



# Exporting challenges of SMEs: A review and future research agenda



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## ABSTRACT

This study seeks to review the literature on the exporting challenges and problems of small and medium scale enterprises (SMEs) in this era of globalization. Besides, we identify gaps in the literature and provide directions for future research. This review would serve as a basis to understand the research gaps, opportunities, and undertake new research projects based on the propositions and the future research agenda outlined. We synthesize the findings and analyze different dimensions, which in turn would facilitate further research as well as the growth of small firms in the long run.

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## 1. Introduction

In this dynamic era of globalization, small and medium enterprises (SMEs) play a pivotal role in the development of a country. However, they face many challenges while competing internationally with large firms and multinational organizations. SMEs are considered as the backbone of a national economy (Amini, 2004; Peters & Waterman, 1982). SMEs, despite their small-scale output and relatively lower scale economies, are known to be significant contributors to employment growth and innovation (Pavitt, Robson, & Townsend, 1987). As compared to the large firms, SMEs have an edge in terms of quick and flexible decision-making processes. However, their relative strengths are mostly behavioral, for example, entrepreneurial dynamism, flexibility, and motivation, among others. On the other hand, some of the relative strengths of large firms include economies of scale and scope, financial and technological resources, etc.

The strengths and weaknesses of small firms involved in internationalization through exports have been widely researched. For instance, firm size determines how trade barriers are perceived (Kahiya & Dean, 2016; Kahiya, Dean, & Heyle, 2014). Larger firms, being well endowed, can respond better than SMEs in dealing with these trade barriers, and are likely to have a competitive advantage in international markets (Beamish, 1990; Piercy, Kaleka, & Katsikeas, 1999; Paul & Gupta, 2014; Wolff & Pett, 2000). The argument states that large firms that have developed their resources and capabilities over time, such as managerial know-how and export departments to conduct export activities with a well-developed base. It is known that SMEs lack such resources and capabilities, and therefore larger firms are more likely to overcome the challenges of exporting than smaller firms.

Griffith, Cavusgil, and Xu (2008) identified primary, secondary and tertiary themes for future research and related research questions in the field of international business. They found “*SME experiences in internationalization*” to be a primary theme, with the following research questions: “*What unique strategies do small and medium-sized firms employ in going international?*” “*How successful are they?*” (p. 1227). Thus, when it comes to exporting, small firms are more challenged than larger firms. The available literature makes a clear distinction between export barriers and other problems faced by the firms (Leonidou, 2000; Morgan & Katsikeas, 1997). The former refers to factors that prevent non-exporters from exporting, while the latter covers the stumbling blocks encountered by existing exporters. Falbe and Welsh (1998), while explaining exporters’ problems, found that the global mindset or familiarity with conditions generates more opportunities than otherwise. There have been widespread difficulties in applying comprehensive theories to decisions and processes involved with the internationalization of small firms. These have resulted in calls for a return to exploratory research, and for a series of connected sub-models covering different dimensions of internationalization (Jones, 2001).

The scope of our review article is three-fold. First, considering the need for and the importance of SMEs, we seek to analyze the literature, on the exporting challenges of SMEs, critically examining the theoretical approaches and highlight the findings and list out the challenges. Second, drawing upon the assertion (Jones & Gatrell, 2014), that literature reviews are essential for making sense of existing scholarship, we identify new directions for future research. Third, despite several comprehensive reviews that help

the field of international entrepreneurship (Keupp & Gassmann, 2009; Jones, Coviello, & Tang, 2011; Servantie, Cabrol, Guieu, & Boissin, 2016), we found that none of those reviews have focused on exporting challenges and barriers of SMEs. As such, there is no exclusive review article on exporting challenges of SMEs, while prior reviews on international entrepreneurship have covered several dimensions of international entrepreneurship in general. Moreover, this review will motivate the researchers to carry out future research and help the SMEs directly or indirectly to compete, survive, sustain, and succeed in exporting and resultant international business in this challenging era of globalization.

The remainder of the article is structured as follows. Our methodology is discussed in the next section. Subsequently, a synthesis of theories, models, and perspectives on factors influencing the internationalization of SMEs are presented. Section four deals with the exporting challenges of SMEs. The discussions based on the findings are given in section five and directions for future research are outlined in section six. Our conclusions are reported in the last section.

## 2. Methodology

Following the systematic search methods found in the review articles (Canabal & White, 2008; Keupp & Gassmann, 2009; Terjesen, Hessels, & Li, 2013), we searched for relevant literature in online databases such as EBSCO, Google Scholar, Scopus and in the reference lists of the articles we read. Our search methodology helped us to identify various articles published in the area of SME internationalization over a period of more than three decades (1980–2016). This search strategy of using multiple sources helped us to make sure that we have included all the important studies in our review. Notably, the search on Google Scholar provided us data on most cited articles in this area. We selected articles published from the journals included in the official list of Association of Business Schools (ABS), United Kingdom. Our focus area is *exporting challenges of SMEs*. However, we thought, first, it is necessary to review the important theories that have emerged in the realm of small firm’s internationalization. Therefore we used the keywords *SME internationalization* and *internationalization of small firms* to identify the most important works that represent the key theories in extant literature. Our search yielded a total of 251 possibly relevant articles. Following prior review studies (Keupp & Gassmann, 2009; Terjesen et al., 2013), we read the initial collection of 251 articles and exchanged notes among three co-authors to reach a consensus on the articles to be excluded from our final sample. We then fine-tuned search towards our focus area using the keywords *exporting challenges of small firms* and *export barriers*. Further selection; based on the criteria that the articles should have the focus theme- *exporting challenges of SMEs*; left us with 211 articles to be included in the final list. Besides; we synthesized and highlighted the findings of recent studies (2011–2016) in an annexure table (Table A; in Appendix A). Our literature search was mainly towards furthering the studies on exporting challenges of SMEs. As such; our attempt is to look at possible areas of future research that are not falling within the realms of born global firms. Nevertheless; we have discussed some highly cited papers on born global phenomenon and included it in our review of theoretical models. These studies may have valuable strands of knowledge that could be tested or applied to conventional SMEs.

Exporting challenges and barriers have been areas of interest for long. However, SME internationalization as a field of study has evolved, over a period, grounded in various theoretical models and many propositions as evident from the works that we have reviewed. Based on the review, we have put forth several propositions that shed light on how SMEs can overcome these barriers. Further, the challenges have also evolved over time and as such this literature review synthesizes some of the common threads to barriers and challenges. This has led to our propositions.

The total number of articles, included in sample is 211, and all of them are from the journals featured in the ABS list. The number of articles included from the reputed journals (journals with ranks of 4\*, 4 and 3 in the ABS list) is given in Table 1, which shows that 76% of articles are from high-ranking journals.

The period of publication of the articles included in our review is between 1980 and 2016; although we discuss different theories of firm internationalization developed during the last fifty years. The period distribution for the 211 articles is as follows: 1980–1990, 9%; 1991–2000, 20%; 2001–2010, 41%; 2011–16, 30%. Such a distribution indicates the continuing as well as increasing interest level in this area of research.

We then culled out all those articles that were in the search results using the search words “export barriers” and “exporting challenges” separately and as a pair. Thereafter, we selected the top 15 of the highly cited articles dealing with the topic SME exporting challenges and barriers as listed in Table 2.

### 3. Theoretical models and synthesis

#### 3.1. Internationalization and SMEs

Scholars and academics have tried to define internationalization of a firm using many different perspectives and variables. The definition of the term internationalization varies depending on the observed phenomena. As demonstrated by Penrose (1959), the topic focuses on the firm's core competence and opportunities in the foreign environment. Johanson and Vahlne (1977) explained the term ‘internationalization’ as the process in which a firm steps up in incremental stages, its involvement in international operations; Welch and Luostarinen (1988) supported this

definition. Other scholars defined ‘internationalization’ as the process by which firms increase their awareness of both the direct as well as indirect influences of international transactions in their future, and establish and conduct transactions in other countries. Subsequently, Calof and Beamish (1995) defined internationalization as “the process of adapting a firm's operations (strategy, structure, resource, etc.) to international environments”.

