy in terms of the economic and employment aspects.

Figure 1: Contribution of SMEs to the global economy

	Number of enterprises	Total employment	Value added
France	99.8	60.5	56.0
Germany[a]	99.5	60.4	53.6
Japan[b]	99.7	69.0	53.0[c]
South Korea[b, c]	98.9	71.0	45.5
UK[a]	99.6	54.1	51.0
US[d]	98.9	57.9	na

Source: OECD, structural and demographic business statistics

In Sri Lanka, SMEs account for over 90% of all enterprises, provide 45 percent of all jobs and contribute significantly to the country's GDP (Ministry of Industry and Commerce, 2016).

Figure 2: SME contribution to the Sri Lankan economy

Scale of the Est.	Total No Est.		Industry %	Trade %	Service %
Total	**1,019,681**	**100%**	**25.6**	**41.0**	**33.4**
Micro	935,736	91.8	25.3	42	32.7
Small	71,126	7.0	28.8	31.3	39.9
Medium	10,405	1.0	32.0	19.6	48.4
Large	2,414	0.2	31.6	36.9	31.5

Source: Department of Census and Statistic (2016)

Figure 2 reveals that trade is the most prevalent sector in Sri Lanka accounting for roughly 41% of all establishments with service accounting for 33% and industrial accounting for only 26%. Microbusinesses account for 935,736 (91.8%) of all businesses while micro, small and medium businesses collectively account for 99.8%, and the large sector accounts for only 0.2 percent.

Internationalization of SMEs

Over the last few decades, research on the theories and the key determinants of SMEs' internationalization has sparked a surge of interest in the literature. This is due to the importance of small and medium-sized businesses in terms of exports and job creation (Dhanaraj & Beamish, 2003; Sousa et al., 2008; Anil & Shoham, 2017; Krammer et al., 2018; Rua et al., 2018). The authors went on to propose a variety of definitions for internationalization from the past (see table 2).

Table 2: Definitions of internationalization

Author	**Definition**
Johanson and Vahlne (1977)	Systematic and methodical process of greater international participation and accompanying organizational changes.
Turnbull (1987)	Firm's outward expansion in worldwide activities.
Johanson and Mattsson (1993)	Collective process in which relationships are continuously formed, maintained, developed, broken, and dissolved to meet the firm's objectives.
Fernandez and Neito (2005)	Internationalization is a complex strategy that any company may pursue and opportunities of exploiting abroad the competitive advantages firms have in domestic markets.
Ruzzier et al. (2006)	The geographical spread of economic activity outside national borders.
Singh (2010)	Partnership, branches, joint ventures, and subsidiaries that operate beyond national borders.
Onkelinx et al. (2015)	Internationalization as the 'process of mobilizing, accumulating and developing resource stocks for international activities'
Ngoma et al. (2017)	SMEs serve their domestic markets (pre-export) and move through various processes until they are committed to serving geographically dispersed markets beyond the boundaries of their countries of origin.
Eduardsen and Marinova (2020)	Provides firms with an opportunity to grow, it also exposes firms to heightened risks, which may negatively influence their performance.

Source: Authors

Small and medium-sized businesses face several roadblocks when attempting to enter foreign markets which makes small-business internationalization distinct from and more difficult than large-business internationalization (Rutashobya & Jaensson, 2004; Leonidou, 2004; Tesfom

& Lutz, 2006). Haddad et al. (2019) identified export marketing capabilities, export-oriented managerial resources, relational resources, innovative capabilities, export finance, management capabilities, country-specific advantages and government policies as some of the factors affecting small and medium enterprise internationalization. It has been suggested that a company's better resource endowments enable it to overcome market flaws and capitalize on location-specific market opportunities during internationalization (Dunning, 1988).

Theories of Internationalization

Classical Trade Theories

Classical trade theories postulate that country's international trade is heavily based on its trading patterns with the rest of the world. Absolute Advantage Theory was introduced by Adams Smith (1776) in his book called "An Inquiry into the Nature and Causes of the Wealth of Nations." Absolute advantage theory emphasizes that a country's ability to produce the same product at a lower cost than its competitor uses the same amount of resources (Rundassa et al., 2019). Each country should specialize in the goods that possess the absolute advantage for them, simply the products they can produce at a low cost and high efficiency (Smith, 1776). Based on this theory, market expansion over boundaries can permit greater specialization and improved output, leading to a greater wealth creation. However, researchers argued that Smith's theory does not provide sufficient reasons for specialization as some nations still produce goods with their interests that do not have the absolute advantage (Lepori, 2021).

David Ricardo (1817), another economist during the nineteenth century, expanded Adams Smith's view and introduced a theory called Comparative Advantage Theory. A nation having an absolute advantage in all products should specialize and import the product with the smallest absolute advantage while exporting the product with the highest absolute advantage (Krugman & Obstfield, 2003). This theory differs from Smith's absolute advantage as Ricardo's theory is wholly based on the concept of opportunity cost. Classical trade theories effectively describe trade between two nations where countries produce goods and services in which they have an economic advantage, consume their products and export the surplus while importing goods and services that have economic disadvantages. These classical theories postulate that the basis for trade between nations is a determinant of difference in resource availability and production characteristics. However, classical trade theories have failed to provide any explanation for the causes of differences in relative advantages (Morgan & Katsikeas, 1997).

