

## **A scaffold for accepting SMEs Internationalization: Views from Indian Experts**

**Rakhi Gupta**

Dept of Business Management , Pranveer Singh Institute of Technology(Kanpur), U.P.T.U Lucknow

**Divya Gupta Chowdhry**

(Research Scholar) C.S.J.M University, Kanpur-UP-India

**Dr. S.N.P Gupta**

(Associate Professor, Commerce Department), D.A.V College, C.S.J.M University, Kanpur(UP)-India

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### **ABSTARCT**

The issue of understanding about the internationalization process of small to medium-sized enterprises (SMEs) from emerging economies is still lacking. This study attempts to identify a framework for understanding SMEs internationalization in India. Integrating five major internationalisation perspectives including, the Incremental, Rapid, Network, Resource-based and International Entrepreneurship, a qualitative methodology using a Delphi technique was taken for collecting data. Thirty-two Indian experts were interviewed in two phases, 2006 and 2009. The main contributions of this study are a comprehensive framework of SME internationalization, a formulation of a series of propositions, and broader theory of internationalisation that supports Dunning's Eclectic paradigm. This framework provides avenues on researching into SME internationalization particularly in India as well as in emerging economies.

**Keywords:** Internationalization; SME; Trust; Cooperation;

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### **1 Introduction**

Small and Medium Enterprises significantly contribute to industrial, economic, technological and regional developments in all economies, developed and developing, though the definitions of SMEs may vary (Agarwal 2005). In India, it is estimated that there are over 1.4 million small industries, out of which about 30 per cent may relate to manufacturing. SSI sector account for about forty percent of total industrial production, thirty five to forty percent of total exports and a significant share in employment (close to 2.5 million) and close to 8% of GDP. However SMEs or SSI sector (now called as micro, small and medium enterprises, MSMEs) are going through a transition phase including restructuring of strategies and facilities since the announcement of new policies in 1991 and thereafter progressive adoption of liberalised and globalising policies in India. We will however continue to use 'SME' nomenclature as it is more popular, and widely accepted.

The issue of understanding about the process of internationalization of small to medium-sized enterprises (SMEs) from emerging economies is still lacking. Extant of literature on the SMEs internationalisation have focused on western developed countries (e.g., Coviello & Munro, 1997; Gemser, Brand & Sorge, 2004; Moen & Servais, 2002; Pangarkar, 2008). Only recently, there has been growing interest among researchers conducting research on the internationalization of SMEs in emerging economies (Tung & Aycan, 2008), such as China (Ahlstrom, Bruton, & Yeh, 2008), India (Saini & Budhwar, 2008), Turkey (Benzing, Chu, & Kara, 2009), Taiwan and Singapore (Sim & Pandian, 2003), and Vietnam (Thai & Chong, 2008), but findings from India is still lacking.

Given the importance of internationalization as a rising phenomenon for the success of SMEs, why and how SMEs internationalize is a crucial question that needs to be investigated for theoretical as well as practical purposes. Thus, by combining theoretical perspectives, such as Process and Stage Models, Network, Born-Global, International New Ventures, Resource-based View, and International Entrepreneurship, this study addressed the observed gap in terms of exploratory, in-depth analysis of SME internationalization in order to gain deeper understanding of the process of SMEs internationalization. The objective of this study is to identify a framework for SMEs internationalization from the Indian context. It is hoped that the outcomes of this research could assist in researching into SME internationalization and enhancing the capability of Indian SME in becoming world-class players.

This paper is structured as follows: The next section provides a brief overview of SME profiles, relevant literature review on internationalization theories and models, and pertinent factors related to SME internationalization. Third section describes the methodology, data collection, and process of applying Delphi technique. Fourth section analyses and discusses the results of the experts' views. Building on these discussions, we propose an integrated framework and several propositions. Finally, fifth section concludes the paper with some theoretical and practical implications, limitations of the study, and avenues for future research.

## **2 Literature Review**

Small and medium-sized enterprises have substantially contributed to the economic benefits and their internationalisation has involved countries around the world (Fletcher, 2004). In average, SMEs contribute to more than 89 percent of total establishment, about 70 percent of workforce and 42 percent of the gross domestic income (GDP) (NSDC, 2007). In detail, at least 97 percent of all firms in European countries, Australia, New Zealand, the United Kingdom, and the United States are SMEs (Benzing et al., 2009). Whilst in East Asia, 90 percent of all business enterprises are SMEs, which suggests they have a strong role in enhancing their nation's employment, economic, and social development (Harvie & Lee, 2002). Table 1 shows SME contributions in Asia selected countries.

### **2.1 SMEs Profile in India**

The SME segment has lately come into the limelight, with increased focus from several government institutions, corporate bodies and banks, and is viewed as agents of growth. Apart from the policy focus and government's thrust towards promoting the SME segment, globalisation and India's robust economic growth has opened several latent business opportunities for this segment. However, there is a serious lack of structured information on India's SME sector

Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment, create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across the sectors.

The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors. SMEs are finding increasing opportunities to enhance their business activities in core sectors.

Despite its commendable contribution to the Nation's economy, MSME Sector does not get the required support from the concerned Government Departments, Banking Sector, Financial Institutions and Corporate Sector, which is a handicap in becoming more competitive in the National and International Markets and which needs to be taken up for immediate and proper redressal. MSME sector faces a number of problems - absence of adequate and timely banking finance, limited knowledge and non-availability of suitable technology, low production capacity, ineffective marketing and identification of new markets, constraints on modernization and expansions, non availability of highly skilled labour at affordable cost, follow up with various agencies in solving regular activities and lack of interaction with government agencies on various matters.

Ministry of Small Scale Industries is primarily responsible for promotion and development of SMEs in India, and has evolved several policies, institutional and support measures, spread all over the country, in order to enable SMEs to meet their changing needs. Small Industries Development Bank of India (SIDBI) has developed various financing schemes. Ministry of Science and Technology (DST, DBT, DSIR) has evolved several measures and programmes for technological assistance and development and transfer of technologies for SMEs. Some of the economic ministries such as Ministry of Textiles, Department of Food Processing and Department of Handicrafts etc. have also recently announced initiatives for technical assistance in various firms.

- Some of the measures and new initiatives to promote SMEs include:
- SME development fund
- A specialized stock exchange for SMEs
- Encouragement for patenting and ISO Certification
- SME venture capital fund
- National Commission for Small Industries (informal sectors)
- SME development bill
- Credit Rating Agency
- Promoting special venture capital companies and risk financing \_\_\_\_\_companies for SMEs
- Improve the working of credit guarantee and export promotion institutions
- Progressively reduce protection measures and simplify implementation policies and control mechanisms
- SME Development Centres at SIDBI and IIFT
- Considering liberalizing FDI in SMEs and encouraging their linkages with TNCs and large companies
- Promoting industrial growth centres/clusters, EOUs, district industry centres, business incubators and business parks
- Market assistance and export promotion
- National Small Industries Corporation
- Small Industries Development Organization
- Limited Liability Partnership Bill 2006

#### **Technology Support Initiatives**

- Proto-typing and product development centres
- Design, engineering and development centres
- Small industries and services institutes
- Tool rooms
- Specialized development centres with international assistance in areas such as electronics, toys, handicrafts, etc.
- Technology business incubators
- Software technology parks
- S&T Entrepreneurship Development Board
- Techno-preneur Promotion Program
- Consultancy Development Program
- Tax incentives, fiscal incentives, custom duty exemptions, grants & other financing mechanisms