Munro (2013) observes that SMEs in the USA are defined as follows: “Micro-enterprises, as having fewer than ten employees; Small enterprises, as having fewer than 50 employees; Medium enterprises, as having fewer than 250 employees” (p. 8). Lu and Beamish (2006), report that Japanese SMEs are those firms that have “fewer than 500 employees” (p. 33). In a study involving S. Korean firms, Lee, Kelley, Lee, and Lee (2012) defined SME as a firm with “less than 500 employees” (p. 7). Batra, Sharma, Dixit, Vohra, and Gupta (2015) define Indian SMEs as firms with fewer than 500 employees, for their study (p. 676). They also note from the extant literature that most studies involving European SMEs tended to consider firms with fewer than 250 employees (p. 677). Thus, it is apparent from the existing literature that most studies define an SME based on the number of employees to be fewer than 250 or 500 persons.

#### 3.2. Theories and models of internationalization

The regular theories that are used as benchmark models in the area of internationalization of firms were found to be: i) Product Life Cycle Theory; ii) Uppsala model; iii) Network Approach; iv) Born Global model; v) Other theories.

##### 3.2.1. Product life cycle theory

According to Vernon (1966, 1971, 1979), the internationalization process of the firm follows a Product Life Cycle. Firms usually introduce new products only in their home market to gather information and learn from how the product is performing and eventually expand their offer, beginning with exports and later venturing into foreign direct investment and reverse exports. This theory is not widely used in research dealing with SME exporting and internationalization, despite being tested in many studies in the context of multinational enterprises.

**Table 1**  
Articles from Journals that are ranked as 4\*, 4 and 3 in ABS list.

S.No.	Name of the Journal	No. of Articles
1.	Journal of International Business Studies	31
2.	Journal of World Business	19
3.	International Business Review	19
4.	Small Business Economics	9
5.	International Small Business Journal	7
6.	Journal of Small Business Management	7
7.	Journal of International Management	6
8.	Academy of Management Journal	6
9.	Journal of Business Venturing	5
10.	Journal of Business Research	4
11.	Journal of Management	4
12.	Journal of Small Business and Enterprise Development	4
13.	Strategic Management Journal	4
14.	Asia Pacific Journal of Management	3
15.	Entrepreneurship & Regional Development	3
16.	Entrepreneurship Theory & Practice	3
17.	Family Business Review	3
18.	Journal of International Marketing	3
19.	Journal of Management Studies	3
20.	The World Economy	3
21.	International Journal of Management Reviews	2
22.	Management International Review	2
23.	Thunderbird International Business Review	2
	Total no of articles	158 (76% of the 210 articles)

**Table 2**

Citation Analysis (Cite counts as on 3rd January 2017).

S. No.	Authors	Citation Count	Journal in Which Article Was Published
	Lu and Beamish (2001)	1829	Strategic Management Journal
	Coviello and Munro (1997)	1455	International Business Review
	Coviello and McAuley (1999)	1247	Management International Review
	Leonidou and Katsikeas (1996)	1095	Journal of International Business Studies
	Calof and Beamish (1995)	788	International Business Review
	Coviello (2006)	762	Journal of International Business Studies
	Moen and Servais (2002)	713	Journal of International Marketing
	Zhou et al. (2007)	691	Journal of International Business Studies
	Aulakh et al. (2000)	690	Academy of Management Journal
	Dhanaraj and Beamish (2003)	678	Journal of Small Business Management
	Ellis (2000)	655	Journal of International Business Studies
	Ruzzier et al. (2006)	611	Journal of Small Buss. and Ent. Devpt.
	Moen (2002)	521	International Marketing Review
	Andresson and Wictor (2003)	496	Journal of International Entrepreneurship
	Acs et al. (1997)	482	Small Business Economics

### 3.2.2. Uppsala model

The Uppsala model postulates that firms go through a gradual internationalization process (e.g., Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Welch & Luostarinen, 1988; Welch & Wiedersheim-Paul, 1980). According to Johanson and Vahlne (1977), firms pay more attention to the 'psychic distance' and thus, begin their internationalization process by choosing foreign markets that fulfill this criterion. Psychic distance is recognized as the notion of distance due to differences in factors such as language, culture, and political systems; these factors may disturb the flow of information between the firm and the market (Johanson & Wiedersheim-Paul, 1975). Although the Uppsala model was developed based on the internationalization process of relatively large size firms, it is equally useful for analysing the exporting challenges and opportunities of SMEs as well.

### 3.2.3. Network approach

Mitgwe (2006) highlighted the importance of network approach of internationalization stating that networks are a bridging mechanism that facilitates the internationalization of firms. Johanson and Vahlne (2009) posit that a firm is in a network of relationships with other firms. Such relationships lead to information exchange that facilitates the process of internationalization. Networking is considered as a crucial source of market information and knowledge that are often acquired over longer periods when there are no relationships with the host country. This school of opinion brought another theory of internationalization of firms into the picture that is known as Network Approach. The network approach emphasizes in using the information that the firm acquires over a period of time and bringing all the involved parties nearer by establishing close relationships with customers, the industry (including suppliers and distributors), regulatory and public agencies, as well as other market actors. Relationships are based on mutual trust, knowledge, and commitment between the firm and the aforementioned actors. Given limited resources and market power, the internationalization process of SMEs differs significantly from the already-established multinationals. SMEs, typically, rely heavily on their network relationships as they try to internationalize (Coviello & Munro, 1997; Coviello, 2006; Musteen, Datta, & Butts, 2014; Musteen, Francis, & Datta, 2010). Coviello and Munro (1997) found that the internationalization process of small software firms reflects an accelerated version of the stage model perspective, and is driven, facilitated, and inhibited by a set of formal and informal network relationships. Oehme and Bort (2015) find that German SMEs in bio-technology industry resort to the imitation of peers as a low-risk route to internationalization. They further mention that their imitation propensity is influenced by

their position in their network and the ability to learn from experiences.

### 3.2.4. INVs and born globals

There is an alternative view that some firms internationalize soon after their inception, and such firms are called as International New Ventures (INVs) (McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1994) or 'Born Globals' (Knight & Cavusgil, 1996; Madsen, Rasmussen, & Servais, 2000; Madsen & Servais, 1997; Rennie, 1993). Oviatt and McDougall (1994) define INVs as business organizations that right from inception, seek to derive significant competitive advantage from the use of resources resulting in the sale of outputs in a number of countries. Some factors that help firms become international from inception are new market conditions, technological developments (Batra et al., 2015), and the capabilities of managerial team and/or that of entrepreneurs (Landau, Karna, Richter, & Uhlenbruck, 2016; Shih & Wickramasekera, 2011), as well as the international network relationships (Madsen & Servais, 1997).

SMEs with innovative products or services, gain a competitive advantage over other firms, which in turn help them in the process of internationalization from inception. This occurs when a specific foreign market has the need for a certain type of product or service innovation. Knight and Cavusgil (1996) suggest that "born globals" could be small firms that strive to achieve competitive advantage based on technology, and from the earliest days of their foundation operate in multiple international markets. Knight and Cavusgil (2004) highlight the ability of born global firms to innovate in ways that create new knowledge and capabilities, to deploy unique resources and capabilities despite their asset-parsimony, with effective international market orientation and posited that such abilities stem from a high degree of international entrepreneurial orientation. Cavusgil and Knight (2015) draw upon the research on born global firms and note that the internationalization of born globals is invariably aided by cutting-edge, innovative technology products and such firms have at their helm, entrepreneurial leaders as change agents. Born Global firms are firms with competitive advantages that are based on superior knowledge assets and the technological know-how that they possess (akin to Teece, 1998). These factors combined the experience of managers and/or entrepreneurs in the international market will easily steer the firm abroad (Love, Roper, & Zhou, 2016).

