

**Internationalization of Small and Medium Enterprises  
(SMEs) in a Pacific Island Country – Fiji**

**Is it *institutional factors* or *management competence* that is *impeding* the  
*international performance of SMEs in Fiji*?**

A dissertation by

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# **ABSTRACT**

The internationalization of SMEs has become an agenda for every economy in the world, and SME internationalization from small island nations (SINs) contributes considerably towards employment creation, poverty alleviation, technology diffusion, innovation and fiscal income. International expansion is a key growth strategy for SMEs and Multi National Enterprises (MNEs) to achieve long-term sustainable competitive advantage. Fiji being a developing country has a high percentage of food production especially in sugar, Fiji water, agriculture and fish, with low activity in service-based industries, including technology. This gives impetus for this study to help understand how SMEs from Fiji expand internationally.

There has been ongoing debate on whether existing IB theories are adequate in explaining the internationalization of SMEs in developing and Pacific island countries, due to their unique situation and environment with location and climate. The aim of this thesis is to make a significant scholarly contribution towards the development of a theoretical framework aimed to better understand the various factors influencing the internationalization of SMEs from the perspective of small island nations.

There is considerable attention given to entrepreneurship from developed countries. Although researchers have been investigating International Entrepreneurship for the last two decades, our knowledge on SME internationalization in developing countries and small island nations is still very limited. This thesis first provides a comprehensive systematic review of the topic specifically analysing the factors influencing SME internationalization in developing countries. It then analyses the internationalization of SMEs from a Pacific Island context – Fiji using a qualitative approach. Consequently, this thesis also empirically analyses the moderating impact

of institutional environments and management competence on SME internationalization using a quantitative method.

This thesis commences with a comprehensive systematic review of SME internationalization, in the paper titled: *Internationalization Barriers of SMEs from Developing Countries: A Review and Research Agenda*. This paper is under review with Journal of International Management. This review adds to our understanding of SME Internationalization in the context of Fijian based firms and contributed to the development of a new framework by identifying the factors that beset SME internationalization in developing countries. The model classifies barriers into internal and external factors affecting SMEs propensity to internationalize. This synthesis provides a platform for the design of appropriate research instruments which were used for our subsequent qualitative and quantitative studies. For this reason the thesis at hand adopts a mixed-method approach, incorporating both qualitative and quantitative methods, as this technique provides a better understanding of the research problem than either approach alone (Creswell and Plano Clark 2007). We draw upon internationalization theories to understand how firms in Fiji expand internationally, and analyze the roles in which entrepreneurial orientation, management competence and institutional environments influence SME internationalization.

This thesis attempts to bridge the following gaps identified in the literature:

- a) Factors that influence SME internationalization in developing countries like Fiji,
- b) The functions of entrepreneurial orientation (EO) (innovation, proactiveness, risk-taking and experience) and its impact on SME international expansion in Fiji,
- c) The extent to which institutional (regulatory and cultural) environments in Fiji and management competence moderate SME internationalization, and
- d) The interaction effect of management competence (MC) and EO on SME internationalization in Fiji.

Our qualitative research approach employed semi-structured face-to-face interviews with Fijian based SMEs that are currently engaged in international trade. Outcomes of these interviews are presented in the qualitative paper titled: ***Internationalization Challenges for SMEs: Evidence and Theoretical Extension***. This paper was presented at the ANZIBA (Australia and New Zealand International Business Academy) conference (2018).

To begin, the paper presents the sample of four firms from different industries to derive insights, develop generalizations and extend the theoretical framework for future research. Interviews intend to help gain an in-depth and first-hand account and insight of how Fijian based SMEs internationalize and the hurdles they come across throughout the internationalization process. It offers an insight into the entrepreneurial mindset and motivation towards internationalization. The outcomes delineate that Fijian SMEs without global operations face internal and external environmental challenges which hinder their ability to internationalize. These challenges include access to finance, geographical location, limited international marketing knowledge, lack of management competence, and rigid rules and regulations by institutions (Fiji Revenue and Customs Authority, Trade Offices and Biosecurity Authority). Further challenges include high transportation costs, limited support from the government for the industry, lack of subsidies, and a lack of export and trade promotion policies. The findings from the interviews reveal that management incompetency and Fiji's underdeveloped institutional environment hinders the growth of SME internationalization. Nevertheless, the results show that high levels of EO is critical in the performance and success of firms within international markets.