The importance and contribution of the SME sector to the economic growth and prosperity is well established. Their role in terms of employment creation, upholding the entrepreneurial spirit and innovation has been crucial in fostering competitiveness in the economy. Towards meeting the National developmental objective of a growth rate of over 8% on a sustained basis, it is imperative for the industrial sector to grow at a faster pace supported by a vibrant SME sector. Towards this, Government's policy initiatives like enactment of the new Micro Small and Medium Enterprises Development Act, 2006, pruning of reserved SSI list, advising FIs to increase their flow of credit to the SME sector, are all initiatives towards boosting entrepreneurship, investment and growth. There are a few national level associations and several state level associations for promotion of SMEs. Federation of Small and Medium Enterprises (FISME), Confederation of Indian Industry (CII), PHD Chamber of Commerce, Federation of Indian Chamber of Commerce and Industry (FICCI), and World Assembly of Small and Medium Enterprises (WASME), etc. have evolved various program towards technological capability building and enhancing competitiveness of SMEs. Public-Private Partnership (PPP) Projects are also being recently evolved for sustainable support to SMEs in some areas such as food processing and handicrafts. However, the expertise and capabilities to provide effective technology related services are generally limited.

## 2.2 Perspectives to Internationalization

In the twenty-first century, the new global economy has changed the world of business in a profound and indelible manner. Trade liberalization, privatization and globalization - the trio has transformed every aspect of modern life. Advancement in information technology and communication has further speed up the process making geography and time irrelevant. Economy, society, educational system and political landscape - everything has been changed - and business as well.

The widespread internationalization of all forms of economic activity - production, marketing, consumption, capital, standards, tastes, etc. - has stimulated fierce competition in the twenty-first century business world. Businesses, especially SMEs (small and medium scale enterprises) with their limited budget, have faced today a fight-for your-life situation where ignoring globalization just means bringing their businesses on the verge of extinction.

So, we have to fight back. In this brave new global economy, we have to develop an international mindset which is the heartbeat of the new economy. We have to develop a new business strategy, articulate a pragmatic vision, exercise effective leadership and do everything which are pre-requisites for success in the new global economy. We have to realize that the world is our market.

And the new global economy is not only about challenges. It offers unlimited export opportunities for entrepreneurs and small businesses. Going global increases sales, raise profitability, insulate seasonal domestic sales and create wealth and job. Then why most of the small businesses hesitate to go global? It is often because they cannot fully realize their potential for global trade. They think that the global market is too big and too complicated.

Of course, operating a business at the international level is not as easy as doing business in one's own backyard. But it is very possible and there are so many examples of SMEs which have successfully gone global despite their limited resources. What one needs to take this big leap is acquire proper entrepreneurial abilities, skills, competencies & perspectives, and, needless to say, guts.

The early development of firms' internationalisation theories have focused on foreign direct investments, and one prominent perspective is viewed by Dunning (1977), who suggests an Eclectic Paradigm, where a firm only engages in international activities if three conditions are met: Ownership-specific factors of a firm (O); Location-specific factors of a market (L), and there are internalisation advantages of integrating transactions within the firm (I). Later, Welch and Luostarinen (1988) anticipate that the internationalisation process crosses diverse theories. The literature has identified various views on firms' internationalisation including: Process and Stage Models; Network Perspective; the Born-Global or International New Venture models; Resource-based View; the International Entrepreneurship concept.

In contrast, rapid internationalization enlightens that many firms internationalise in a rapid manner, and sometimes from inception. These firms are called, among others, Born-Globals (McKinsey & Co., 1993), and International New Ventures (McDougall, Shane, & Oviatt, 1994). Network approach identifies that the pattern of international expansion can be enhanced through networking (Johanson & Mattson, 1988; 1996; Bell & McNaughton, 2000). Resource-based view explains the importance of internal drivers such as tangible and intangible resources for SME internationalisation (Barney, 1991; Shepherd & Wiklund, 2005). Whilst International Entrepreneurship perspective focuses on the role of entrepreneurs and decision-makers in SME internationalization (Zahra & George, 2002). These theories have all contributed to the contemporary understanding of SMEs internationalisation (Morgan & Katsikeas, 1997).

Despite the variety of understandings, SME internationalisation theory is still inconclusive (Etemad, 2004). A review of extant literature suggests that in attaining holistic understanding of the internationalisation process of SMEs, a broad range of internationalisation theories are required (e.g., Bell, McNaughton, Young & Crick, 2003; Jones & Coviello, 2005). Therefore, in addressing this gap, the conceptual framework of this study integrates these five internationalisation perspectives; Incremental internationalisation, Rapid internationalisation, Networking, Resource-based and International Entrepreneurship to understand the internationalization process of Indian SMEs. A few

aspects pertaining to SME internationalization process discussed in the literature include triggering factors, internal factors, external factors, networking, barriers and challenges, and operations for internationalization. These aspects will be discussed accordingly.

### **2.3 Triggering Factors Affecting Internationalization**

Triggering factors influencing why SME go into international markets can be studied through the motivational factors for internationalisation. Motivational factors can be classified as proactive referring to aggressive behaviors of firms acquiring new markets, and reactive reasons relating to passive reactions of firms seeking new markets (Czinkota et al., 2002; Hollensen, 2001), or pushing, pulling and interactive pushing-pulling forces (Etemad, 2004), and internal and external change agents (Crick & Chaudhry, 1997). According to Littunen and Tohmo (2003), push and pull factors include positive situational and business opportunities

Etemad (2004) suggested the indicators of push factors (key manager characteristics, economics of operations, competition and strategy characteristics, R&D, innovation, and technological change, high-technology products and markets characteristics, strategic logic of international operations); pull factors (international markets, liberalization, advances in information and communication, transportation technologies, attraction and resources of partners, attraction of serving current buyers' and suppliers' international needs); and the interaction between pushing-pulling factors (industry characteristics and drivers, SMEs' need for financial resources, the dynamics of learning organizations, leveraging capabilities, products, and resources, internationalized needs of customers and suppliers).

Nevertheless, why SMEs internationalize may differ between developed and emerging economies, for instance in the United States, SMEs were motivated by reactive approaches such as global market opportunities and advance R&D (Karagozoglu & Lindell, 1998). Whilst emerging markets such as India depends on proactive approach when going international. According to Abdul Rashid and Tan (2002), long term growth and profit, economies of scale, marketing advantages, unique products or technologies, risk diversification, management urge, and encouragement of export promotion activities were major motives for Indian firms to internationalize. Therefore, to facilitate the internationalization process preparation, it is important for both researchers and managers to understand the triggering factors affecting SMEs internationalisation.

### **2.4 Internal Factors**

Internal factors include the firm characteristics, competencies, resources, entrepreneurial orientation and key personnel (Bell et al., 2007; Chetty & Wilson, 2003; Jones & Coviello, 2005). Firm characteristics such as size affects internationalization behavior (Olivares-Mesa et al., 2007) while firm age influences the pace or speed of a firm's internationalization (Zahra & George, 2002). Firm competencies include the knowledge-based, resource-based and situational approaches, and strategic planning (Obrecht, 2004). Firm resources include the physical, organisational, relational and network resources (Calof & Beamish, 1995). The more resources the firm has, the more likely it will engage in international activities (Almeida, Sapienza, & Michael, 2000). Barney (1991) stressed that unique resources such as rare, inimitable, and non-substitutable resources signify the competitive strength of the firm. Meanwhile, entrepreneurial orientation involves how a firm aligns its process, practices and managerial activities towards new markets (Lumpkin & Dess, 1996) involving strategic intentions and top management's actions (Smart & Conant, 1994). Key personnel may include owners, managers, decision-makers or founders of the firms. Factors that influence their internationalization process are their philosophical view, social capital, human capital, international orientation and personal characteristics.