McDougall and Oviatt (2000a) find that INVs are not phenomena that occur in a specific industry, but that it can happen in a wide range of them. Coviello (2015) and Oviatt and McDougall (2005) assert that while INVs are firms that internationalize at an early stage. Their international character is not



narrowly defined via export sales but involves a variety of value chain activities such as importing and offshore production/R&D [also see, Zander, McDougall-Covin & Rose (2015) – Fig. 1, p 31].

Globalization, technological, political, and economic changes have emerged as the driving forces for the increasing internationalization of SMEs. As discussed earlier, some theorists of internationalization process suggest that certain SMEs internationalize by following the Uppsala ‘stage model’, i.e., expressing a cautious and progressive learning-oriented behavior; whereas other SMEs that are considered INVs or Born Globals, internationalize at an early stage of establishment. Baum, Schwens, and Kabst (2015) conclude that there were four types of internationalization patterns: born global, born regional, born-again global and traditional internationalizers. They also find that the traditional internationalizers (akin to those following the ‘stage model’) made up nearly 59% of the firms studied. Hence, our literature review had large number of works on traditional-internationalizer SMEs, although we have included some widely acclaimed literature on other kinds of SMEs.

### 3.2.5. Other theories (Eclectic paradigm and transaction cost theories)

To internationalize successfully, SMEs should give due attention to various factors influencing the internationalization and growth of competing firms. Nakos and Brouthers (2002) find that Dunning’s eclectic framework is an appropriate model to predict SME foreign market entry mode selection using data from Central and Eastern Europe (CEE) markets. Hollenstein (2005) econometrically investigated the factors determining the choice of a specific internationalization strategy and concluded that Ownership (O)-advantages turned out to be the main drivers of internationalization, irrespective of firm size and strategy. However, the knowledge base on which O-advantages of smaller firms rests was narrower than that of large firms.

Brouthers and Nakos (2004) argue that transaction cost theory for entry mode selection for large firms is also useful for explaining SME mode choice and show that SMEs that used transaction cost–predicted mode choices performed significantly better than firms using other modes. The results from a comprehensive case study of four non-high-tech Australian ‘born global’ small firms suggests that entrepreneurial interpretation is a factor in determining the pace with which a firm internationalizes. Other key implications include the importance of product imitability in assessing the extent of a firm’s international operations, the

significance of the psychic distance in the assessment of prospective international markets, and that entry mode choice was influenced by the prevailing trends established in each firm’s industry and the need to maximize its internal resources (Taylor & Jack, 2013).

### 3.3. Factors influencing the internationalization and growth of small firms

Researchers have examined various factors influencing the internationalization and growth of small firms in the past, and have made substantial contributions to the existing body of literature (Andersson, Gabrielsson, & Wictor, 2004; Autio, Sapienza, & Almeida, 2000; Cardoza, Fornes, Farber, Duarte, & Gutierrez, 2015; Golovko & Valentini, 2011; Harms & Schiele, 2012; Lu & Beamish, 2001, 2006; Manolova, Manev, & Gyoshev, 2010; Oura, Zilber, & Lopes, 2015; Ruzzier, Hirsch, & Antoncic, 2006; Torres, Clegg, & Varum, 2016). The ongoing globalization has made it easier to conduct Born Global strategies (Andersson & Wictor, 2003). Xie and Li (2013) find a relationship between export intensity and R&D intensity of Chinese SMEs. Golovko and Valentini (2011) find that innovation and export positively reinforce each other in a dynamic virtuous circle. Furthermore, they show that, *ceteris paribus*, firms’ adoption of one growth strategy (e.g., entering export markets) positively influences the adoption of the other (e.g., innovation). Lu and Beamish (2001) argue that internationalization helps the SMEs to perform better, and succeed in the long run. Consistent with findings from prior research on developed countries, Coad and Tamvada (2012) confirm that small size has a negative impact on the growth of the firm. Besides, this study reveals that exporting has a positive effect on firm growth, especially for young firms and for female-owned firms. It was found that some small firms were able to convert know-how into commercial success while many others are unable to translate it into superior growth. Gabrielsson and Gabrielsson (2013) developed a dynamic model explaining the growth and survival of international new ventures and theoretical propositions were devised on the impact of opportunities, survival, resources and capabilities, entrepreneurial orientation and learning during growth phases.

For long, there has been an assumption that firms internationalize gradually after a period of gaining domestic experience and growth (Etemad & Wright, 2003). Bell, McNaughton, and Young (2001) coined the term, “born again globals” to identify firms that initially focus on building position within home-country and rapidly internationalize at a later stage.

Using a configurational approach, Raymond and St-Pierre (2013) argue that strategic capabilities can be leveraged for internationalization of small firms to the extent that they are co-aligned and thus constitute capability configurations. Musteen et al. (2014) show that foreign market knowledge prior to the first international venture has positive impact on internationalization and the performance of the SMEs. Although SMEs suffer from inherent constraints to international growth (due to the scarce availability of financial and managerial resources), the presence of qualified localized capabilities strengthen and complement their competitive/ownership advantages, thus favoring their internationalization (Mariotti & Piscitello, 2001). However, they further argue that negative externalities stemming from protectionism-oriented public intervention discourage the international growth of firms and negatively influence the propensity of SMEs to internationalize.

Manolova et al. (2010) examined the factors that help internationalization of 623 entrepreneurial firms in Bulgaria and found that early inter-firm collaboration, new venture size, and domestic networks are positively associated with the degree of

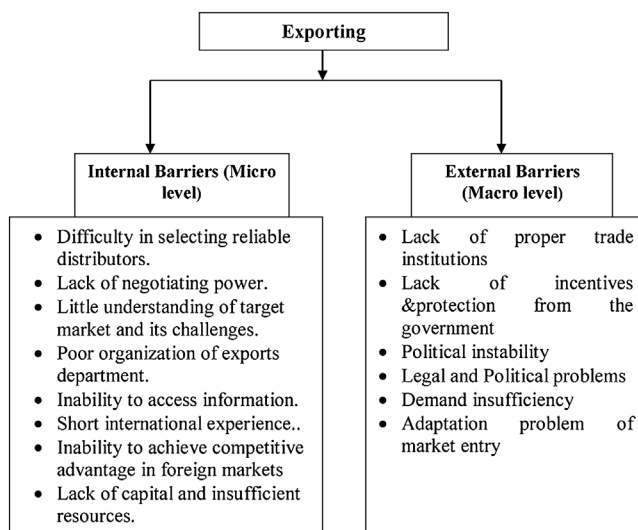


Fig. 1. Major Barriers for SME Exporters.

internationalization. The internationalization of new ventures from emerging economies to developed economies remains an unfilled gap at the intersection of the literature between international entrepreneurship. By developing a comprehensive framework based on the three leading perspectives on strategy—industry-based, resource-based, and institution-based views, a series of propositions are proposed to explore the underlying logic behind new ventures' entrepreneurial entries from emerging to developed economies (Yamakawa, Peng, & Deeds, 2008).

Fernández and Nieto (2005) examine various problems facing family SMEs as regards internationalization and confirm the existence of a negative relationship between family ownership and internationalization, measured by export activities. They also conclude that stable relationships with other firms through shareholding or agreements aim to promote international expansion, and provide family SMEs with the necessary resources that have proved to be key factors in a successful internationalization process. Graves and Thomas (2008), by using stage model theory, studied the internationalization processes of eight family firms from their foundation to the present time. They conclude that three key determinants – the level of commitment, the financial resources available, and the ability to commit and use those resources help the process of internationalization. Leitner and Güldenbergl (2010) while examining, whether the persistent commitment to a generic strategy over a longer period pays off in SMEs, find their flexibility to be a potential competitive advantage. They reveal that firms that follow a combination strategy outperform companies in terms of profitability and growth, than companies that follow a differentiation strategy.