To address the limitation, and generalizability issues of using a small sample size, a quantitative questionnaire-based survey was subsequently undertaken for the final phase of this study. 250 SMEs were randomly selected in Fiji to complete the questionnaire-based survey and were predominantly export based firms. The final sample consisted of 161 SMEs, representing a

response rate of 64.4%. Data analysis was conducted using the Statistical Package for Social Sciences (SPSS version 25) based on descriptive, partial correlation, multicollinearity and hierarchical multiple moderation regression, to understand the relationship between SME internationalization, entrepreneurial orientation, management competence and institutional environment. The factors influencing SME internationalization in developing countries have been previously examined within the International Entrepreneurship (IE) literature (D'Angelo, Majocchi, Zucchella and Buck 2013), however, the outcomes are difficult to generalize over a population of so many and a critical analysis of Fiji based SMEs is still lacking. Testing the moderating role of management competence and the institutional environment remains a new contribution to this area of study.

The outcomes from the quantitative study titled: ***The effects of Entrepreneurial Orientation on SME Internationalization in Fiji: The Moderating Role of Management Competence and Institutions***, conclude that institutional barriers (regulatory and cultural) and management competence, impacts the entrepreneurs' orientation to internationalize within a Fijian context. The parameters in our sample confirm that management competence and institutional environment partially moderate the strength of relationship between EO (innovation and proactiveness) and internationalization of Fiji based SMEs. The proactiveness and innovativeness of entrepreneurs in Fiji is challenged by government bureaucracies, lack of export incentives and government support, the increasing cost of doing business and lack of government facilitation programs on internationalization. At the same time SMEs in Fiji are hampered by a lack of managerial competency, and perceived risks associated with a lack of international experience and exposure, education and limited foreign language and market knowledge. As a result, there is a moderating variance on the strength of relationship between EO (innovation and proactiveness) and internationalization. This study further confirms that not all variables of EO (risk and experience) are equally significant in the internationalization

process. There are potential trade-offs associated with sub-dimensions, and this confirms with previous literature on EO and SME internationalization. This paper contributes to the International Business (IB) literature on SME internationalization.

The findings guide policy makers to enforce robust procedures that encourage SME development and internationalization. Ongoing training and government support can help foster the internationalization of Fijian based SMEs. The findings can also guide the NCSMED (National Centre for Small and Medium Enterprise Development) in Fiji to take an active role in entrepreneurial development, policy development, lobbying for approval of incentives, and assisting the SME sector to receive government subsidies. The outcomes show that SMEs have been thriving internationally through Joint Ventures (JV) and partnerships in neighbouring countries including Australia, due to changes in policies and support from host countries.

The research recommends that government should support institutions that facilitate their growth by creating a more conducive environment for SMEs: such as one-stop-shops to provide ongoing assistance and resources for exporting, finding joint venture partners, education and training on the internationalization process and financial support. It is also recommended that host countries assist and train Fiji SMEs in adhering to host country requirements to ease the internationalization process. The outcomes of this research will assist Fijian SMEs that aspire to internationalize, to recognise areas for improvement and obtain all relevant information, training and resource support from agencies and effectively collaborate with host country partners. The framework presented is relevant to future academic research, highlighting the need for a better understanding of the factors and barriers, promoting and hindering SME internationalization in SINS.

## **Statement of Original Authorship**

I declare to the best of my capacity and belief, that this thesis, titled: Internationalization of Small and Medium Enterprises (SMEs) in a Pacific Island Country – Fiji is my own original work except where due reference is made that has been conducted under Macquarie University and has not been submitted for a higher degree to any other university or institution.

Undertaking this thesis has involved research instruments, for which I have received approval from the Ethics Committee at Macquarie University, Approval No. Ethics Reference (ID) 5201600881.

Ashna Ashwini Chandra

1<sup>st</sup> March 2019

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# PUBLICATIONS

## List of Publications

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Singh, G. & Prasad, A.A. 2014, Innovation and Entrepreneurial Activities of SMEs in Fiji. *International Journal of Entrepreneurship and Small Business*, vol 22, no. 2, pp. 251-265. ISSN 1476-1297.

Prasad, A.A. & Singh, G. 2013, Problems and Development Issues of SMEs in Fiji. *International Journal of Entrepreneurship and Small Business*, vol 19, no. 1. pp. 21-34. ISSN 1476-1297.

## Journal Papers under Review

Chandra, A.A., Paul, J. & Chavan, M. 2018, Barriers to Internationalization of SMEs from Developing Countries: A Review & Research Agenda. *Journal of International Management*.

## Conferences

Australia and New Zealand International Business Academy 2018. Brisbane (31<sup>st</sup> January - 2<sup>nd</sup> February 2018), “*Probing into the Internationalization Challenges of SMEs in the Underrepresented Region of Fiji in the Pacific Rim*”.