### **2.4 External Factors**

External factors affecting SME internationalisation can be classified into market environment, governmental characteristics, environmental characteristics, and competitive environment. Market environment refers to the size of the market, sales potential, availability and quality of infrastructure or facilities, and the degree of internationalization in domestic as well as foreign markets (Jones & Coviello, 2005; Root, 1994) and these are affected by the economic environment.

### **2.5 Networking**

Networking factors include the role of key personnel responsible for initiating the firm internationalization and their existing social networks (Ellis & Pecotich, 2001). Networking through clients, competitors, colleagues, government, government institutions, friends and families most likely affects the selection of countries to penetrate and mode to take (Coviello & Munro, 1997; Johanson & Vahlne, 2003). Being connected with others allows SMEs to gain knowledge on foreign markets and access in requiring resources and capabilities (Johanson & Mattsson, 1988). In some extreme cases, network relationships can make it possible for small firms to directly enter foreign markets, via manufacturing operations (Björkman & Kock, 1995).

### **2.5 Barriers and Challenges**

SMEs face many issues and challenges when internationalizing since the processes of internationalization are complex and complicated (Coviello & McAuley, 1999; Dana, 2004; Matlay & Mitra, 2004). This is because the processes involve various factors for instance many people, different institutions, and different policies, rules and regulations. Quite common, most SMEs face challenges on financial management and decision-making (Ray & Neck, 2007). Nevertheless, SMEs in India also encounter many challenges include intensified global competition, new and emergent technologies, and high factor costs (SMIDEC, 2002). Additionally, market liberalization, free trade agreements (FTAs) at regional or international levels, and the use of advanced technologies have resulted in more highly innovative products, creating another challenge for Indian SMEs. For example, in the past two years, Indian SMEs have faced rapid competition from China and India because of the open policy and market liberalization (Hashim & Hassan, 2008).

### **2.6 Operations for Internationalization**

Firms utilize a broad range of operational modes during their internationalization process, although many fit the traditional classifications of exporting, contracting, and direct foreign investments (Wild et al., 2003). The foreign entry modes can include exporting, licensing, franchising, know-how agreement, subcontracting, contract manufacturing, project exporting, joint/mixed ventures, cooperative approaches (Luostarinen, 1994). Luostarinen (1979) argues that the traditional foreign entry classifications are inappropriate to explain SME internationalization operations, since size affects other variables.

In summary, the theoretical premise of the study is that internationalization of SMEs in emerging economies is largely influenced by many factors. Thus, in gaining deeper understanding of the process of SMEs internationalization, it is necessary for the researchers to understand and identify various factors affecting SME internationalization, so that they could extend further research on this issue. This study also benefits the practitioners as they can identify the best practice for internationalization. Therefore, the main research question of this study is: What are the key factors comprising a comprehensive framework for SME internationalization in emerging economies?

## **3 Methodology and Data**

This section presents the methodology employed for the study and justifies the selection of the expert panel. This study adopts a qualitative methodology through telephone interviews. Since little is known about the internationalization process of manufacturing SMEs in India, an exploratory approach (Hesse-Biber & Leavy, 2006; Yin, 1994) was the most suitable method for data collection. The study involved two phases of data collection through two sets of panel experts. The first set of data was collected in 2006, involving 16 experts from various institutions, qualifications, and expertise. And the second set of data was gathered in 2009, participated by another 16 experts from the same institutions. The purpose was to gain diverse views and perspectives on SME internationalization in two different phases. The next sections will discuss the selection of experts, rationale for applying Delphi technique, and process of Delphi technique performed in this study.

### **3.1 Selection of Experts**

To ensure the authenticity of their stances, respondents were targeted due to their positions, qualifications, affiliations, age and length of working experience. The names and affiliations of the Expert Panel were identified from the internet and through personal contacts. In phase I, 55 experts were approached by email or telephone, but only 16 agreed to participate. However, in phase II, we only identified other experts from the same institutions and managed to get another 16 experts. We decided to choose the experts from the same institutions as we attempted to gather their views on SME internationalization based on institutional perspectives. Because interpersonal contact is valued in

India, telephone interviews using semi-structured interview guide were chosen in preference to written answers.

Experts were selected because of their expertise in the areas of international business, strategic management, SME development and entrepreneurship. The positions of the experts range from Senior Lecturer to Professor for the Academics and Assistant Director to Managing Director for institutions. All are highly specialized in the disciplines such as SME development and Entrepreneurship, Franchising Business, Strategic Management and Planning, International Business, Global Marketing, Cross Border Investment, Foreign Direct Investment, Small Medium Industry, and Research and Development. The experts represent a range of institutions or departments that are directly involved with SME development in India. For example, policymakers were drawn from the Ministry of International Trade and Industry (MITI), the Automotive Components Manufacturers Association of India (ACMA Federation of India Micro, Small and Medium Enterprises (FISME) and The Nashik Industries and Manufacturers' Association (Nima). Other supporting government agencies included the Small and Medium Industries Development Corporation (SMIDEC), Small Industries Development Bank of India (SIDBI), Small and Medium Enterprises Rating Agency (SMERA), Credit Information Bureau of India (CIBIL) and The Associated Chambers of Commerce and Industry of India (ASSOCHAM) Confederation of Indian Industry (CII). India **International** Trade Centre (IITC-INDIA). National Manufacturing Competitiveness Council (NMCC)

The experts were drawn from five categories namely; Academics (6:12%), Policymakers (8:25%), Government Agencies (8:25%), the Chamber of Commerce (4: 19%), and Research Institutes (6:19%). The participants comprised 24 males (88%) and 8 females (12%). These experts ranged in age from their early to late 30s (19%), early to late 40s (56%) and early to late 50s (25%). All of the experts have working experiences ranging from more than 10 years, and in some cases up to more than 30 years. This brief description of the panel of experts demonstrates that they are qualified and experienced to give relevant opinions and a legitimate understanding of the internationalization process of Indian SME. Thus, the experts in this panel were considered well-informed as they met these criteria.

### **3.2 Data Analysis**

The semi-structured telephone interview lasted from 30 to 45 minutes. The information obtained from the telephone conversations was hand recorded onto a pre-formatted form. After each interview, the information was immediately checked, and further additions or interpretations were added while the content of the conversations could still be recalled. This precaution was taken to ensure relevant information was not overlooked. Once the responses were transcribed, thematic coding was carried out. The data were arranged manually according to the themes which were compared with the literature on SMEs internationalization. Later, the themes and indicators were calculated based on frequency counts which were then converted into percentages. This helped to identify the most influential factors influencing Indian SME's internationalisation.