Small- and medium-sized enterprises (SMEs) play an important role in today's global economy. However, there are significant differences in how they respond to the opportunities and threats in international markets. A comparative study between Canadian and British SMEs on export performance found significant differences in the success of the exporters (Beamish, Craig & McLellan, 1993). While Canadian firm's export performance was related to superior product characteristics and diversification of market focus, export performance of British firms was primarily because of the use of direct sales distributions and wide product offerings. Another study suggests that SMEs' ownership and governance systems significantly influence the development of knowledge-based resources necessary for internationalization (Zahra, Neubaum, & Naldi, 2007). Armario, Ruiz, and Armario (2008), using a structural equation modeling, confirmed the existence of a direct positive relationship between market orientation (MO) and a strategy of internationalization. The study further reveals that there is a significant effect of market orientation of SMEs on their performance in foreign markets is moderated by knowledge acquisition (KA), and market commitment (MC).

#### 4. Exporting challenges and barriers

The perception of export problems also differs depending on whether the exporters are passive or active (Sharkey, Lim, & Kim, 1989). Lall (1991) identifies export-marketing problems as the gaps that need to be filled before the competitive producer becomes a successful exporter. Market choice, human resources and strategy components are important for export performance and profitability of SMEs (Beamish & Munro, 1986). Prior research shows that the different types of barriers affect exporters' strategic decisions on the deployment of the firm's resources and commitment to exporting (Duarte Alonso, Bressan, O'shea, & Krajacic, 2014; Kahiya et al., 2014; Kahiya & Dean, 2016; Katsikeas, Leonidou, & Morgan, 2000; Shoham & Albaum, 1995). Duarte Alonso et al. (2014) find that currency exchange, market entry barriers and trust are the most important challenges of small

exporters. While looking at the literature addressing the most important issues in research on international business, especially on SMEs, we found one important question to be as to why certain companies export more than others. Arteaga-Ortiz and Fernández-Ortiz (2010) propose four dimensions or factors of export barriers, namely, knowledge, resources, procedure and exogenous barriers. Some studies also highlight that quality control and safety standards as important challenges faced by exporters, compelling firms to adapt products as per the requirements of various foreign markets (Ah Keng & Soo Juan, 1989; Kedia & Chhokar, 1986). Kundu and Katz (2003) suggest that during the early stages of firm development, owner's characteristics, and not that of the firm, play a pivotal role in performance, especially exports. They further argue that this occurs because, in early stages, firms are relatively disorganized relative to the owner.

Acs, Morck, Shaver, and Yeung (1997) argue that SMEs face two internationalization challenges: property rights protection and barriers to entry. Dhanaraj and Beamish (2003) examine the export performance of U.S. and Canadian small and medium-sized exporters and develop a parsimonious model drawing on the resource-based theory of the firm, with three sets of resources, namely firm size, enterprise, and technological intensity. They find these key resources as good predictors of the export strategy of a firm. Based on this discussion, we conclude that the smaller firms are faced with higher barriers than larger firms.

##### 4.1. Macro and micro problems

It makes sense to classify the export-related barriers and challenges of small firms as – macro and micro problems. Macro problems are due to the factors that are beyond the firm's control and are often categorized as exogenous problems for the firm. For instance, using the longitudinal data of 18,644 domestic private enterprises and foreign wholly owned subsidiaries in China from 2001 to 2005, Gao, Murray, Kotabe, and Lu (2010) find that institutional environment has a significant effect on export behaviors, compared to the firm competencies and industry factors.

Many studies of exporting firms found that lack of proper trade institutions, unfavorable exchange rates, absence of a stimulating national export policy, and international agreements to be some of the existing macro-level problems (Brooks & Frances, 1991; Cardoza et al., 2015; Figueiredo & Almeida, 1988; Ghauri & Holstius, 1996; Kaleka & Katsikeas, 1995; Ogram, 1982). Cardoza et al. (2015) based on their study of Latin American SMEs, find that firms that belong to larger institutions possess a stronger position to expand internationally. They report that SMEs in Latin America encounter major barriers related to domestic regulations, economic environment, and poor information about the opportunities in foreign markets. Kaynak, Ghauri, and Olofsson-Bredénlów (1987) find that small exporting firms have five major problems. The two most frequently cited issues are selecting a reliable distributor (55% of the firms studied) and communicating with customers (39% of the firms studied). The firm to a certain degree can control these, and they can be considered as internal problems. The remaining factors are external to the firm and cannot be controlled easily. Such problems include foreign currency restrictions and governmental barriers, which are noted by approximately 25% of the firms studied. About 20% of the respondents in their study considered political instability as another key issue for exporters. Cahen, Lahiri, and Borini (2016) study Brazilian new technology-based firms (NTBFs) and identify three important barriers, namely, external institutional barrier (macro problem), internal organizational capability barrier and human resource barrier (both micro problems).

There are some qualitative characteristics of the small and medium-sized enterprises (SMEs) operating within a territory

those might be essential to explain their macroeconomic impact. [Romero \(2011\)](#) proposes a conceptual framework to analyze the composition of SME sectors considering two key aspects: on one hand, different dimensions of SMEs' entrepreneurial orientation – innovation, cooperation, proactivity and quality orientation; and, on the other hand, the role of the external effects resulting from the inter-firm productive linkages within a specific area – differentiating between domestic, dependent, exporting and extravert SMEs.

#### 4.2. Internal and external export problems

[Katsikeas and Morgan \(1994\)](#) provide a comprehensive review of the export literature and put export problems into four groups: internal, external, operational and informational. [Leonidou \(1995\)](#) classifies export-marketing problems as both internal and external. Evidence suggests that owner-managers of small firms wishing to export, confront a series of internal and external obstacles ([Bagchi-Sen, 1999](#); [Julien, Joyal, Deshaies, & Ramangalahy, 1997](#)). Providing theoretical and empirical evidence that offers a more integrative vision of the internationalization process of SMEs, [Arranz and De Arroyabe \(2009\)](#), suggest that strategic positioning of SMEs is the outcome of a 'learning cycle' that allows firms to overcome internal and external obstacles. When SMEs have a high commitment and control of their international activities, they tend to prefer alternative governance mechanisms such as cooperation. While insufficient resources and information on the possibilities and constraints of foreign markets are major obstacles, the narrow-minded attitudes of owner-managers who prefer to concentrate on domestic markets and poorly developed strategies are also a hindrance ([Bagchi-Sen, 1999](#)). [Mackinnon, Chapman, and Cumbers \(2004\)](#) argue that connections to extra-local networks play a crucial role in providing access to wider sources of information and knowledge to SMEs. [Fischer and Reuber \(2003\)](#) argue that the normally low awareness and usage of export support programs among SME owners can be countered by segmentation based on their level of export experience and segmentation based on owners' level of export experience can be an effective supplement to current segmentation bases.

Using a conceptual framework with illustrative examples, [Etemad, Wright, and Dana \(2001\)](#) demonstrate how smaller firms can use symbiotic, strategic alliances with larger firms to overcome inherent constraints of size and achieve required economies of scale for global competitiveness. [Paul and Gupta \(2014\)](#) discovered that large as well as knowledge intensive firms have an edge over the small firms in this era of globalization. Internal export problems are intrinsic to the firm and are associated with insufficient organizational resources for export marketing ([Leonidou, 1995](#)). Such problems pertain to import quality standards and establishing a suitable design and image for the export market ([Czinkota & Ricks, 1983](#); [Kaynak & Kothari, 1984](#); [Rabino, 1980](#)). Also, problems linked to the poor organization of export departments and the firms' lack of competent personnel to administer exporting activities, are often classified as internal problems ([Yang, Leone, & Alden, 1992](#)). Similarly, a number of studies have considered the role of internal financing of expenditures related to exports to outside markets. [Ughetto \(2008\)](#) suggests that internal funding is more important for innovation in smaller firms than for larger companies, reflecting stronger external market constraints on smaller firms. [Bellone, Musso, Nesta, and Schiavo \(2010\)](#) also conclude with similar findings for exporting firms but observed that financial constraints can act as a barrier to smaller firms engaged in exporting. [Ling-Yee and Ogunmokun \(2001\)](#) find export financing resources and supply-chain capabilities to be vital for creating export competitive advantages.