Emerging Trends and Issues in Management and Public administration in the South Pacific Region and beyond Fiji (4-5<sup>th</sup> December 2014) “*Management Education in the Era of Globalisation: Challenges, Prospects & Way Forward for the South Pacific Region*”.

Innovation & Entrepreneurship. Singapore (23 – 24<sup>th</sup> July 2012) “*Business Innovation and Entrepreneurship in Fiji*”.

Small Business Development and Entrepreneurship in South Pacific Island Countries Fiji (16-17<sup>th</sup> September 2010). “*Innovation and Entrepreneurship a Case Study Approach*”.

# TABLE OF CONTENTS

ABSTRACT.....	I
ACKNOWLEDGEMENTS .....	VII
PUBLICATIONS.....	VIII
TABLE OF CONTENTS.....	IX
LIST OF FIGURES .....	XIII
LIST OF TABLES .....	XIV
LIST OF APPENDICES .....	XVI
LIST OF ABBREVIATIONS .....	XVII
1. Introduction.....	1
1.1 Research Country .....	3
1.2 Research Background.....	4
1.3 Definition of SMEs .....	8
1.4 Regulations on Doing Business in Fiji.....	8
1.5 Problem Formulation .....	9
1.6 Statement of the Problem .....	10
1.7 Significance.....	10
1.8 International Expansion Process for SMEs.....	12
1.9 Aims and Objectives .....	13
1.10 Definitions and Terminologies.....	14
1.10.1 Institutions.....	14
1.10.2 Management Competency.....	15
1.10.3 Entrepreneurial Orientation (EO).....	16
1.10.4 Innovativeness.....	17
1.10.5 Proactiveness.....	17
1.10.6 Risk-taking .....	17
1.10.7 Entrepreneurial Experience .....	18

1.11	Research Questions .....	18
1.12	Thesis Structure.....	19
1.13	Research Design.....	20
1.14	Research Context – Small and Medium Enterprise Sector in Fiji.....	21
1.15	Data Collection .....	22
1.15.1	Sample Selection.....	23
1.15.2	Contact Procedure .....	24
1.16	Data Analysis .....	25
1.17	Research Plan.....	27
2.	Study I – Internationalization of SMEs from Developing Countries: A Review and Research Agenda .....	28
	Abstract .....	28
2.1	Introduction .....	28
2.2	Methodology .....	30
2.2.1	Design Methods and Assessment Tools.....	33
2.3	Theoretical Models and Synthesis on Internationalization of SMEs .....	36
2.4	Factors Influencing the Internationalization of SMEs .....	41
2.5	Studies on Challenges and Barriers to SME Internationalization .....	44
2.6	Internal Factors .....	48
2.6.1	Human Capital .....	48
2.6.2	Resource.....	48
2.6.3	Product Quality .....	49
2.6.4	Managerial Capability.....	49
2.7	External .....	50
2.7.1	Currency and Procedural Factors .....	50
2.7.2	Government.....	50
2.7.3	Socio-cultural Factors .....	51
2.7.4	Market Conditions.....	51

2.8	Discussion .....	52
2.9	Limitations .....	54
2.10	Directions for Future Research .....	54
2.10.1	Future Directions – Theory .....	54
2.10.2	Future Directions – Contexts .....	56
2.10.3	Future Directions – Methodology .....	57
2.11	Conclusion .....	57
2.12	References .....	59
3.	Study II - Internationalization Challenges for SMEs: Evidence and Theoretical Extension .....	73
	Abstract .....	73
3.1	Introduction .....	73
3.2	Literature Review .....	76
	Institutions .....	77
	Management Competency .....	78
	Entrepreneurial Orientation (EO) .....	78
3.2.1	Theories of Internationalization .....	80
3.2.2	Dimensions of SME Internationalization .....	81
3.3	Methodology .....	86
3.3.1	Sample .....	86
3.3.2	Data Collection .....	87
3.3.3	Data Analysis .....	87
3.4	Findings .....	89
3.5	Discussion .....	94
3.6	A New Framework for the Internationalization of SMEs .....	97
3.7	Limitations and Future Research .....	99
3.8	Conclusion .....	101
3.9	References .....	102
4.	Study III – The effects of Entrepreneurial Orientation on SME Internationalization in Fiji: The Moderating Role of Management Competence and Institutions .....	114