#### **3.2.1 Rationale for Applying Delphi Technique**

Delphi technique is defined as "a method of structuring a group communication process so that the process is effective in allowing a group of individuals, as a whole, to deal with a complex problem" (Linstone & Turoff, 1979, p. 574). Because of the complexity of the SME internationalization process, qualitative methods were recommended (Zalan & Lewis, 2004). Obtaining consensus of experts' opinion on complex issues was advised (Dunham, 1998). Lindqvist and Nordänger (2007) suggested that the best method in getting structured and systematic feedback on complex issues is through Delphi technique. Moreover, the application of Delphi studies in qualitative market research is still neglected (Grant, Gilmore, Carson, Laney, and Pickett, 2001). This study enhances the interpretivism approaches in SME internationalization studies since much research in this area is still focused heavily on the positivism methodological approach (Jones and Dimitratos, 2004).

#### **Delphi Technique Performed in this Study**

Two processes of Delphi technique were performed in this study. First, 'pre Delphi technique process' acting as preliminary data/evidence gathering in regards to SME internationalization, while the second stage, 'during Delphi technique process' involved three rounds, including gathering information, developing and confirming themes and confirming influential factors. The procedural steps in conducting the Delphi technique are illustrated in Figure 1.

**FIG I**

Since SME internationalization involves complicated process, institutions and individuals at local and foreign levels, therefore, experts' opinions are necessary in gaining comprehensive perspective on internationalization process. Hence, this paper applied the Delphi technique approach by interviewing a panel of Indian experts on SME internationalization process. This technique facilitated the researchers to generate a model on factors pertaining to SME Internationalization in emerging economies, particularly in India.

**4 Findings and Discussions**

In analyzing the views from the two panels of experts, their opinions were combined so that SME internationalisation process can be better understood. The results of internationalisation process are organised into: 1) Triggering factors; 2) Internal factors; 3) External factors; 4) Networking; 5) Barriers and Challenges, and 6) operations for internationalization.

**4.1 Triggering Factors**

Based on the frequency counts analysis, Table 2 indicates four predominant triggering factors. These are insufficient domestic conditions (75%), globalization force (75%), high demands from other markets (69%), and resource seeking (50%).

Based on our thorough analysis, we identified important items related to each category under the triggering factors, highlighted in Table 3. Market saturation was the main motive for Indian SMEs undertaking internationalisation. Since the market is very small, intense competition can affect the growth of small businesses. Thus, to ensure firm growth and to gain better profits SMEs are triggered to engage in international activities.

Among the key global factors designating the pulling factors that motivate Indian SMEs to internationalise, are better global market conditions, globalisation effects, following clients or customers' locations, and seeking for more advanced resources. According to Bartlett and Ghoshal (2000) these factors are more associated with developed countries and MNCs, yet this study uncovered similar findings. The study also found that the global-pulling forces have a higher impact on SME internationalisation, as compared to domestic forces. This is in line with the Organisation for Economic Co-operation and Development (OECD, 1997) and Rodriguez's (2007) findings.

**4.2 Internal Factors**

The experts identified two aspects as important drivers for internal factors that triggered SME firms to internationalize, including the organizational capabilities, and key characteristics of top managers. Table 4 shows the categories under internal factors, these being availability of resources (63%), products' uniqueness and/or niche products (63%), existence of competitive advantages (44%), and good reputation and/ or firm image (31%). While, predominant characteristics of the top managers included broad experiences (91%), skilful (88%), highly entrepreneurial attitude (75%), and compelling background (69%).

In regards with organizational capabilities, the most substantial items for this category are availability of resources and uniqueness of products. These are the organization strength which provide sustainable advantages to the firm (Prahalad, & Hamel, 1990). Other competencies include the knowledge-based, resource-based and situational approaches, found within the firm's adopted technology, market knowledge and strategic planning which are in line with Obrecht (2004). The experts stated that top managers or key personnel need to be committed in realising the firms' potential and be able to handle complexity. This is consistent with the findings of Mockaitis, Vaiginiene, and Giedraitis (2006). Apart from the entrepreneurial orientations, knowledge, skills, and broad experience provide SMEs with capabilities in identifying opportunities and knowledge of ways to more effectively and efficiently pursue growth opportunities (Alvarez & Busenitz 2001). In any case, these findings highlight the importance of entrepreneurial capability in recognising appropriate markets and acknowledging specific problems, for successful internationalisation. Therefore, the combination of organizational and top managers' capabilities are necessary in order to achieve a competitive advantage. The important items related to each category under the internal factors are highlighted in Table 5

### 4.3 External Factors

Table 6 illustrates the external factors contributing to the internationalization. Five main aspects emerged in relation to external factors including industrialization (59%), government-related issues (62%), foreign market attraction (74%), world integration (70%), and continuous changes (69%).

Foreign market attraction is the most important external driver that contributes to the Indian SMEs internationalization. The experts believe that larger and competitive markets offered by other countries provide the SMEs with better and richer opportunities for foreign expansion.

Increasing waves of economic integration, freer trade and investment trends and liberalisation have translated into many opportunities for the SMEs. This condition links to Czinkota and Ronkainen (2005) suggestion that globalisation increases the frequency and duration of linkages between countries, leading to economic and political integrations. Table 7 highlights some important items related to the aspects in the external factors.

### 4.4 Networking

Table 8 shows the networking factors facilitating internationalization. The experts identified three main sources of networking which were Government and non-government institutions (100%) contacted through personal relations through individual contact with friends, colleagues, students, families, etc. (81%); and other business players such as either small or large and local or foreign firms (75%).

Table 9 highlights some important items related to the networking factor. Significantly, all the experts perceived the importance of institutions as the main source of contact in seizing information and knowledge, resulting in creating awareness and learning of the opportunities, which in turn triggered the SMEs to internationalize. This finding supports Blankenburg's (2001) proposition that converging various types of interactions through multi-linkages with different agencies and institutions, strengthen the founders' network, providing more avenues to access to international opportunities.

According to the experts, the SMEs must take advantage of the international events such as exhibitions, seminars, trades, and conferences since these avenues create further networking to gain better information and opportunities. This is in line with Ojala's (2009) findings that advanced networking accelerated the internationalisation activities of SMEs in Finland. Interestingly, the experts expressed concern over the Indian Chinese SMEs who are always advanced in making ethnic ties with Chinese in India as well as from other countries, but put less practice with other Indian SMEs.

### 4.5 Barriers to and Challenges of Internationalization

Table 10 depicts the barriers to and challenges of internationalization. The SMEs face six barriers in internationalizing their firms; the largest of these is financial limitations (75%), followed by resource constraints (69%), management incompetence (63%), negative attitudes of managers/entrepreneurs (56%), R&D incapability (56%), political interference (31%), and psychic distance (25%). To ensure successful internationalization, SMEs have to overcome three challenges. The first of these is competing with other companies (53%), handling political wills/forces (47%), and managing local and international markets (44%).

Consequently, these barriers particularly, financial constraints, lack of resources and management incompetence may cause several other limitations to the internationalization of Indian SMEs. Although the government and its institutions do provide financial supports in terms of loan and grants, the experts acknowledged the SMEs must equip themselves with 'know-who and know-how' in speeding up the needed facilities or to secure approval. Inevitably, the experts do not deny the existence of political interferences that cause discomforts to some SMEs practitioners, resulting in negative perceptions toward the government practices, which in turn becomes barriers for them to internationalize. Some important items related to the barriers to and challenges of internationalization aspects are highlighted in Table 11 below.

In another view, the experts disapproved of the negative attitudes amongst the SMEs owners/managers who rely on the government subsidies, incentives, and supports that inherent their independency. They suggested the SMEs to be more creative and to have more courage for risks and self-motivations.

Positive attitudes are also important for the bank evaluations of business proposals because the financial institutions want to see the viability of the projects.