Some studies focus on other aspects of internal export problems, such as little or low understanding of the target market and its challenges. [Baykal and Gunes \(2004\)](#) reported that the export problems of SMEs are: lack of knowledge of foreign markets, lack of workers with enough information or experience about foreign markets, and the misconception that the size of the demand in the foreign markets is too high for the SMEs to handle. [Wu, Sinkovics, Cavusgil, and Roath \(2007\)](#) find that SMEs use three distinct governance mechanisms (trust, knowledge sharing, and contract-based relationship) to manage distributor relationships in foreign markets so as to overcome their lack of foreign market knowledge (often arising out of cultural and other barriers) and mitigate distributor opportunism. [Cadogan, Diamantopoulos, and Siguaw \(2002\)](#) find export experience, export dependence, and export coordination to be vital for effective SME export market orientated activities. Small firms lack experience in the field of export, and this is another important internal factor that limits their growth. Findings in this area of study reveal that perceptions of export barriers and problems faced by firms are correlated with export experience ([Barkema, Bell, & Pennings, 1996](#)). [Kneller and Pisu \(2007\)](#) suggest that export barriers and problems do not affect all the firms in the same way, and that the best predictor of whether a particular firm identifies a problem as relevant, is explained almost exclusively by the number of years the firm has been exporting. The perception of impediments also varies between firms, in such a way that firms with less experience perceive a higher incidence of problems in international business than the firms having more experience ([Madsen, 1989](#)). This implies that experience is an essential factor for the success of exporters in overcoming and tackling export problems ([Reuber & Fischer, 1997](#)). [Kahiya et al. \(2014\)](#) use changes in the exporters' institutional environment to predict change in the influence of export barriers in New Zealand. They draw data via simple, random probabilistic samples of manufacturing exporters, using an identical survey instrument. Discriminant analysis results show that the influence of export barriers differs markedly. Also, [Kahiya and Dean \(2016\)](#) find that SMEs from New Zealand face resource constraints, marketing barriers, knowledge and experience barriers, and export-procedure barriers. They argue that the institutional infrastructure and environment can guide policy-makers to better align export development programs to help SMEs tackle prevailing barriers.

#### 4.3. Human resource management challenges

While discussing the internal problems of exporting, challenges in small firms related to the function of human resource management (HRM) also deserves attention. The increasing attention to HRM in SMEs is a comparatively recent phenomenon ([Boermans & Roelfsema, 2013](#); [Gomez-Mejia, 1988](#); [Love et al., 2016](#); [Sala & Yalcin, 2015](#)). A study in the USA revealed that one of the reasons for SME failure is their ignorance of the people management issues ([Baron, 2003](#)). Hence understanding and tackling the HRM issues is imperative for the success of any SME. The managers and/or owners of the SMEs, have on their side often ignored HR-issues such as human resource planning, training and development, compensation management, performance management, employee counseling etc. It is the collective knowledge of all the employees that enables an organization to gain a sustained competitive advantage. It should be kept in mind that the employees come and go, and may or may not be reliable in terms of keeping the knowledge in-house ([Delerue & Lejeune, 2010](#); [Olander, Hurmelinna-Laukkanen, & Mähönen, 2009](#)). This is especially true of SMEs, in which vital knowledge of the company resides in the key employees ([Venkataraman, Van de Ven, Buckeye, & Hudson, 1990](#)), and they could leave with this knowledge as and



when they leave the organization. It is indeed challenging to preserve core knowledge and to prevent competitors from imitating the most valuable and interesting creations of and for the company.

Human Resources skills are vital for the growth and internationalization of SMEs. The most important issue for the organizations in the 21st century is to create the best working environment to get the maximum output of the skilled work force (Senyucel, 2009). Ganotakis and Love (2012) distinguish between human capital skills that are needed for entering export markets, as opposed to those required for attaining and sustaining export success, and observe that it is not common for an SME to have the full range of such diverse skills. Proficient and experienced workers are very important for the development of the export-related performance of the organization (Freeman, Styles, & Lawley, 2012). Graves and Thomas (2006) find that the managerial capabilities of family firms lag behind those of their non-family counterparts as they expand internationally, particularly at high levels of internationalization. Fernández and Nieto (2006) observe in their study that presence of corporate-blockholders as shareholders in Spanish, family-owned SMEs resulted in professional management and managerial skills to aid internationalization. Loane, Bell, and McNaughton (2007) observe that management teams significantly step up the knowledge base, capabilities and skills and resource stock of rapidly internationalizing firms. SMEs also face major barriers when it comes to development of skills including the influence of the prevalent SME culture, awareness, finance access, provision of training and other skill development opportunities (Lange, Ottens, & Taylor, 2000). The other important aspect in this context is the attitude and perceptions of the managers responsible for handling the export operations of the organization. Wood, Logar, and Riley (2015) studied managerial motivation towards exporting and found that international market orientation, resource availability, and affinity to internationalization all influence the components of motivation. Lack of a management education, foreign language proficiency, and exposure to foreign culture create barriers for SMEs during their operation in the international markets (Suárez-Ortega & Álamo-Vera, 2005). Talent management is equally important for any business, and having an integrated approach can positively affect the profitability and productivity within SMEs. However, Matlay (2004) observes that SMEs have a poor record in responding to human resource development (HRD) initiatives, and many SME managers are highly skeptical regarding the benefits of such initiatives and they sometimes carry a hostile attitude towards HRD. It is indeed very challenging to train the employees in SMEs, as managers themselves are unlikely to comply with qualifications and requirements (Johnson, 2002). Training methods or more accurately learning practices that take place in most SMEs, normally tend to be informal, on-the-job, and related to short-term business objectives and problems. A study conducted by Carlson, Upton, and Seaman (2006) suggests that training and development, recruitment packages, maintaining morale, use of performance appraisals, and competitive compensation, are more important for high sales-growth performing firms than for low sales-growth performing firms.

#### 4.4. Export marketing challenges

The intensity of exporting activities and the nature of export marketing strategies vary considerably across industries (Porter, 1980). External export problems of small firms are related to the industry, market and also the macro environment (Ramaseshan & Soutar, 1996). In addition, Jain (1989) stresses that technology and intensity of price competition should also be given due importance

as they are important determinants of the marketing strategy in the industry.

Among various valuable resource types, an exporting firm's intangible effects are most likely to become strategic assets for developing competitive advantage as these resources are likely to be rare, valuable, inimitable, and tough for other firms to substitute. Some of the studies in this area indicate an increasing focus on intangible resource forms the basis for developing competitive advantage (Armstrong & Shimizu, 2007; Chisholm & Nielsen, 2009; Galbreath, 2005; Lockett, Thompson, & Morgenstern, 2009; Miller & Shamsie, 1996; Newbert, 2007). Morgan-Thomas and Jones (2009) conducted a study, concerned with the post-entry internationalization dynamics of newly internationalizing firms, specifically the speed at which their international sales develop after initial entry. Their study reveals that rapid international sales development is associated with higher dependence on one key country market, higher country market diversity of sales and higher reliance on ICTs. In their longitudinal study Kuivalainen, Sundqvist, and Servais (2007) find that in early stages of internationalization, born global firms tend to show a propensity towards risk-taking for making large resource commitments. Sui and Baum (2014) conclude that slack resources and innovation resources are most important for born-global firms followed by born-regional firms, and are the least important for gradual internationalizers.