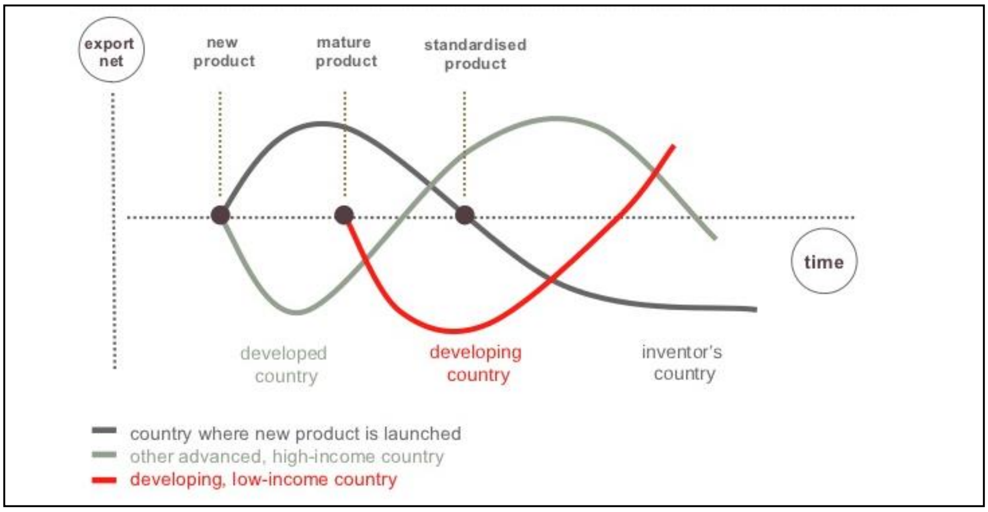
The Heckscher-Ohlin Theory

Heckscher-Ohlin (H-O) theory provides a better explanation compared to classical theories for differences in economic advantage between trading nations. According to H-O theory, countries produce and export goods and services that can be produced by an abundant factor of them (ex. capital or labor) while importing the goods and services that require relatively scarce resources of that nation (Hecksher & Ohlin, 1933). Negative results have been proved during the early fifties of the last century (Leontief, 1953), and it was reconfirmed by several studies carried out by Maskus (1985), Bowen et al. (1987) and Trefler (1995). The first attempt of Leontief (1953) empirically tested the Heckscher-Ohlin theory using data obtained in the United States in 1953. Based on his study, he revealed that even though the United States was a more capital-intensive country, they exported more labor-intensive products and imported capital-intensive products from other nations. It is considered that the fundamental assumptions of H-O theory are altogether inappropriate or too strict in explaining the trade behaviors (Baskaran et al., 2011).

Product Life Cycle Theory

Vernon's Product Life Cycle Theory was considered as a useful model which explains trade between nations and how it has gradually expanded from the inventing country to the imitating country. This model articulates that production of a good starts in the developed countries and gradually moves to the imitating country (developing countries) where it has a lower cost than in the inventing country (Vernon, 1966). Moreover, it explains how a product is finally imported by the originated nation that initiates exporting it. Under this theory, a new product passes through few stages of a cycle from innovation to standardization (Gao & Tisdell, 2005).

Figure 3: International Product Life Cycle Theory



Source: Vernon, 1974

Figure 3 shows how a product transfers from innovated country to imitating country passing different stages. Mardanov (2003) argued that the applicability of product life cycle theory is higher for manufacturing firms than service firms. Further, he argued that the IPLC model does not explain the behavior of short life cycled products and products of the companies with previous experience in foreign markets. According to Kotler et al. (2004) and Rutashobya and Jaensson (2004), product life cycle theory is not applicable for some products which are introduced and died quickly. Some stay at the mature stage for a long time while some start with declining stage and with a strong promotion and repositioning cycle, they get back to the growth stage. Vernon's product life cycle theory and his arguments mainly focus on the developed and innovating country and a less attention has been given to technology transfer and development in developing countries (imitating country) (Gao & Tisdell, 2005).

Uppsala Internationalization Model

In 1975, a study done by Johanson and Wiedersheim-Paul focusing on four large Swedish multinationals revealed that their establishment and gradual growth is based on several stages. Under this observation, they identified four stages in the process; 1. No regular exports, 2. Exporting via agents, 3. Establishment of the subsidiary, 4. Overseas manufacturing units and production. By expanding this incremental process, Johanson and Vahlne (1977) framed a dynamic model of the internationalization process called the "Uppsala model." Based on this model, firms use a gradual step-wise process to proceed with international markets starting with no foreign activities to a greater level of commitment in overseas destinations. Johanson and Vahlne (2009) emphasized that business networks are a critical factor in the modern age of internationalization.

Uppsala model was criticized due to several reasons. Cumberland (2006) argued that the experimental survey method which was used in the Uppsala model was not explained well. Hence, the logical relationship between the empirical study and the proposed theory is questionable. According to Andersen et al. (2014), the Uppsala model emphasizes that experiential knowledge is an outcome of the learning process, and also it is believed that firms generally avoid risk. Further, they argued that the above assumptions are questionable and Johanson and Vahlne provide no proper explanations for those assumptions. However, it can be concluded that the Uppsala model is providing a proper understanding of internationalization process of traditional firms.

Internationalization Theory

The Internationalization model by Johanson and Wiedersheim-Paul (1975) emphasizes that internationalization involves four incremental processes. Each incremental process involves increasing the degree of international involvement, commitment and acquiring more knowledge and experience. International knowledge is derived from experience gained by engaging in international operations (Ahmad, 2014). According to the initial phase of the model, firms are occasionally involved in international market activities followed by entering an agreement with agents to engage in export-related activities. Gradually, firms establish international branches and finally, firms establish their local manufacturing plants in international markets. Experience obtained in their domestic market is a crucial factor for firms in internationalizing. To avoid any risk when investing, firms first operate in familiar markets with less psychic distance (Andersen et al., 2014). Although the innovation-related internationalization theory explains how new firms engage in the process of internationalization, the theory does not focus on how born global firms do so (Ahmad, 2014). Another major weakness of this theory is that it has ignored the contractual entry modes and joint venture model which are not falling under these stages (Sharma & Erramilli, 2004).