#### 4.6 Operations of Internationalization

Table 12 provides the operations of internationalization factor. Two aspects emerged from the operations factor including foreign entry modes and market selection. Indian SMEs prefer to internationalize predominantly via exporting (75%), distributors and/or agents (66%), subcontracting/supplier (56%), and cooperative arrangements (41%) that include strategic alliances, mergers and acquisitions, licensing/franchising, and setting up a subsidiary. They operate mostly within neighboring countries (84%), the South East Asia region (53%), other markets (41%) such as Middle East, China, Sudan, Bangladesh, etc., among countries within the AFTA zone, i.e., Thailand, Indonesia, Brunei and Singapore (28%), and in distant countries, i.e., the US, Europe.

In regard to foreign entry modes, exporting and distributors and agents are the main modes taken by the SMEs in India. Meanwhile, subcontracting/vendor systems are associated with the industrial linkages program (ILPs) and the government-linked companies (GLCs) in which the SMEs become the suppliers to the MNCs. According to the experts, the ILPs can initiate cooperative arrangements among the Indian SMEs with companies abroad.

Drawing on these findings, the next section presents a proposed integrated framework linking the factors, categories and pertinent items viewed by the panels of experts. We also provide some propositions pertaining to the integrated framework.

#### 4.7 Proposed Integrated Framework and Propositions

##### 4.7.1 An Integrated Framework

Based on the experts opinions analysed using thematic coding and frequency count, an integrated framework of the internationalization process for SMEs operating in an emerging economy is proposed, shown in Figure 2. The current study that integrated the concepts of five major internationalisation perspectives including, the Incremental, Rapid, Network, Resource-based and International Entrepreneurship, had resulted in six emergent factors (i.e., triggering, internal, external, networking, barriers and challenges, and operations) pertaining to SME internationalization drawn from the panel of experts.

Figure 2 provides a new perspective in understanding the internationalization process of SMEs in emerging economies, particularly in India. The six emergent factors are interlinked, indicating that interrelated micro and macro conditions affect the SMEs decisions to internationalize. Internal and local, and external and global conditions influence the process of internationalizing the SMEs; the earlier conditions explain the pushing factors, while the latter conditions clarify the pushing factors which both are considerable important elements that trigger the SMEs to internationalize.

##### Fig II

Significantly, the framework clearly supports the existence of networking as the most pertinent factor in the internationalization process of SMEs in India. The ability to access relevant networks is the fundamental value to SMEs, as the avenue for acquiring international opportunities, tacit knowledge and foreseeing market behaviours that contribute to the success of internationalization process. Nevertheless, barriers and challenges within the organization, in the country itself, as well as in the countries they are operating or they plan to operate must be included in understanding extensively the process of internationalization.

Consequently, the interrelated factors discussed earlier explicate the preconditions for internationalization process of SMEs in India as well as in many other emerging economies. These factors may trigger and/or motivate the SMEs to internationalize, which may also determine their modes of foreign entry, scopes of market, and patterns of internationalization.

This study has developed a new perspective for understanding the SMEs internationalization in emerging economy context. It enables the formulation of a series of propositions based on the factors,

categories, and items of SMEs internationalization. Based on the discussion above, three main propositions and their sub-propositions are forwarded.

**Proposition 1:** Network relationships trigger the SMEs internationalization.

**Proposition 2:** Internal and external factors trigger SMEs to internationalize.

**Proposition 3:** Internal and external barriers' factors foster and/or impede SME internationalization.

## 5. Implication and Conclusion

The objective of this paper was to address the key research question guiding this paper: What are the key factors comprising a comprehensive framework for SME internationalization in emerging economies? This is an important question for three compelling reasons. First, the issue of researching on the internationalization process of SMEs from emerging economies is still lacking. Second, the existing conceptualization of SME internationalization process is lacking of common conceptual framework (Etemad, 2004; Jones & Coviello, 2005), because one perspective is unlikely to depict the SMEs internationalization (Malhotra, Agarwal, & Ulgado, 2003). Third, an inclusive framework for researching into issues affecting SME internationalization process is strongly suggested (Gassmann & Keupp, 2007).

This paper distinguishes three significant theoretical contributions. First, the proposed framework is comprehensive in the sense that it is based on five theoretical perspectives on SME internationalization. Second, the formulation of a series of propositions based on the factors, categories, and items of SMEs internationalization can be tested. Third, this study raises the theoretical developed from this study to the broader theory of internationalisation that supports the positioning the study's theoretical contribution within the Dunning's OLI-Eclectic paradigm.

Our framework also contributes implications to the practitioners and policymakers. The implications to practice are outlined below:

- SMEs need learn the procedures to export themselves, and rely less on the supports of the government agencies and/or consultants;
- SMEs need to consider the grooming of human capital development in order to create understanding and knowledge on the internationalization process by attending training and seminar;
- SMEs must be able to distinguish themselves with other players;
- SMEs owners and/or key managers must inspire themselves with entrepreneurial orientations attitudes and avoid having 'subsidized thinking';
- SMEs should engage more with R&D so that their products can compete at global markets;
- The Government and its supporting agencies should dismantle bureaucracy in the conduct of government operations and procedures; and
- The Government should establish one body to deliver supports and facilities to the SMEs so that confusion and misunderstanding caused by numerous diverse agencies could be eliminated;

In terms for future research, it will be necessary to refine and deepen the broad ideas we have presented in framework. Additional research should be conducted in different emerging markets to confirm our proposed framework. In addition, future research should test the propositions generated from the study to clearly identify what factors, categories and items are most important for the SMEs internationalization. In terms of methodology, another extension of this work would be to apply this research to a different unit if analysis such as the SMEs practitioners. Researchers could examine the factors, categories, and items identified in this study to distinguish whether they varies and later prove or disapprove in different emerging economies.

In sum, gaps remain in the literature and as well as the empirical evidence on the internationalization of SMEs. The SMEs in emerging markets particularly India are influenced by the triggering or motivational factors, internal and external factors, the networking efforts, the handling of barriers and challenges, and the operation strategies modes, indicating that the emerging markets' SMEs should

consider these factors to facilitate their internationalization process. Although this study has presented robust findings, but in regards to SME internationalization, avenues are widely open for investigations, as Mtigwe (2006, p. 20) argues that, “some models with varying amounts of detail have already begun to take root”; yet, “a great deal more work in this regard needs to be undertaken”.