#### 4.5. Inadequate social capital resources

The concept of social capital is one of the more recent developments in the study of intangible resources and their relationship to sustainable competitive advantage. This concept is viewed as a resource to fuel the firm's export activities and to fill voids in the institutional environment. These voids include factors such as lack of available information on export opportunities, bureaucratic rigidity, inexperience when dealing with government agencies, and the lack of government support for small exporting firms. The social capital is even more valuable for a small exporting firm, as these often suffer from the "liability of smallness," while they deal with both the pressures of international expansion and highly unpredictable local institutional environments (Elg, Ghauri, & Schaumann, 2015; Manolova et al., 2010; Roxas, Lindsay, Ashill, & Victorio, 2009). Some of the critical social capital resources such as networks, informal connections, inter-firm relationships, and managerial ties are considered critical resource bases for international activities in small firms (Ellis, 2011; Pollard & Jemicz, 2010). Recent studies in this area find that firms do not operate in isolation but rather are embedded in a network of relationships in the process of value creation, which includes relationships with other firms, economic or social entities, and individuals (Ma, Yao, & Xi, 2009; Manolova et al., 2010; Walter, Auer, & Ritter, 2006). Zhou, Wu and Luo (2007) find guanxi-related social networks to be mediating the relationship between internationalization and performance. The intangible assets built through the social capital of a firm can potentially endow the firm with strategic resources essential to the creation of sustainable competitive advantage (Lages, Silva, & Styles, 2009; Nahapiet & Ghoshal, 1998; Presutti, Boari, & Fratocchi, 2016; Westlund, 2006).

### 5. Discussion

This paper focuses on the exporting challenges of SMEs. The detailed study of extant literature confirms that there are fundamental problems and challenges small firms face while seeking the path to exporting. Our findings corroborated with the findings of prior review studies in this area (Keupp & Gassmann, 2009; Ruzzier et al., 2006). While defining the process of



internationalization, many researchers explained it to be process of aligning the business operations according to the requirements of the international market and establishing transactions in the other countries (Calof & Beamish, 1995; Welch & Luostarinen, 1988).

In the light of the above discussion, major barriers faced by small firms while internationalizing are summarized and presented in Fig. 1

There are different theories on the process of internationalization, suggesting that some SMEs internationalize by following the 'stage model', i.e., expressing a cautious and progressive behavior; on the other hand, some are considered INVs or Born Globals, internationalize at an early stage of establishment. We found that to successfully internationalize, SMEs need to pay attention to different factors influencing the internationalization and growth such as international experience of managers, innovation capacity, marketing capacity, etc (Oura et al., 2015). It is better for SMEs to identify the barriers and challenges to export and formulate appropriate responses and strategies from time to time, as they go through the various stages of their growth path of exporting (Kahiya & Dean, 2016; Yu, Yan, & Assimakopoulos, 2015). It was revealed that the smaller firms are faced with higher barriers than larger firms. It is also important to understand the interplay between issues that emanate from these two levels. We suggest that it will help if these challenges are addressed at micro level (at the firm level) and macro level (external to the firm).

Prior researchers identify some of the micro level challenges as internal organizational capability barrier (Cahen et al., 2016); human resources barriers (Cahen et al., 2016); resource constraints (Wood et al., 2015); knowledge and experience barriers international market orientation (Wood et al., 2015); productivity, technology-based capability, export experience (Wei, Zheng, Liu, & Lu, 2014); product, operations and logistics, finance, skills (Cardoza & Fornes, 2011). Similarly, some of the macro-level challenges identified in prior studies are external institutional barrier (Cahen et al., 2016); institutional constraints (Makhmadshoev, Ibeh, & Crone, 2015); marketing barrier export-procedure barrier use of sub-national trade promotion policies to overcome barriers to export (Wilkinson & Brouthers, 2006); domestic regulations, economic environment and poor information on external markets (Cardoza et al., 2015); industry entry barriers, subnational institutions and intermediary institutional support (Wei et al., 2014); country level antecedents (Terjesen et al., 2013); external operating environment in regional locations (Freeman et al., 2012). Therefore we proffer our first proposition:

*Proposition 1 (P1): SMEs need unique and appropriate set of strategies to overcome the expected micro and macro level barriers.*

In order to provide a better and succinct picture of the findings of recent studies, Table A (in Appendix A) gives a summary of 35 recent articles published during last seven years. Hagen, Zucchella, Cerchiello, and De Giovanni (2012) recommend that a firm pay much attention to developing a strategic orientation that fits the overall internationalization strategy. We believe that such an approach would necessarily entail taking into account the various barriers and challenges, which can then be addressed by initiatives that are rooted in an appropriate strategic orientation. We find that entrepreneurial orientation is of vital importance for a firm to overcome disadvantages that arise from onerous antecedents (Harms & Schiele, 2012). Knight (2001) argues that higher degree of entrepreneurial intention is vital for SME internationalization. Zhou, Barnes, and Lu (2010) see entrepreneurial proclivity as defined by proactiveness, innovativeness and risk-taking (taken from Lumpkin & Dess, 1996) to positively influencing capability upgrading of INVs for internationalization success. SMEs, when they internationalize, do so by showing entrepreneurial behavior (seeking and capitalizing on opportunities; finding ingenious

solutions to challenges) even as they indulge in border crossing. Dikova, Jaklič, Burger, and Kunčič (2016) highlight the importance of entrepreneurial leadership and skills for SMEs to succeed in exporting. We find that the field of international entrepreneurship is at the confluence of international business and entrepreneurship. While this field has seen many works from renowned scholars, much of the studies have centered around born global firms and INVs (Jones et al., 2011; Servantie et al., 2016).

Based on the above elaboration, we posit the following proposition:

*Proposition 2 (P2): SMEs that show high entrepreneurial orientation tend to succeed better at exports, owing to their ability to deploy effectuation strategies and particularly their proactive use of network advantages.*

SMEs must diligently identify institutional support available by way of promotional incentives from the government and proactively devise robust approaches to effectively make use of these to further their entrepreneurial and export goals (Landau et al., 2016; Paul and Shrivastava, 2016; Torres et al., 2016). We underscore the need to build firm level capability to achieve this. Cardoza et al. (2015) recommend that having government as a customer can also help SMEs overcome many macro level challenges. Hence, the following proposition:

*Proposition 3 (P3): The better the firm level capability to make use of institutional support such as government incentives, higher the probability of exports success of a small firm.*

While Golovko and Valentini (2011) and Love et al. (2016) emphasise on firms' innovation capabilities as being vital for export success, Yu et al. (2015) see successful firms moving from imitation to innovation and they advise firms to closely examine the challenges in making such transitions. Though Sui and Baum (2014) posit that innovation slack is most critical for sustaining international outcomes of born global (as opposed to born regionals and gradual internationalizers), we assert that innovation capabilities are vital for sustaining export intensity of SMEs. Cassiman and Golovko (2011) find that SME innovation not only triggers exporting but it also moderates the relationship between firm productivity and exports.