Network Approaches to Internationalization

According to the network approach, firms were considered actors in building business networks as a starting point of the internationalization process (Johanson & Mattsson, 1993; McAuley, 1999). Motivated by the Uppsala model, Johanson and Mattsson (1988) examined the internationalization process focusing on the network perspective. They considered business networks as a set of interconnections a firm maintains with its customers, competitors, governments, distributors, and suppliers. Johanson and Mattsson (1988) argued that as firms internationalize, the strength of the relationships within the network also increases. Networks reduce entry and expansion boundaries and provide a borderless opportunity for firms to expand (Johanson & Vahlne, 2009). Networks are an outcome of interconnected relationships between firms resulting from mutual knowledge and an increase in trust. Thus, this results in greater relationships with foreign partners in other markets (Johanson & Mattsson, 1988). By studying the network model, it can be seen that networks are a set of three components namely actors, activities and resources (Andersen et al., 2014). Even though the network theory provides greater insights, it has been criticized by several researchers (Malhotra et al., 2003; Salmi, 2000; Andersen et al., 2014). In their argument on network theory, Malhotra et al. (2003) stressed that the network theory does not offer a clear overview of networks' formation. According to Malhotra et al. (2003), network relations have resulted from ad hoc and unplanned situations. Also, they argued that the research approach used in the network theory study is not appropriate as it is a qualitative study. As said by Salmi (2000), business relationships are not always stable as they face a lot of uncertainties and changes. Therefore, the reliability of information available in business networks is questionable. However, the argument placed by Hadley and Wilson (2003) in their study of the network model of internationalization and experiential knowledge has gained significant attention. According to them, sometimes firms tend to imitate or follow the internationalization strategies utilized by successful players in the market without having any direct communication with them.

Eclectic Paradigm Theory

Following the consideration of the industrial organization theory, location theory and transaction cost theory, Dunning (1976) established an integrated framework called Dunnings Eclectic paradigm. Dunnings' primary consideration was to explain firms' internationalization using three conditions; 1. Possession of ownership advantages (O), 2. Location advantages (L), 3. Internalization advantages (I). The eclectic paradigm is also known as the OLI paradigm based on these three considerations. However, Guisinger (2001) proposed to change the third component (I) by replacing with 'M' which denotes the selection of entry modes of global markets. Ownership advantages are unique advantages that a company has in terms of intangible assets, technological capacity or innovations (Ahmed et al., 2006). Internalization advantages refer to firms' ability to coordinate and manage value-added chain activities like integrating transactions through foreign direct investments. Location advantages are focused on resource availability, cost of reaching resources and the risk associated with the foreign market. When the selected market has less risk and high potential, the ability to have a profitable business is high (Andersen et al., 2014).

Table 3: Dunnings OLI theory and entry modes

		Type of advantage		
		Ownership	Internalization	Location
Mode of entry	Licensing	✔	✖	✖
	Export	✔	✔	✖
	FDI	✔	✔	✔

Source: Dunning, J. (1981)

Dunning's work is highly focused on firm-specific competitive advantage as an integral part of the existence of Multi National Companies (MNCs). Eclectic paradigm was developed after studying the behavior of MNCs in the United States and other developed countries. It is argued that the applicability of this theory for developing countries is less (Cuervo-Cazurra, 2007). Pinho (2007) added a new variable to the eclectic paradigm which is called managerial-specific characteristics. However, his study also neglects the transportation cost, exchange rates, choice of entry modes, nature of products and home country factors (Ekeledo

& Sivakumar, 2004). After Dunnings' eclectic paradigm, many researchers focused on identifying those strategic resources providing a competitive advantage (Portugal Ferreira et al., 2011).

Resource-based View - Theory of Internationalization

The resource-based view focuses on resources and capabilities which help SMEs to internationalize faster (Oviatt & McDougall, 1994). Under Resource-based View Theory (RBV), firms' unique resources are considered vital for determining the competitive advantage (Andersen, 2011). To provide a competitive advantage, resources must be valuable, rare, non-substitutable and difficult to imitate (Barney et al., 2001). According to literature, resources and capabilities such as experience and management capability, human capital, marketing capabilities, technological capabilities, networking capabilities, innovation capabilities and financial capabilities leverage the sustainable competitive advantage of SMEs in their process of internationalization (Javalgi and Todd, 2011; Yamakawa et al., 2013; Brambilla et al., 2012; Alon et al., 2013; Love & Roper, 2015; Salisu & Baker, 2019; safari & saleh, 2020; Silva et al., 2017; Ngoma et al., 2017; Gupta & Chauhan, 2020).

Since the development of RBV theory, criticisms for RBV have also emerged extensively. The RBV shows that firm-specific resources drive firm performance, whereas studies discovered that industry characteristics have a stronger impact on(Galbreath & Galvin, 2008). The resource based view should take into account the impact of strategic factors on entry mode selection (Ekeledo & Sivakumar, 2004; Pehrsson, 2008). According to the literature, other critiques such as theory has no managerial implications, the applicability of this theory is too limited, the definition of a resource is not practical, etc., have since emerged (Kraaijenbrink et al., 2010). The resource-based approach, according to Carpano et al. (2003), focuses on the differences of a firm's resources within an industry while ignoring the significance of the institutional framework in which a firm does business. The national institutional context influences the rivalry between enterprises from various home nations in a target market. Organizations from the same location may experience similar characteristics and resource benefits within an industry which can be viewed as group-specific company resources. These companies may seek to use resource mobility barriers to safeguard their shared resources and competencies from local competitors in a target market (Andersen et al., 2014).

Dynamic Capability Approach

Dynamic capabilities, according to Teece et al. (1997), are a company's ability to integrate, grow and reconfigure internal and external skills to meet dynamic business demands.

According to this theory, Dynamic capabilities are highly critical to a firm's market position and expansion (Hung et al., 2010). Dynamic capabilities differ from other resources as dynamic capabilities include organizations' routines and processes (Teece et al., 1997). However, some scholars criticized the dynamic capability theory due to several reasons (Zollo & Winter, 2002; Wang & Ahmed, 2007; Ambrosini & Bowman, 2009; Easterby-Smith et al., 2009). Most of the previous literature has highlighted two issues in dynamic capability theory; special attention given to the definition of the term dynamic capability and its nature followed by their effects and consequences (Easterby-Smith et al., 2009). These two criticism are interconnected and fundamental to develop, test and apply dynamic capability theory effectively. According to Wang & Ahmed (2007), further efforts need to be taken to link dynamic theory to empirical practices. According to Easterby-Smith et al. (2009), there are many opportunities to refine and develop the dynamic capability approach.