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### Appendix

**Table 1: International SME Development and Growth (Updated in 2008-9)**

Country (year)	Total establishment (%)	Total workforce (%)	SMEs contribution to GDP (%)
India (2008)	99.2	57	17.0
Japan (2007)	99.7	71.0	55.3
Chinese Taipei (2005)	98.0	76.9	40.0
Korea (2003)	99.8	86.5	49.4
Thailand (2002)	99.6	69.0	38.9
Singapore (2008)	90.0	45.0	25.0
China (2007)	99.0	75.0	56.0
Philippines (2003)	99.6	70.0	32.0

**Table 2: Triggering Factors for Internationalization**

Categories	No. of Experts	% (Experts)
Insufficient domestic conditions	24	75%
Resource seeking	16	50%
High demand from other markets	22	69%
Globalization force	24	75%

**Table 3: Identified Items Related to Triggering Factors**

Domestic Conditions	Globalization Force	Market Demands	Resource Seeking
Market - Smaller domestic market/Saturated domestic market	Global supply chains Pressure from globalization	Demands from outside markets Better global markets	Cost advantage Specific resources needed
Competitiveness- Avoid local competitions/remain locally competitive	Follow globalization trend Global products – firm preparedness and readiness	Movements More competitive markets Bigger markets, more choices	Resources outsourcing Cooperation or linked with other companies Supplier to MNCs
Firm’s survival Independent of government supports Economic crisis			

**Table 4: Internal Factors for Internationalization**

Internal Drivers	Categories	No. of	%
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		Experts	(Experts)
Organizational Capabilities	Availability of resources	20	63%
	Uniqueness of products / Niche products	20	63%
	Good reputation / Firm image	10	31%
	Existence of competitive advantages	14	44%
Top Managers Characteristics	Highly entrepreneurial attitudes	24	75%
	Compelling background	22	69%
	Broad experiences	29	91%
	Skillful	28	88%

**Table 5: Identified Items Related to Internal Factors**

Internal Drivers	Categories	Related Items
Organizational Capabilities	Availability of resources	<ul style="list-style-type: none"> <li>▪ Unique resources</li> <li>▪ Advanced Technology</li> <li>▪ Skilful/Competent/Reliable/Committed key personnel</li> <li>▪ Financial sound/stable</li> <li>▪ Good working culture</li> <li>▪ Good management team</li> </ul>
	Products Uniqueness/ Niche products	<ul style="list-style-type: none"> <li>▪ Unique/Niche/Global products</li> <li>▪ Good packaging</li> <li>▪ High quality products – meet international requirements</li> <li>▪ Sustainable productions</li> </ul>
	Good reputation/Firm image	<ul style="list-style-type: none"> <li>▪ Firm holds significant reputation</li> <li>▪ Strong foundation</li> <li>▪ Strong linkages with other firms/Good networks with everybody <ul style="list-style-type: none"> <li>▪ Aware of the industry needs and requirements</li> </ul> </li> </ul>
	Existence of competitive advantages	<ul style="list-style-type: none"> <li>▪ Competitive advantages</li> <li>▪ Value-added</li> <li>▪ Brand names <ul style="list-style-type: none"> <li>▪ R &amp; D capabilities/competencies</li> </ul> </li> <li>▪ Price advantage</li> </ul>
Top Managers Characteristics	Highly entrepreneurial attitudes	<ul style="list-style-type: none"> <li>▪ Determined to explore overseas markets</li> <li>▪ Strong interest to extend the business</li> <li>▪ Own initiatives and willingness to expand</li> <li>▪ Risk takings, proactive, aggressive attitudes</li> <li>▪ Think and view global – global mindsets</li> <li>▪ Highly adaptability into global market</li> <li>▪ Positive and responsive toward globalization</li> <li>▪ Self-driven motivation <ul style="list-style-type: none"> <li>▪ Market, customers global trends (follow trends)</li> </ul> </li> <li>▪ Survival attitude</li> <li>▪ Visionary</li> </ul>
	Compelling background	<ul style="list-style-type: none"> <li>▪ International exposure, either education or working experience <ul style="list-style-type: none"> <li>▪ Past working experience with international firms</li> </ul> </li> <li>▪ Good education/academic background</li> <li>▪ Younger generations and/or Young entrepreneurs</li> </ul>
	Broad experiences	<ul style="list-style-type: none"> <li>▪ Knowledgeable</li> <li>▪ Broad experiences <ul style="list-style-type: none"> <li>▪ Exposure/knowledge of/experience with foreign elements (i.e., people, markets, or other companies that have gone international)</li> </ul> </li> </ul>
	Skillful	<ul style="list-style-type: none"> <li>▪ Good interpersonal skills</li> <li>▪ Communication/Negotiation skills</li> <li>▪ Intelligent worldwide networking creation</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Advanced-technical skills</li> <li>▪ Able to utilize know-how and know-who</li> <li>▪ Management Changes</li> <li>▪ Business/Management skills</li> <li>▪ Customers build up confidants and mutual trust</li> <li>▪ Convincing people</li> </ul>
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**Table 6: External Factors Contributing to Internationalization**

External Drivers	Categories	No. of Experts	% (Experts)
Industrialization	Industrial linkages programs	28	88%
	Supplier to local and/or international companies	19	59%
	Economies of scale – Mass production	17	53%
	Nature of industry sector	12	38%
Government-Related Issues	Policies (economic and/or political integration)	20	68%
	Supports and assistance (training, financial)	22	69%
	Availability of good infrastructure and location facilities	16	50%
Foreign Market Attraction	Larger markets outside	27	84%
	Better and richer opportunities	21	66%
	Competitive markets	23	72%
World Integration	Political-related	20	68%
	Economy-related	23	72%
Continuous Changes	Technological changes	28	88%
	Societal changes	16	50%

**Table 7: Items Related to External Factors**

External Drivers	Categories	Related Items
Industrialization	Industrial linkages programs	<ul style="list-style-type: none"> <li>▪ SMEs involve with Industrial Linkages Programs (ILPs) provide productions to MNCs, local or foreign</li> </ul>
	Supplier to local and/or international companies	<ul style="list-style-type: none"> <li>▪ Become supplier to other companies</li> <li>▪ New trend – outsourcing (not producing in India)</li> </ul>
	Economies of scale – Mass production	<ul style="list-style-type: none"> <li>▪ Mass production</li> <li>▪ Product customization</li> <li>▪ Tap into lower cost production</li> </ul>
	Nature of industry sector	<ul style="list-style-type: none"> <li>▪ Nature of business and industry</li> <li>▪ Growing industry in India such as in BioTech</li> <li>▪ Inter-dependant on other industries</li> </ul>
Government- Related Issues	Policies (economic and/or political integration)	<ul style="list-style-type: none"> <li>▪ Unison with government demand to be advanced in certain industry</li> <li>▪ Availability of Logistic to deal with custom clearing</li> </ul>
	Supports and assistance (i.e., training, financial)	<ul style="list-style-type: none"> <li>▪ Various supports from government supporting agencies</li> <li>▪ Promotional supports – for brand image, good quality products</li> <li>▪ Incentives to invest in some selected countries</li> </ul>
	Good infrastructures and location facilities	<ul style="list-style-type: none"> <li>▪ Having advanced technology to develop products help to put on demand from the international markets</li> </ul>
Foreign Market Attraction	Larger markets outside	<ul style="list-style-type: none"> <li>▪ Global of economy</li> <li>▪ More demands at overseas market</li> </ul>
	Better and advance opportunities	<ul style="list-style-type: none"> <li>▪ Find niche markets</li> <li>▪ The need to find new/cheaper/more efficient suppliers.</li> <li>▪ Avoid competition with other overseas products</li> <li>▪ Able to supply the required quality</li> <li>▪ Gain market opportunity when overseas' players aware of the existence of your firm</li> </ul>

	Competitive markets	<ul style="list-style-type: none"> <li>▪ Design and technology advantages to compete with famous company like IKEA</li> <li>▪ Follow suppliers</li> <li>▪ Competing with other foreign markets</li> <li>▪ Cost competitive</li> <li>▪ Intensification of competition (at local market)</li> <li>▪ Competition from low cost production countries</li> </ul>
World Integration	Political-related	<ul style="list-style-type: none"> <li>▪ Host country's policy and procedure</li> <li>▪ Government to government supporting programs</li> </ul>
	Economy-related	<ul style="list-style-type: none"> <li>▪ Regional Integration – affect trade movement</li> <li>▪ China trade liberalization</li> <li>▪ Integration economy – AFTA/ Trade Agreement</li> <li>▪ Liberalization of economy</li> </ul>
Continuous Changes	Societal changes	<ul style="list-style-type: none"> <li>▪ Follow the world trend</li> <li>▪ Learn other cultural aspects</li> <li>▪ Anticipate the dos and the don'ts in foreign countries</li> </ul>
	Technological	<ul style="list-style-type: none"> <li>▪ Acquire technology for survival</li> <li>▪ Adopt new technology adoption</li> </ul>