Based on the above discussion, we posit:

*Proposition 4 (P4): Innovation capabilities are vital for an SME's sustained success in exporting.*

Many of the works studied by us, underscore the advantages that arise from the network relationships that firms can leverage to consistently succeed at exports (Antoldi, Cerrato, & Depperu, 2013; Agndal, Chetty, & Wilson, 2008; Blomstermo, Eriksson, Lindstrand, & Sharma, 2004; Carlos & Pinho, 2013; Chetty & Holm, 2000; Eberhard & Craig, 2013; Elg et al., 2015; Ellis, 2000, 2011; Gassmann & Keupp, 2007; Ge & Wang, 2013; Gerschewski, Rose, & Lindsay, 2015; Harris & Wheeler, 2005; Kontinen & Ojala, 2011; Lindstrand, Melén, & Nordman, 2011; Lee et al., 2012; Manolova et al., 2010; Mesquita & Lazzarini, 2008; Musteen et al., 2010; Pinho & Prange, 2016; Prashantham & Dhanaraj, 2010). Attention must also be paid to the firms' international experience (Oura et al., 2015), for better results. Filatotchev, Liu, Buck, and Wright (2009) find that returnee entrepreneurs in China, owing to their networks, are able to create a superior export orientation for SMEs. Haahti, Madupu, Yavas, and Babakus (2005) found that the network embeddedness of SMEs allows them to deploy informal cooperative strategies that positively impact export knowledge intensity and export performance. Hessels and Parker (2013) also highlight the export competitive advantages SMEs derive from informal collaborations. We infer that network effects can be helpful in addressing both micro and macro level challenges. Thus, our last proposition:

*Proposition 5 (P5): Firms that leverage network relationships have a relatively higher probability of success in exports.*

Another important micro level challenge identified by us was the human resources barrier (Cahen et al., 2016). While human resources related challenges at the micro level have many dimensions, one of the strong themes in the works studied by us highlights the importance of managers'/entrepreneurs' disposition towards exports (Boermans & Roelfsema, 2013; Felício, Caldeirinha, & Rodrigues, 2012; Kahiya et al., 2014; Kyvik, 2011; Sala & Yalcin, 2015; Wood et al., 2015). SMEs encounter major challenge of development of skills including the influence of the prevalent SME culture, awareness, finance access, provision of training and other skill development opportunities (Lange et al., 2000). Talent management, training methods, recruitment packages, maintaining morale, use of performance appraisals, and competitive compensation were found very important for firms looking for high sales growth (Carlson et al., 2006).

The review of existing literature also confirmed that the concept of social capital that establishes a relationship between intangible resources to sustainable competitive advantages, has emerged as one of the most discussed topics in the literature (Carlos & Pinho, 2013; Chisholm & Nielsen, 2009; Lages et al., 2009). It was also found that concept of social capital is even more important for SMEs than large size firms as SMEs are not adequately equipped to face the challenges posed by international expansion process and unpredictable local environment.

## 6. Directions for future research

Our literature survey yields the understanding of various theoretical aspects related to the exports-oriented internationalization of SMEs. While the extant literature affords many perspectives on export strategies, barriers to export, use of social capital, use of institutional support and the importance of human resources in attaining success at exports, we feel that the field is yet rife with many unexplored areas for further study. We suggest that researchers can use our propositions as testable hypothesis in their future studies. We divide our recommendations into three distinct, but related aspects in terms of future directions for research, namely: theory, contexts, and methodology.

### 6.1. Future directions – theory

A successful track record of export by SMEs is an outcome of efficient use of firm resources and capabilities that create international competitiveness. Knight and Kim (2009) identify international business competencies (i.e., international orientation; international marketing skills; international innovativeness; international market orientation) as vital firms-specific advantages (FSAs – Rugman, 1981) for SME exports' success. Kaleka (2012) identifies effect of a bundle of resources and capabilities on export performance of SMEs. Di Gregorio, Musteen, and Thomas (2009) find that SMEs resorting to outsourcing of services post better performance in internationalization (sales and scope). Such outsourcing may help SMEs overcome lack of certain FSAs – and in some cases, it can be done to better leverage country – specific advantages (CSAs – Rugman, 1981). Peng (2001) makes the case to examine the linkages between resources-based view (RBV – Barney, 1991) and firm internationalization. It can be argued that the RBV theory can be used to explain SMEs' abilities to overcome the barriers (internal and external) to export (Beleska-Spasova, Glaister, & Stride, 2012). Also, successful exporters are known to be innovative in the recombination or reconfiguration of their dynamic capabilities (Knudsen & Madsen, 2002). Such capabilities

can be seen as FSAs that are unique to exporting firms within a country. Ramamurti (2009) proffers that exporters are 'infant MNEs' (p. 419 and p. 420) who have FSAs that are strongly coupled with the CSAs of their home country. Yet, not all firms are able to leverage CSAs that are available in a given setting, so as to build FSAs for internationalization. Home-country institutions are one of the key sources for CSAs. A recent study of a sample of firms in Germany showed that some firms are more active at accessing and cashing in on institutional support, when it comes to pursuing internationalization than the others (Landau et al., 2016). They suggest that in order to fully exploit the institutions available in their home countries, firms need to be aware of the institutional support, access it, decide to adopt it, and adapt their resources. Akin to this study, Torres et al. (2016) also finds evidence of opportunism on the part of better endowed firms to dominate incentive seeking where such behavior is not to compensate for firm level deficiencies, but rather to cover excess risk as internationalization proceeds. Further theory development research can be conducted to examine the unique FSAs SMEs have in exploiting home-country CSAs in order to build resources and capabilities required for sustained exports performance.

Some SMEs choose to remain committed to exports as their sole (or dominant) mode of internationalization for long periods of time. Calof and Beamish (1995) addressed the antecedents and factors that influence mode preferences and mode changes in SME internationalization. An area of future research could be to understand the antecedents (at the firm-level) and the extraneous factors that show the firm's choice to remain as an exporter to be both prudent and fruitful. On the other hand, there are SMEs that move to higher commitment modes (i.e., FDI) after a period of exports-led internationalization. Such SMEs seem to be able to follow the Dunning OLI paradigm (Dunning, 1988a, 1988b, 1995) wherein they possess specific ownership advantages (i.e., FSAs) that they are able to successfully deploy at overseas locations. Therefore, another area of research could be to understand the firm-level antecedents and extraneous factors that impel the successful transition from exports to FDI mode and the sustained internationalization thereafter.

Our literature review highlights the importance of social capital in SME internationalization. The formation of social capital is contingent upon ties and affiliations of SMEs. Further research could be conducted to examine the value that social capital from various types of affiliation (i.e., formal networks, informal networks, social groups, professional groups, peer groups and such like) creates for SME exporters. We conjecture that the value social capital may create may vary depending on where it is coming from (i.e., *what is the source? what is the affiliation?*). For example, often it is seen that social capital can be a source for hitherto unavailable information or knowledge. A potential area for future research could be in studying if certain kinds of affiliation offer social capital of deeper value that goes towards enriching FSAs of exporters, rather than just providing information. Another interesting aspect could be to understand if social capital is being used by SMEs to overcome liabilities of foreignness (Zaheer, 1995) and country of origin effects (Al-Sulaiti & Baker, 1998), and build legitimacy for themselves in foreign locations. In many cases, social capital is seen as residing with the owner(s) of SMEs. While this view is certainly important, it may be worthwhile to examine if the social capital of some key actors who are employees in an SME, also has an impact on its internationalization. Financing and funding has often been identified as a firm-level barrier for exports. Given that venture capital funding is the order of the day, how do SMEs use social capital to attract such funding?

International entrepreneurship has been a subject of much interest for over a decade now (Keupp & Gassmann, 2009; Knight, 2001; McDougall & Oviatt, 2000b). Often SMEs are known for their

entrepreneurial behavior, as demonstrated by their owner-managers. Much of the study of international entrepreneurship has been focused on INVs and 'Born Globals' in the technology sector SMEs. This leaves much scope for future research on international entrepreneurship as a driver of SME internationalization in other sectors. In particular, entrepreneurial orientation (Lumpkin & Dess, 1996) of SMEs that show sustained success as exporters is a promising area for future study. A wider scope for theoretical setting could be in configuring and understanding the SMEs' strategic orientation towards exports (Balodi, 2014; Hakala, 2011). Findings by Balodi (2014) confirm that entrepreneurial orientation (EO) and market orientation (MO) are related constructs that capture distinct aspects of business philosophy. Similarly, Hakala (2011) find positive relationships between entrepreneurial, technology and learning orientation in particular. There are further possibilities to develop frameworks, models, and theories in this area.