Transaction Cost Theory

Anderson and Gatignon (1986) introduced the Transaction Cost (TC) Theory or Transaction Cost Analysis (TCA) model. They sought to explain why a corporation would prefer to set up a manufacturing line or a service system in a foreign destination rather than licensing its technology or signing contracts with domestic firms (Ekeledo & Sivakumar, 2004). They used Coase's (1937) theory of a firm's nature and Williamson's (1975) theory of markets and hierarchies to examine how US firms chose their entrance mode (Sharma & Erramilli, 2004). Because of their similar assumptions about the significance of transaction costs in the internalization of company activities, the TC model and the internalization theory are frequently regarded as one theory (Cumberland, 2006; Slangen & Hennart, 2007). Furthermore, some scholars consider Williamson (1975, 1985) as the inventor of transaction cost theory, owing to his contributions to the transaction cost economics (TCE) approach and vertical company integration (Rutashobya & Jaensson, 2004; Slangen & Hennart, 2007; Shrader, 2001). Organizations compare transaction costs to the costs of incorporating activities within the organization resulting in overseas operations being internalized. They can choose a suitable governance system based on this comparison (Malhotra et al., 2003). Contractual risk increases when there is high agency conflicts and transaction costs in a target market, and high control modalities are favored for investment (Baek, 2003; Ekeledo & Sivakumar, 2004; Brouthers, 2002). The transaction cost hypothesis assumes perfect market competition, firm harmony and resource transferability among businesses particularly if the information is fully transportable between the home company and its foreign subsidiaries (Ekeledo & Sivakumar, 2004). The TC theory assumes that the sole goal of entry mode is to maximize profits while ignoring other goals (Zhao & Decker, 2004). Organizations must also evaluate risks, rewards and collaboration with business partners in varied institutional and cultural environmentssince focusing just on transaction costs is insufficient to explain an effective entry mode option (Chen & Mujtaba, 2007). The transaction cost theory is concerned with manufacturing enterprises' worldwide strategies (Morschett, 2006). On the other hand, manufacturing and service organizations react differently to the factors that create transaction costs (Brouthers & Brouthers, 2003). Further, the TC hypothesis has been questioned by Rutashobya and Jaensson (2004), because it disregards the function of networks among firms in the international expansion of enterprises, particularly SMEs. According to Zhao and Decker (2004), the involvement of decision-makers in the internationalization process is not reflected in this approach. The TC theory ignores the importance of geographical advantages and costs associated with market potential and risk of the investment (Ekeledo & Sivakumar, 2004).

International New Venture Model

Businesses that aspire to gain a significant competitive advantage through the usage of resources and the selling of outputs in various countries are classified as International New Ventures (INVs) (Oviatt & McDougall, 1994). Rather than taking a step-by-step strategy to internationalization, such businesses make use of foreign direct investments and hybrid entry-mode structures right away (Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). INVs are the product of a startup creating valuable, high-quality offerings that address the current and future needs of international markets (O'Cass & Ngo, 2011). As a result, academics have stressed the importance of innovation intensity as a fundamental driver of INV performance (Kim et al., 2011; Knight & Cavusgil, 2004; Weerawardena et al., 2015). However, bringing new inventions to market regularly requires a lot of resources (both financial and time) which is an issue for global startups that cannot afford to lose out on opportunities (Ries, 2011). According to Hennart (2014), the primary distinction between international new ventures and other businesses is their business model. International new ventures, low-cost information and delivery technologies are used to sell specialty items and services to the globally dispersed clientele. International opportunity identification, institutional bridging and a capacity and propensity for cross-cultural collaboration are three entrepreneurial characteristics that are particularly critical for successful INV creation (Liliya, 2012). New enterprises frequently specialize in and work with existing MNEs to expand internationally through a company's upstream supply chain which bypasses these constraints (Acs & Terjesen, 2013). Strategic alliances, generally defined, have become a much more valuable lens for research and practice in this domain as the globe has shifted away from hierarchical business organizations. This new enterprise contributes to global innovation (upstream activities) while large corporations improve their efficiency by manufacturing and marketing these items around the world (downstream activities) (Acs & Terjesen, 2013). Surprisingly, some businesses do not follow the reported pattern of technological involvement. These businesses lack a distinct technological advantage. The size of their native market (Elango, 1998), production ability and differences in cultural and economic dynamics impact on their decision to internationalize as a novel business (Fan & Phan, 2007).

Antecedents of SME Internationalization

Firm Size

For the reason that many small businesses consider their size as a barrier to exporting, firm size is also one of the most studied variables in international activities (Ruzzier & Ruzzier, 2015). SMEs appear to have more challenges than their larger competitors, yet by using their unique assets and identifying specialized markets, they may be able to recompense for their disadvantages (Pleitner et al. 1998). Firm size is often evaluated by the number of employees especially when distinguishing between SMEs and larger firms (Haltiwanger et al., 2013). Most studies, with regard to internationalization (Ruzzier & Ruzzier, 2015; Westhead et al., 2001; Karadeniz & Gocer, 2007), support the notion that large organizations and SMEs have significant differences. The most commonly utilized business size variable is the number of workers (Ruzzier & Ruzzeir, 2015; Childs & Jin, 2015) followed by sales volume (Ruzzier & Ruzzeir, 2015) and asset size (Panda & Reddy, 2016; Yadav et al., 2020). Park and Jan (2010) carried out a study on firm growth patterns by examining the associations with firm size and internationalization after analyzing the US restaurant industry between the fiscal years 1995 and 2006. The findings of their studies indicated that the growth rate of small foreign businesses is faster than that of small domestic firms as their size grows. Large international businesses, on the other hand, expand at a slower rate than large domestic firms. Similar findings were indicated by Yadav et al. (2020) where they argued that smaller firms grow faster than large organizations. Manolova et al. (2010) discovered in their research on Bulgarian SMEs that the company size is positively and substantially related to internationalization and is varied by the industry. Ruzzier and Ruzzier (2015) analyzed a sample of 247 Slovenian small and medium enterprises and found that internationalized firms have substantially more specialized resources (human, financial and organizational) and are significantly larger than domestic companies. In this study, the size of the firm was measured using the sales volume. Based on the findings of Childs and Jin (2015), it was revealed after analyzing the data from 118 fashion retailers that significant changes in the results were evident as a result of differences in company sizes. Large retailers internationalized on a larger scale and scope and entered nations at greater geographical distances. However, the results were applicable yet limited to only one sector of the retail market. While the majority of research found a favorable link, others (Wolff & Pett, 2003; Kalafsky, 2004) found mixed or rather negative outcomes. However, some of the researchers concluded that firm size directly affects internationalization, and the weight of the literature suggests that the firm size has a moderate impact on firm's performance and internationalization (Farooq et al., 2021; Kijkasiwat and Phuensane, 2020).