**Table 8: Networking Factors Facilitating Internationalization**

Categories	No. of Experts	% (Experts)
Government and non-government Institutions	32	100%
Personal relations	26	81%
Other business players	24	75%

**Table 9: Identified Factors Related to Networking**

Categories	Related Items
Government and non-government Institutions	<ul style="list-style-type: none"> <li>▪ Internationalize through Government agencies</li> <li>▪ Participate in international exhibitions</li> <li>▪ Involve with Industrial Linkages Programs</li> <li>▪ Network with SMI Development</li> <li>▪ Choose appropriate mode and agencies</li> <li>▪ Contact other related government agencies when the SMEs are not familiar with rules, procedure or political issues</li> <li>▪ Network with colleagues from previous employments</li> <li>▪ Enhance individual networks</li> <li>▪ Become suppliers through Free Trade Economic integration</li> <li>▪ Enhance networking through exhibitions within and outside India</li> <li>▪ Get assistance and information support from India Embassies</li> <li>▪ Seek information and assistance from foreign embassies</li> </ul>
Personal relations	<ul style="list-style-type: none"> <li>▪ Create own networking through International Procurement Center</li> <li>▪ Prolong the networking</li> <li>▪ Participate in international exhibitions (in or out of India)</li> <li>▪ Make own networking with locals who are based at the host countries</li> <li>▪ Create strong and long lasting networking with other same ethnic (usually Chinese) within and outside India</li> <li>▪ Maintain personal relationship to ease the process of internationalization</li> <li>▪ Maintain networks with friends, families and relatives</li> </ul>
Other business players	<ul style="list-style-type: none"> <li>▪ Partner with local and foreign MNCs</li> <li>▪ Become a vendor/supplier to MNCs parent companies</li> <li>▪ Build own network with local and foreign MNCs</li> <li>▪ Establish strong relationships with other Indian SMEs</li> <li>▪ Link with global supply chain</li> <li>▪ Collaborate with local and foreign suppliers</li> <li>▪ Develop and/or maintain networking with other business associates</li> </ul>

**Table 10: Barriers to and Challenges of Internationalization**

Factors	Categories	No. of Experts	% (Experts)
Barriers	Financial constraints	24	75%
	Lack of resources	22	69%
	Management incompetence	20	63%
	Entrepreneurs/managers negative attitudes	18	56%
	Firm Capability	18	56%
	Political interference	10	31%
	Psychic Distance	8	25%
Challenges	Competing with other companies	17	53%
	Managing local and international operations	14	44%
	Handling government regulations and policies	15	47%

**Table 11: Identified Items Related to Barriers and Challenges**

Factors	Categories	Related Items
Barriers	Lack of resources	<ul style="list-style-type: none"> <li>▪ Lack of human resources;</li> <li>▪ Lack of skilled resources to develop R&amp;D</li> <li>▪ Lack of knowledge/information on certain markets or host countries</li> <li>▪ Lack of promotional supports - unable to 'reach' the customers</li> <li>▪ Unable to acquire new technology</li> </ul>
	Financial constraints	<ul style="list-style-type: none"> <li>▪ Financial limitation - Inadequate fund</li> <li>▪ Difficult to get government grants/loans</li> <li>▪ Long process in getting bank approval.</li> <li>▪ Low exchange rate of MR compared to some other currencies</li> </ul>
	Entrepreneurs/ Managers attitudes	<ul style="list-style-type: none"> <li>▪ Negative attitude (e.g., not risk takers, rely on government subsidies &amp; incentives, not creative and not motivated)</li> <li>▪ Dependant on business contract from other countries</li> <li>▪ Way of thinking -lack of enthusiasm to try something new and challenging</li> <li>▪ Feel satisfied with existing business</li> </ul>
	Firm Capability	<ul style="list-style-type: none"> <li>▪ Lack of products innovativeness</li> <li>▪ Lack of quality (e.g., Lack of ISO accreditation, Product reputation)</li> <li>▪ lack of international market intelligence and logistic</li> <li>▪ Lack of technology for capacity building</li> <li>▪ Lack of R&amp;D - lack of proper development center that could assist with the products designs</li> </ul>
	Political interference	<ul style="list-style-type: none"> <li>▪ Trade barriers – host countries impose a lot of policies/requirements</li> <li>▪ Different host countries enforce diverse regulations</li> <li>▪ Different industries have different regulations</li> </ul>
	Management incompetence	<ul style="list-style-type: none"> <li>▪ Difficulty in gaining trust</li> <li>▪ Lacking of management capabilities</li> <li>▪ SMEs are facing high turnover rate due to salary and job security</li> </ul>
	Psychic Distance	<ul style="list-style-type: none"> <li>▪ Different culture, language, social, and beliefs.</li> </ul>
Challenges	Handling government regulations and policies	<ul style="list-style-type: none"> <li>▪ Inconsistencies of regulations and policies from both local and foreign markets</li> <li>▪ Unclear directions from the authorities</li> <li>▪ Handling red tapes and bureaucracy</li> <li>▪ Change of government administration (change of leadership will certainly change the management, that leads to adjustment of regulations, rules and policies)</li> <li>▪ Legal requirement from foreign companies – warranty and back up supports</li> </ul>
	Managing local and	<ul style="list-style-type: none"> <li>▪ Enhance knowledge and conduct do research</li> </ul>

	international operations	<ul style="list-style-type: none"> <li>▪ Managers need to shift their paradigms/way of thinking</li> <li>▪ Increase management capabilities</li> </ul>
	Competing with other companies	<ul style="list-style-type: none"> <li>▪ Product innovativeness</li> <li>▪ Product competitiveness</li> <li>▪ Be ahead of competitors</li> </ul>

**Table 12: Operations of Internationalization**

Factors	Categories	No. of Experts	% (Experts)
Modes of foreign entry	Exporting	24	75%
	Distributors and/or Agents	21	66%
	Subcontracting / Suppliers	18	56%
	Cooperative arrangements	13	41%
Markets Selection	Neighboring countries	27	84%
	Within South East Asia Region	17	53%
	Other markets	13	41%
	Distant countries	11	34%
	Among countries within AFTA Zone	9	28%