Exporting requires SMEs to have an international orientation. Such orientation gives SMEs the ability to understand the effect of global scenarios and trends, foreign markets and institutions, and global industry trends. Such understanding is vital for SMEs to identify opportunities and threats that impact their future growth and competitiveness. Fundamental to this international orientation is the "global mindset" of the SMEs owner-managers and their top-level executives (Félício et al., 2012; Gupta & Govindarajan, 2002; Kyvik, 2011; Nummela, Saarenketo, & Puumalainen, 2004). Félício et al. (2012) highlight the importance of the characteristics of both entrepreneurs and firms in explaining the global mindset, and confirm the impact they have on internationalization behavior. As per their findings, the entrepreneur's level of education, their satisfaction with company performance in the domestic market and the potential for growth in the domestic market all affect the global mindset model. Kyvik (2011) finds a strong causal relationship between the global mindset and firms' internationalization behavior. It further reveals that the combination of the findings and substantive theory indicates that the main driver of firms' internationalization operates through the global mindset. Global mindset can help SMEs reshape their perceptions about psychic distance and export barriers. It will be useful to understand if SMEs seek to embed themselves in networks due to global mindset or, to the contrary, whether network affiliations affect their global mindset and to what extent. Research could also help understand if there is a symbiotic relationship between network embeddedness of SMEs and their global mindset. Another area of focus for future research will be to understand what HRM practices SMEs use for creating a culture of global mindset within their enterprises and its impact on exports performance.

## 6.2. Future directions – contexts

Exporting and SME internationalization are outcomes of their strategic choices made in contextual settings. Future studies can deploy the theoretical lenses we have suggested in the preceding section, in a variety of contextual settings. In this section, we highlight the aspect of firm-level contexts, although we see contexts as being at the firm level and outside the firm. For example, the context within the firm could be defined by firm-level antecedents (ownership pattern; firm history and track record; endowments in terms of capabilities). This dimension can also be defined in terms of path and pattern in simple terms.

One way to consider contexts outside the firm would be to study SMEs based on their country of origin (i.e., developed regions, emerging economies and lesser developed regions). Region of origin determines the contextual settings regarding institutions and other country-/region-specific characteristics that either challenge or facilitate SME exports. We found very few studies

in the context of developing economies/regions (such as, Aulakh, Kotabe, & Teege, 2000; Leonidou, 2000; Paul & Shrivastava, 2016; Xie & Li, 2013). Many of the suggestions made in the preceding section in terms of future research can be performed with specific focus on SMEs' country of origin. There are possibilities of carrying out more studies based on the process and pattern of internationalization of SMEs from lesser developed/under developed regions as majority of the past studies were conducted in the context of developed countries.

Another contextual setting that can be examined is regarding industry. Our view is that SME internationalization is also influenced by the industry they are affiliated to. As stated hitherto, many studies have looked at technology-intensive industries (especially, in INVs and 'born globals'). We see potential for comparative studies on SME internationalization within a given industry by looking at SMEs from developed and developing regions. Studies based on firms from different industries are also useful to understand the process and pace of internationalization. Such studies could possibly bring out the differences in firm behavior and outcomes.

Future studies could focus on context as delineated by destinations sought by SMEs when they internationalize. Destinations bring with them the challenges as coming from markets, institutional-setting, socio-cultural differences and presence of local competitors. It may be useful to study, within a given industry, the export strategies used by SMEs to succeed at a given destination (or a set of destinations that are homogenous in nature). Though Leonidou and Katsikeas (1996) observed that not many studies on exporting SMEs, include their buyer behavior, there have been very few studies thereafter (Leonidou, Paliawadana, Chari, & Leonidou, 2011) considering this dimension. This aspect also could offer rich potential for future studies.

Finally, there could be studies that bring together a multitude of these contexts to study SME internationalization that aim to establish antecedents, motives, choices and outcomes. Such studies can also conducted exploring different issues such as potential for exports, problems of exports (such as liability of foreignness, resource constraints etc.), and performance of the firm, after venturing into exporting.

## 6.3. Future directions – methodology

Use of qualitative methods in international business is believed to be an area that holds much promise (Birkinshaw, Brannen, & Tung, 2011; Piekkari & Welch, 2011). Many of the suggested areas for research enumerated hitherto entail exploration of the SME export and internationalization phenomena. Lamb, Sandberg, and Liesch (2011) use phenomenography to understand the practices of owner-managers in the internationalization of small wineries in Australia. Qualitative methodology is well suited for exploratory studies (Creswell, 2013; Patton, 2001). Such studies are well suited to understand SME internationalization (i.e., the phenomenon) by addressing the "why?" and "how?" questions (Shavelson & Towne, 2002). For example, finding common challenging hassles that make SME internationalization difficult based on three or five case studies based on structured interview data has the potential to be useful and impactful. The theoretical settings we proposed hitherto can be considered to form the basis of qualitative studies. Such an approach can help corroborate theories, or negate them (Flyvbjerg, 2006). The explication of the "why?" and the "how?" through the use of case study methodology can also help with theory extension or building new theories (Eisenhardt & Graebner, 2007; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). Welch et al. (2011) show the limitations of inductive theory-building, and argue that greater utilization of the other methods of



theorizing would enhance the case study's explanatory power and potential for contextualization.

Miles and Huberman (1994) provide insights and guidance on robust methodologies for qualitative studies. While studying the SMEs internationalization, qualitative researchers could interview principal actors within the phenomenon (owner-managers; key executives; other experts) to establish themes. Such themes can be analyzed for their strength (often in terms of recurrence in narratives) and triangulation (when themes are reinforced by many actors in their narratives). These themes can be mapped on to extant theories that the study intends to take support of (or verify). This can also lead to identifying possible theory extensions or new theories. The use of specialized software for analysing the content arising out of interviews with respondents to a qualitative research study is helpful in improving the reliability (Sinkovics & Ghauri, 2008).

An opportunity researchers could engage with in the future is a meta-analysis of the vast volume of scholarly literature to map out the themes, contexts, theoretical lenses, findings and gaps. Another possibility is the use of mixed-methods that involves both qualitative and quantitative studies (Johnson, Onwuegbuzie, & Turner, 2007; Creswell, 2013). The mixed methodology can improve study robustness, since the introduction of the quantitative techniques improves validity of study. Besides, we suggest researchers to corroborate their findings with different outcomes of past studies when they undertake studies to examine the relationship between internationalization and performance as prior studies have resulted into mixed results such as U-shaped, positive and negative performance indication during the post-exports stage.

## 7. Conclusion

Our study brings out the scholarly contribution made by extant literature pertaining to SMEs internationalization with specific emphasis on exporting. Our selection of articles studied brings to fore the diverse theoretical settings that researchers have used to understand the barriers and challenges faced by SMEs seeking to export as well as the strategies and tactics deployed. The literature examined, comprises many varied contextual settings the SMEs deal with. While the articles we examined tackled unique aspects and research agenda, we find that there are also many overlaps in findings of prior studies, so as to reinforce the overall understanding of the topic at hand. Our work can serve as a reliable reference guide to entrepreneurs and practicing managers at SMEs that are focused on exports or are seeking to start their exports activity.

Despite many studies and findings, the topic of exporting challenges of SMEs remains rich and contemporary deserving further exploration and research in this era of globalization. It is with this assertion that we have offered some potential areas, with recommendations on theory, methodology and context for future research. Our methodology underscores the use of qualitative methodologies. Such an approach is ideally suited to further explore new areas for potential theory-building on this subject. Given the challenge that secondary data is hard to come by for SMEs (in part due to lack of statutes that demand high quality reporting in the public domain and partly due to the reluctance of owners/entrepreneurs to disclose), qualitative methodologies are seen to be all the more pertinent.

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## Appendix A. Supplementary data

Supplementary data associated with this article can be found, in the online version, at <http://dx.doi.org/10.1016/j.jwb.2017.01.003>.

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