Firm Age

The firm's age and time in the context of global expansion are becoming essential aspects of examination in SME internationalization and international entrepreneurship. The steady accumulation of expertise lowers the risk of operating in foreign markets which might encourage businesses to expand internationally. As a result, the age of a business becomes a significant factor in determining small firm internationalization (Karadeniz & Gocer, 2007). The time dimension has several meanings that can be defined in terms of the early start of international activities, the speed of international expansion or the rate at which international activities occur over time (Zucchella et al., 2007). Established procedures, routines and organizational norms on the other hand must be overcome by older businesses to translate entrepreneurial behaviors into favorable performance outcomes. This means that older firms face difficulties in changing established strategies due to age-related contextual factors (Anderson & Eshima, 2011). According to Manolova et al. (2010), the sooner a new venture participates in inter-firm collaboration, the higher the degree of international expansion is. Karadeniz and Gocer (2007), after analyzing the data from 471 owners/managers of SMEs in Turkey, revealed that age is a significant, positive factor affecting the firm's internationalization. Researchers who looked into a company's age as a differentiator between internationalized companies and non-internationalized comapnies found mixed results. Age was not favorably (and substantially) connected to the degree of internationalization, but it was only negatively connected in Reuber and Fischer's (1997) study. Nevertheless, some recent studies (Ruzzier & Ruzzier, 2015) also concluded that the level of internationalization was adversely associated with the age of firms when they began their worldwide activity. While most of the researchers found a direct link between firm age and internationalization, several researchers highlighted the moderating effect of firm age on performance and internationalization (Aziz & Samad, 2016; Rafiq et al., 2016; Mabenge et al., 2020).

Human Capital

Economic growth and business prospects are highly dependent on human capital. In terms of internationalization, human capital refers to the knowledge, talent, skill and experience used to provide value to a company (Fletcher, 2004). According to Barney (1991), human capital consists of an employee's experience, training, relationships, intelligence, judgment and insights in a firm. Human capital must be distributed appropriately inside the internationalizing organization as a valuable strategic resource in order to deal with the external contingencies posed by abroad markets that necessitate expert knowledge and required experience in the workforce (Brambilla et al., 2012; Love & Roper, 2015). A company's development and its existence depend on its qualified personnel (Dal Zotto & Gustafsson, 2008).

After analyzing 150 SMEs in India, Javalgi and Todd (2011) found out that leveraging the human capital enhances the success rate of Indian SMEs under their research on entrepreneurial orientation, management commitment and human capital. In addition, they argued that to exploit tremendous opportunities in the global market, Indian SMEs must use resources such as human capital in their foreign marketing plan. Kenny and Fahy (2011) identified a significant positive influence of human capital on firm performance through their study on network resources and international performance of high tech SMEs. Robson et al. (2012) demonstrated that the entrepreneur's unique human capital is positively linked to the export intensity. According to the research done by Onkelinx et al. (2016) on human capital and SME internationalization, it was discovered that for SMEs which are on a gradual road to internationalization, there is no substantial relationship between the growth of employee human capital as measured by the employees' education and experience. Besides, SMEs that follow strategic accelerated internationalization have a positive relationship between internationalization and investment in human capital. Investing in human capital, on the other hand, is positively linked with internationalization (export intensity) up to a certain point beyond which more expenditures are adversely associated with internationalization.

Managerial Capabilities

Managerial skills and expertise may help businesses improve their export capabilities, and managers' knowledge and expertise have a substantial beneficial impact on export performance (Love et al., 2016). With the maturity of the organizations’ international expansion process, managers should examine the best strategies to develop in other markets. Managers must decide if the costs of looking for cooperative internationalization possibilities are worthwhile (Camison & Villar, 2009). Javalgi and Todd (2011) carried out a study on entrepreneurial orientation, management commitment and human capital focusing on the Indian content. After analyzing 150 SMEs in India, they have revealed that the management commitment towards internationalization is positively associated with the level of internationalization of Indian firms. Further, they stated that SME owners and managers that develop programs to foster a good attitude toward international expansion among employees and highlight the necessity of thinking outside the home market would increase their chances of success and gain a competitive edge. Beleska-Spasova (2014) stated that the directors' views on exporting were crucial. Chugan and Singh (2015) also looked at a company's commitment to exporting by assessing the number of management resources allocated to export efforts. They claimed that the firm's commitment to exporting practices (EP) is determined by different resources assigned to them. This has been defined as the manager's attitude toward EP. The findings revealed that a higher level of managerial commitment is necessary for improved EP outcomes (Chugan & Singh, 2015). As previously stated, Love et al. (2016) examined the factors that influence the export performance of small and medium firms and built a model that included the effects of managers' education and organizational factors. Their findings show that hiring people with overseas experience and abilities has a favorable effect on EP (Love et al., 2016). A recent study was done by Madushanka and Sachithra (2021) on factors influencing export engagement of small and medium-sized enterprises in Sri Lanka using a Resource-Based View and it revealed that management capability has the strongest influence on the export engagement.