**Table 13: Identified Items Related to Operations of Internationalization**

Factors	Categories	Related Items
Modes of foreign entry	Exporting	<ul style="list-style-type: none"> <li>▪ Direct exporting</li> <li>▪ Indirect exporting - through agents/representatives</li> </ul>
	Subcontracting / Suppliers / Vendors	<ul style="list-style-type: none"> <li>▪ Vendor system</li> <li>▪ Subcontracting</li> </ul>
	Cooperative arrangements	<ul style="list-style-type: none"> <li>▪ Cooperation with MNCs</li> <li>▪ International Joint Ventures <ul style="list-style-type: none"> <li>▪ Outward and inward acquisition mode</li> <li>▪ Strategic alliances</li> <li>▪ Licensing/Franchising</li> </ul> </li> </ul>
	Distributors and/or Agents	<ul style="list-style-type: none"> <li>▪ Selling components</li> </ul>
Markets Selection	Neighboring countries	<ul style="list-style-type: none"> <li>▪ Basically around the regions,</li> </ul>
	Within South East Asia Region	<ul style="list-style-type: none"> <li>▪ Free trade zone</li> </ul>
	Among countries within AFTA	<ul style="list-style-type: none"> <li>▪ Neighboring countries</li> </ul>
	Distant countries	<ul style="list-style-type: none"> <li>▪ Some European countries</li> <li>▪ The USA, UK</li> </ul>
	Other markets	<ul style="list-style-type: none"> <li>▪ Further to China</li> <li>▪ Middle East countries</li> </ul>

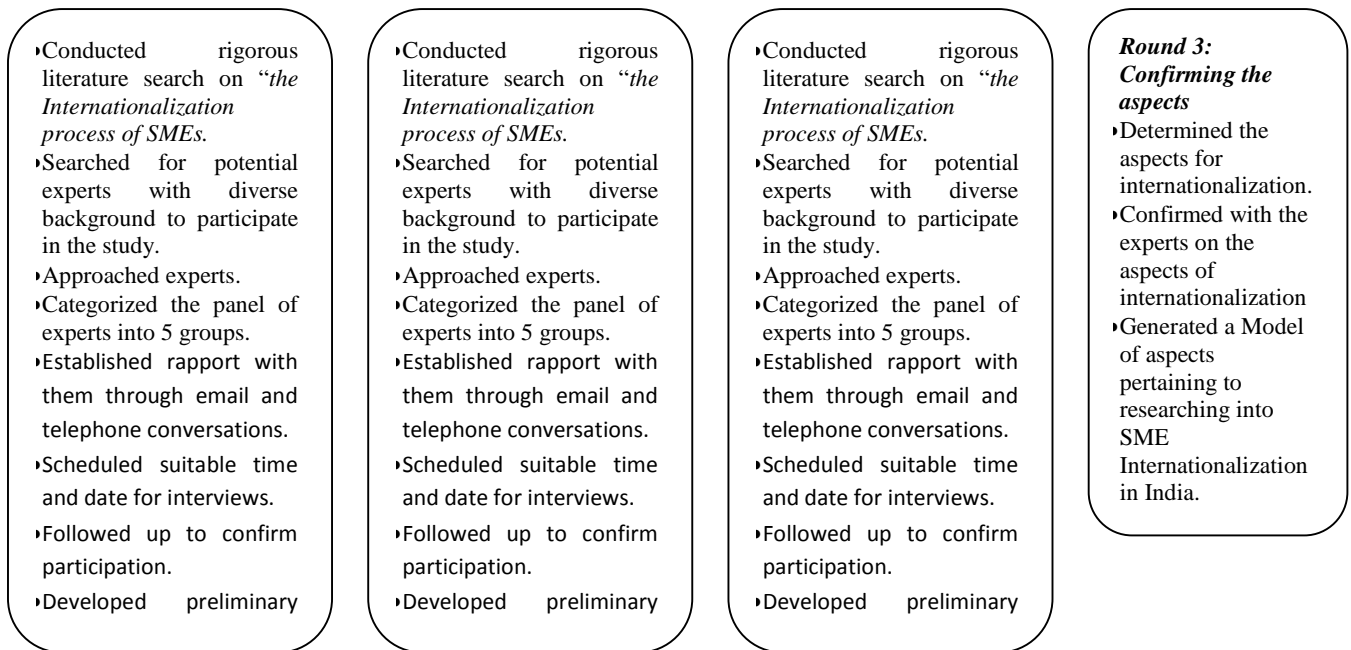


Figure 1: Delphi Technique Performed in this Study

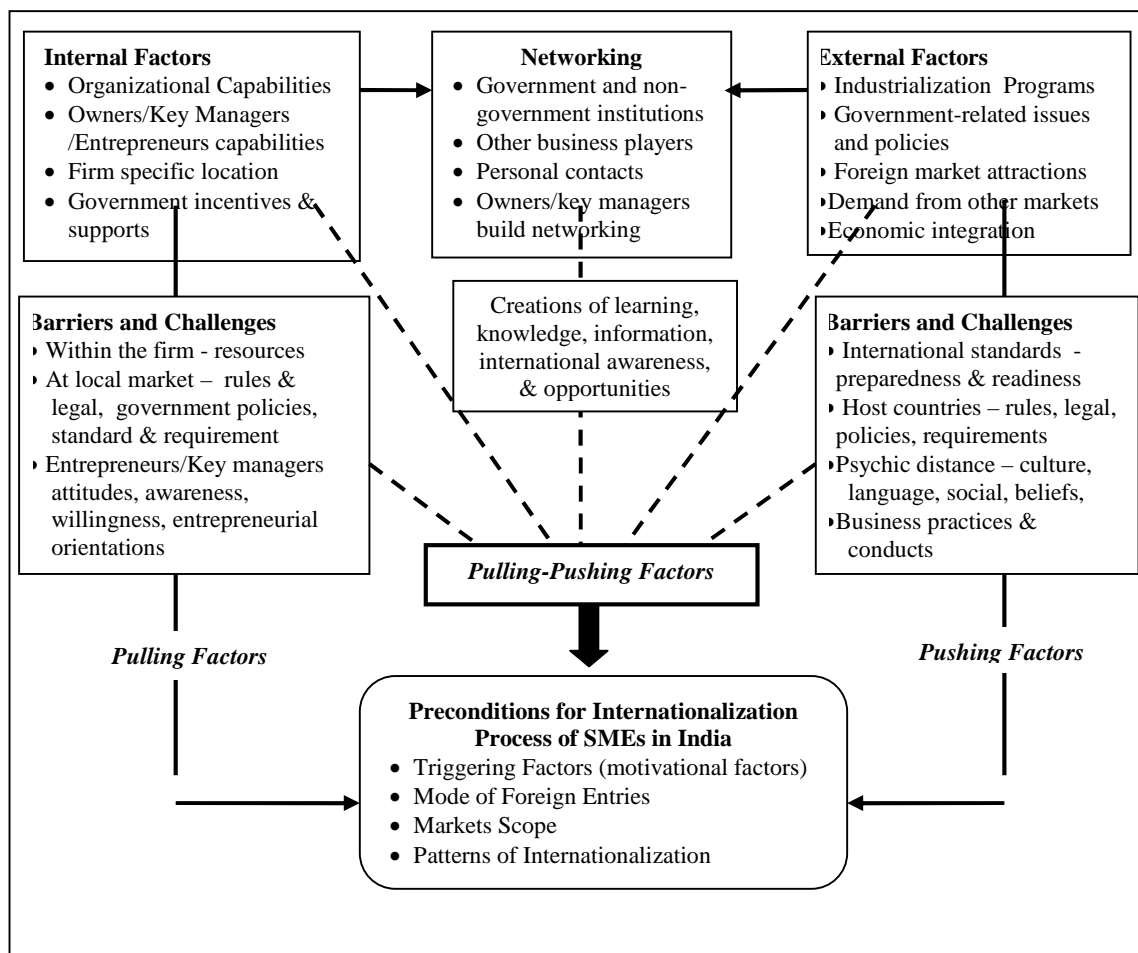


Figure 2: A Proposed Framework Pertaining to SME Internationalization