Innovation Capabilities

The capacity of a company to participate in new ideas and creative processes that result in new goods, markets or technical processes is referred to as innovativeness (Rauch et al., 2009). Innovation is defined by Calantone et al. (2002) as "the development, adoption, and implementation of new ideas, processes, goods, or services." Research and development (R&D) and technical innovation have been included in the definition of innovation capabilities by scholars (Oura et al., 2016; Guan & Ma, 2003). From a managerial perspective, innovation is a critical component of strategy, and entrepreneurship is impossible without it (Covin & Miles, 1999). During the Covid-19 Pandemic, many online startups have utilized their innovation capabilities at their best level. The importance of an innovation strategy cannot be overstated since it entails developing new solutions, enhancing goods or services and finding answers to issues. Small businesses that utilize their innovations have a higher chance of succeeding in export markets than those that offer typical products or services (Zahra et al., 2000). Recent studies (Faroque et al., 2017; Gupta & Chauhan, 2020) have proven the critical importance of innovation in generating competitive advantages in internal markets and improving EP. R&D spending is frequently used as a proxy for a company's commitment to technology and innovative initiatives (Lu & Beamish, 2004). Ngoma et al. (2017) carried out a study on the internationalization of SMEs focusing on entrepreneurial orientation. Findings showed that there is a significant positive relationship between innovativeness and internationalization. This indicates that the degree or level of internationalization of an SME is proportional to its level of innovation. Some researchers disagree with this claiming that innovation and export performance are linked in a reciprocal causal manner (Filipescu et al., 2013). Nevertheless, a few research found either no or only a weak link between the two (Cassiman et al., 2010). As a result, it appears that examining this link in light of empirical research would be beneficial. A very recent study by Dadzie et al. (2021) also postulates that the association between innovativeness and success among SMEs in developing economies is strong, and internationalization effectively mediates this relationship.

Marketing Capabilities

Weerawardena and O'Cass (2004) defined marketing capabilities as the firm's ability to apply its talents, resources and collective knowledge to fulfill the business's market demands. Scholars claim that market alignment as a resource only gives the imminent value based on the firm's RBV (Ketchen et al., 2007). Marketing capabilities refer to a company's ability to adapt and differentiate its product, service and pricing to the specific characteristics of the target export market and the competitors (Sousa & Lengler, 2009). Other talents, such as invention and networking, are found to be less strongly related with an SME export performance than marketing competencies (Krasnikov & Jayachandran, 2008). Dhanaraj and Beamish (2003) investigated this relationship and discovered that small businesses which use their marketing capabilities to estimate their export performance are extra effective in export markets than in larger businesses. However, empirical research on the influence of marketing competencies on export performance are inconsistent. Despite significant evidence to the contrary in the literature, some studies claim that marketing capabilities do not necessarily play a decisive role outside of the native market (Tooksoon et al., 2012). In line with this approach, Lages et al. (2008) discovered that market-specific product adaption is unrelated to export marketing plans' short-term objectives in small businesses. A study was done by Panda and Reddy (2016) on the resource-based view of internationalization, and evidence from Indian commercial banks reflected surprising results. According to their findings, higher branding and advertising expenses are inversely related to international diversification. According to the findings of a research conducted among Taiwanese companies, moving their resource allocation priority from R&D to marketing found to be certainly benefitial to them (Chen & Hsu 2010). Marketing capabilities can be utilized as a good mediator in internationalization. Buccieri et al. (2019) claimed that marketing capabilities act as a mediator of international entrepreneurship culture and international venture performance in their study on international new venture performance.

Networking Capabilities

Networking capability refers to a company's ability to form and leverage inter-organizational partnerships in order to get access to many resources possessed by trade partners in both local and international markets (Walter et al., 2006). Small businesses' persistence in export markets depends on a blend of alliances, partnerships and collaboration with trade partners to gain access to unique resources (Styles et al., 2008). Several empirical studies presented that knowledge transfer between a business and its trading partners enhances small enterprises' export performance considerably (Lages & Lages, 2004; Gupta & Chauhan, 2020). According to the research done by Rutashobya and Jaensson (2004) on Small firms' internationalization for development in Tanzania focusing on the network, a phenomenon was exposed where small businesses' ownership difficulties and apparent psychological distance are eliminated as a result of networks making it easier for them to enter global markets. In increasingly uncertain export market situations, the risk of costly failure can be lowered by developing strong connections with trade partners. Solid networks between trade partners minimize the cost associated with communication and transaction, ultimately leading to greater export performance (Zain & Ng, 2006). Kenny and Fahy (2011), through their study on network resources and international performance of high tech SMEs, stated that network resources do not impact firm performance significantly. Smaller businesses can flourish in foreign markets if they cultivate long-term connections with their trading partners and employ tactics such as product development for these markets (Kalafsky, 2004). According to Karami and Tang (2019), network capabilities mediate the relationship between entrepreneurial orientation and international performance. According to the research done by Safari and Saleh (2020), SMEs in Vietnam may improve their export activities by focusing on marketing tactics, building local and international business links and identifying the needs of the business market. Network approach to internationalization (Johanson & Mattson, 1988) emphasizes that business networks can include both foreign and local organizations, the latter of which is critical for SMEs to improve their international competitiveness and obtain market expertise in other markets (Loane & Bell, 2006).

Financial Capabilities

Managers' capacity and their understanding of foreign payments, management of currency rate fluctuations (Madushanka & Sachitra, 2021) and management of the risk associated with different financing options are all factors in financial management aptitude. Knowledge of the most appropriate financing choices at various growth stages of the business knows where to obtain the most suitable products and services, and cooperation with confidence with the contractors of these products and services were defined as a financially literate/capability of a

SME owner or manager (USAID, 2009). Financial resources can be put towards capital-intensive initiatives that help companies secure existing markets and expand into new ones. Furthermore, if the owner and the other partners can acquire external sources of financing based on their expertise, the financial obstacle to exporting may be overcome (Westhead et al., 2001). According to Bosma and Harding (2006), many SMEs fail due to a lack of financial literacy and insufficient business acumen. Further, low financial literacy inhibits entrepreneurial activity. Entrepreneurs that wish to expand must have confidence in their finances and be well-informed (Kotze & Smit, 2008). If owners-managers are illiterate about their organization's finances, their firms' financial knowledge will be lacking as well resulting in a reduction in innovation that can transform into competitive capability, inability to access various sources of financing provision due to non-awareness, and this attitude could lead to the failure of SMEs (Kotze & Smit, 2008). Financial resources are required to acquire both tangible and intangible resources and the coordination of other resources (Brinckmann et al., 2011). According to Kidwell and Turrisi (2004), companies with higher financial understanding retain through company financial records and have a greater competitive advantage in obtaining external finance than those that do not.

Technological Capabilities

Technological capability is defined as a company's capability to design and improve new processes and products, upgrade knowledge and talents in the environment as well as transform that knowledge for the effective creation of desired performance (Wang et al., 2008). Technological competence encompasses not only technical expertise, but also the ability to grow and deploy the firm's fundamental competencies as well as the ability to successfully mix diverse streams of technologies and mobilize technological resources across the organization (Zawislak et al., 2012). Technological capacity helps a company find, acquire and use new external information to improve operational skills and achieve superior results. According to Wang et al. (2008), technical competence has a positive impact on firm performance, and this relationship is moderated by organizational learning. It has been proven that technical capability enhances a company's learning, organizing, production skills and resource allocation capability (Baark et al., 2011). It is critical to highlight that technical competence improves SMEs' efficiency in creating creative ideas and expertise allowing them to produce exceptional results in changing marketing environments. Technological competence enables SMEs to improve internal processes, lower the cost of operations, logistics, and manufacturing processes and compete more effectively (Song et al., 2008). A study done by Salisu and Baker (2019) on technological capability, relational capability and firms' performance indicated a positive link between technological capabilities and a firm's performance. For this study, the data was collected from owners and managers of small and medium enterprises in Nigeria. The research done by Fernando and Samarakoon (2021) showed a negative relationship between technology and SME growth when analyzing fifty questionnaires completed by the Small and Medium-sized manufacturing Enterprise owners in North Western Province in Sri Lanka. They argued that technology becomes a significant source of competitive advantage over local manufacturers when SMEs export and promote their products in industrialized nations. Other sources of competitive advantage, such as cheap cost, would be more significant in emerging nations.

Government and Public Factors

Government intervention is also a significant factor that affects the export engagement of SMEs. The government provides opportunities for the SMEs by funding, making policies, conducting seminars and trade shows and engaging in trade agreements with other countries (Njinyah, 2018). The institutions of a country define the "rules of the game" (Gupta & Batra, 2016), and government settings in emerging economies significantly impact SME internationalization (Contractor et al., 2007; Ratten et al., 2007). Export policies (Wilkinson & Brouthers, 2006), domestic regulations, lack of market information (Cardoza et al., 2016), challenges in exit and market entry, intermediary institutions (Wei et al., 2014) and poor institutional infrastructures (Khanna & Palepu, 2000) all act as moderators of internationalization (Chao & Kumar, 2010). Vijayakumar (2013) who analyzed the Sri Lankan SMEs under the title of the status of small and medium enterprises and promotions for their growth in Sri Lanka pointed out that although the Sri Lankan government has taken several initiatives to promote small and medium businesses in particular, the impact on SMEs' growth has been disappointing. Fernando and Samarakoon (2021) analyzed fifty Small and Medium-sized enterprise (SME) owners engaged in the manufacturing sector in North Western Province. Their findings presented that support from the government is a substantial positive factor affecting the internationalized SME performance in Sri Lanka. Some recent studies (Madushanka & Sachithra, 2021) also support these findings by highlighting the importance of government policies in determining the export performance of small firms.

Table 4: Summary of previous researches

Identified Factor	**Author/s**	**Determinant**
Firm size	Javalgi & Todd (2011)	Number of employees
	Ruzzier & Ruzzeir (2015)	Number of employees
	Ruzzier & Ruzzeir (2015)	Annual turnover
	Childs & Jin (2015)	Number of employees
	Panda & Reddy (2016)	Total assets of the firm
	Yadav et al. (2019)	Total assets of the firm
Firm age	Javalgi & Todd (2011)	Years of existence
	Gaur et al. (2013)	Years of existence
	Ruzzier & Ruzzier (2015)	Years of existence
Human Capital	Friedman et al. (2000)	Education level of the owners
	Fletcher (2004)	International experience of the employees and owners
	Rauch et al. (2005)	International experience of the employees and owners
	Rauch et al. (2005)	Education level of the owners
	Chen et al. (2009)	International experience of the employees and owners
	Huang & Wu (2010)	Education level of the employees
	Huang & Wu (2010)	International experience of the employees and owners
	Javalgi & Todd (2011)	Education level of the employees
	Javalgi & Todd (2011)	International experience of the employees and owners
	Kenny & Fahy (2011)	International experience of the employees and owners
	Kenny & Fahy (2011)	Industry knowledge

	Perez-Calero Sanchez et al. (2015)	Education level of the owners
	Perez-Calero Sanchez et al. (2015)	International experience of the employees and owners
	Onkelinx et al. (2016)	Education level of the employees
Managerial Capabilities	Kenny & Fahy (2011)	Expertise management ability
Technological Capabilities	Salisu & Baker (2019)	Follow industry standards
	Salisu & Baker (2019)	Predict changes in a tech environment
	Salisu & Baker (2019)	Technical pieces of training
Marketing capabilities	Elango & Pattnaik (2009) Gaur et al. (2013) Raymond et al. (2015) Gupta & Chauhan (2020)	Marketing and advertising expenditure
Innovation Capability	Gupta & Chauhan (2020)	R&D expenditure
	Dadzie et al. (2021)	Innovative ideas

Innovation Capability	Gupta & Chauhan (2020)	R&D expenditure
	Dadzie et al. (2021)	Innovative ideas

Network Capability	Musteen et al. (2014) Raymond et al. (2015) El Makrini (2017)	Number of formal partnerships or business group associations and the individual social network
	Musteen et al. (2010)	Total number of foreign contacts
Financial Capability	Ruzzier et al. (2006) Ruzzier & Ruzzier (2015)	Access to debt financing, Access to equity financing
	Ruzzier et al. (2006) Ruzzier & Ruzzier (2015) Childs & Jin (2015)	Domestic profitability

Internationalization	Geringer et al. (2000) Capar & Kotabe (2003) Karadeniz & Gocer (2007) Javalgi & Todd (2011) Perez-Calero Sanchez et al. (2015) Onkelinx et al. (2016) Boso et al. (2016) Karami & Tang (2019)	Foreign income as a percentage of total income
	Ruzzier & Ruzzier (2015)	Percentage of full-time employees dedicated to international activities
	Childs & Jin (2015)	Number of countries

Source: Authors

According to table 4, it can be observed that various researchers measure the numerous factors affecting SME internationalization using various measurements. Finally, by incorporating the theories and antecedents of internationalization, the authors propose an integrated framework for SME internationalization.

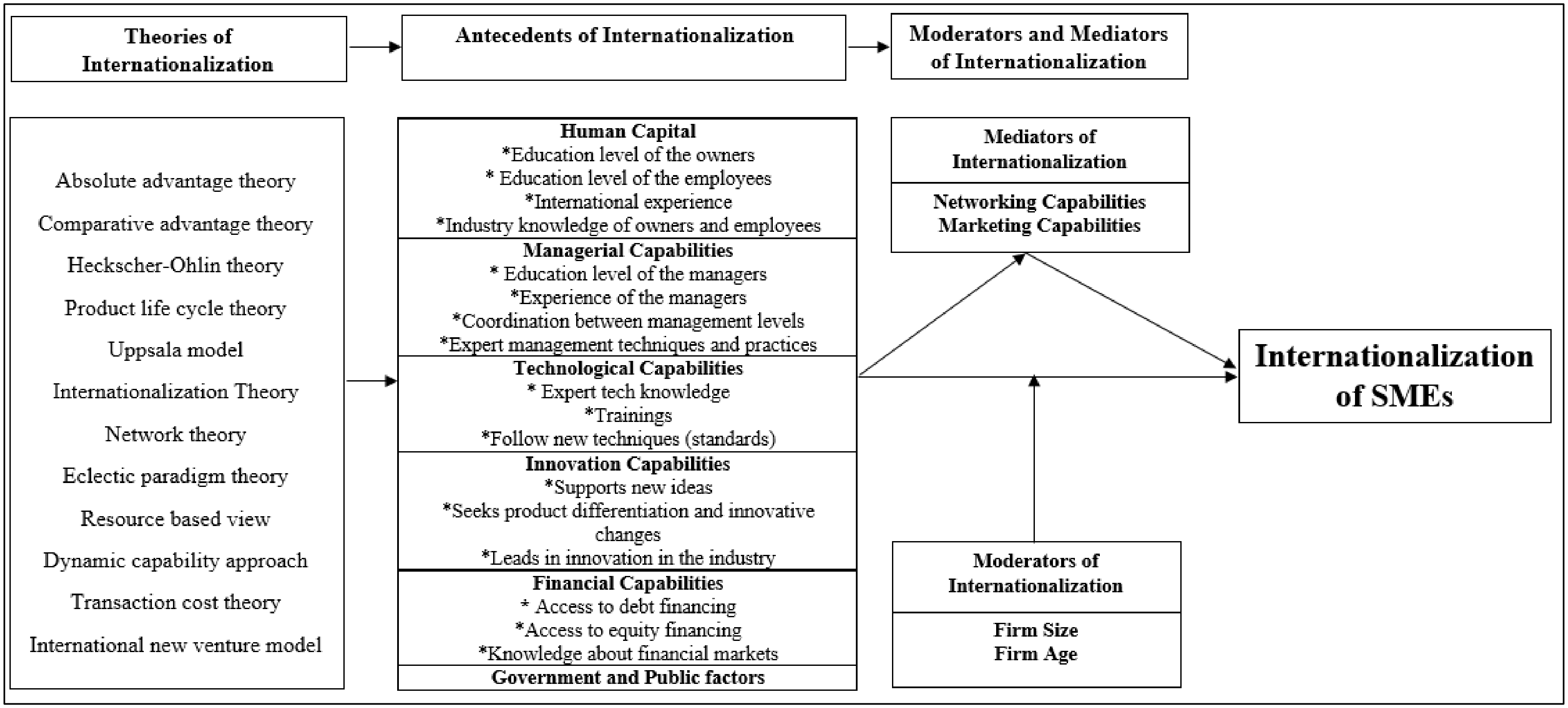


Figure 2: Integrated framework for internationalization of SMEs

Source: Author

CONCLUSION

This study assesses the wide array of literature concerning internationalization theories and explains the factors affecting the internationalization of SMEs. Despite significant contributions to various internationalization theories, there are many flaws, deficiencies and limitations in explaining the behavior of firms (Cumberland, 2006; Ekeledo & Sivakumar, 2004). The theories presented above appear to show a diversity of viewpoints on the firm's internationalization process and provide varied emphasis on internationalization-related issues. It seems clear that each of the internationalization theories presented above has made a significant contribution to practitioners to formulate their strategies and to various scholars to develop more sophisticated theories. Nevertheless, by looking at the benchmarking studies and proposed theories, most of them have been developed based on multinationals in developed countries. The validity and the application of the majority of the theories are questionable when it comes to developing countries. Integrated theories introduced recently by some of the researchers (Andersen et al., 2014; Ruzzier et al., 2006) are believed to have a better validity in the current business context. Most of the previous theories are highly reliant on information availability and the cost of accessing such information. Now, due to the advancement of technologies and reduced market imperfections, information is easily accessible for decision-makers. Therefore, it is believed that there is a requirement to develop new theories integrating the discussed theoretical approaches and incorporating new global market dynamics. This critical review provides a more holistic and integrated view of the current status of the internationalization of SMEs and available literature for better decision making and strategy formulating. This study will advance SME internationalization research with the holistic framework presented based on the previous empirical evidence.

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