4.1	Introduction .....	115
4.2	Materials and Methods .....	117
4.2.1	Theoretical Framework and Hypotheses .....	117
4.2.2	Institutions and Internationalization .....	120
4.2.3	Management Competencies and Internationalization .....	121
4.2.4	EO and Internationalization .....	122
4.3	Research Methodology .....	123
4.3.1	Population and Data Collection .....	123
4.3.2	Independent Variable (IV) – Entrepreneurial Orientation .....	124
4.3.3	Moderators .....	125
4.3.4	Dependent Variables (DV) - Internationalization .....	126
4.4	Results .....	127
4.4.1	Regression .....	129
4.5	Discussion .....	141
4.6	Conclusion .....	143
4.7	Managerial Implication .....	144
4.8	Limitations and Future Research .....	146
4.9	References .....	147
5.	Conclusion and Implications .....	157
5.1	Theoretical Contribution .....	161
5.2	Practical Implication .....	162
5.3	Concluding Remark .....	163
6.	References .....	165
7.	Appendices .....	201

## LIST OF FIGURES

	PAGE
Figure 1.1: Data Collection Phases .....	22
Figure 2.1: Word Cloud of Keywords Used to Identify the Studies.....	32
Figure 2.2: Factors Influencing SME Internationalization .....	47
Figure 3.1: A Framework for Future Research on SMEs' Internationalization .....	97
Figure 4.1: A Model of Internationalization from Developing Economies.....	117

# LIST OF TABLES

	PAGE
Table 1.1: Structure of the Thesis .....	19
Table 1.2: Proposed Sample Size for Fiji .....	26
Table 1.3: Research Plan: Thesis Completion Plan .....	27
Table 2.1: Articles Included in our Review .....	34
Table 2.2: SME Internationalization Models .....	40
Table 2.3: Characteristics of the Reviewed Papers .....	41
Table 2.4: Some Notable Studies on SME Internationalization from Developing Countries Using Primary Data .....	44
Table 3.1: Demographic Profile .....	85
Table 3.2: Level of Entrepreneurial Orientation .....	86
Table 3.3: Mode and Time of SME Internationalization .....	86
Table 4.1: Reliability Test – Internationalization Factors .....	125
Table 4.2: Descriptive .....	126
Table 4.3: Partial Correlation Matrix .....	127
Table 4.4: Model Summary – Institution * Innovation .....	128
Table 4.4a: ANOVA – Institution * Innovation .....	128
Table 4.4b: Coefficients – Institution * Innovation .....	129
Table 4.5: Model Summary – Institution * Proactiveness .....	129
Table 4.5a: ANOVA – Institution * Proactiveness .....	129
Table 4.5b: Coefficients – Institution * Proactiveness .....	130
Table 4.6: Model Summary – Institution * Risk .....	130
Table 4.6a: ANOVA – Institution * Risk .....	130
Table 4.6b: Coefficients – Institution * Risk .....	131
Table 4.7: Model Summary – Institution * Experience .....	131

Table 4.7a: ANOVA – Institution * Experience.....	131
Table 4.7b: Coefficients – Institution * Experience .....	132
Table 4.8: Model Summary – Management Competence * Innovation .....	132
Table 4.8a: ANOVA – Management Competence * Innovation.....	132
Table 4.8b: Coefficients – Management Competence * Innovation .....	133
Table 4.9: Model Summary – Management Competence * Proactiveness .....	133
Table 4.9a: ANOVA – Management Competence * Proactiveness .....	133
Table 4.9b: Coefficients – Management Competence * Proactiveness.....	134
Table 4.10: Model Summary – Management Competence * Risk.....	134
Table 4.10a: ANOVA – Management Competence * Risk.....	134
Table 4.10b: Coefficients – Management Competence * Risk .....	135
Table 4.11: Model Summary – Management Competence * Experience .....	135
Table 4.11a: ANOVA – Management Competence * Experience .....	135
Table 4.11b: Coefficients – Management Competence * Experience.....	136
Table 4.12: Pearson Correlation .....	136
Table 4.13: Multicollinearity Independent Variables .....	137
Table 4.14: Model Summary .....	138

## **LIST OF APPENDICES**

Appendix 1: Ethics Approval Email .....	202
Appendix 2: Interview Questionnaire .....	204
Appendix 3: Survey Instrument .....	212

# **LIST OF ABBREVIATIONS**

ANZIBA: Australia and New Zealand International Business Academy

CMR: Customer Relationship Management

DV: Dependent Variable

EO: Entrepreneurial Orientation

FDI: Foreign Direct Investment

FRCA: Fiji Revenue and Customs Authority

GDP: Gross Domestic Product

HR: Human Resources

IB: International Business

IBR: International Business Review

IBV: Institution Based View

ID: Institutional Distance

IE: International Entrepreneurship

IM: International Marketing

INVs: International New Ventures

ISO: International Organization for Standardization

IV: Independent Variable

JV: Joint Venture

M: Moderator

MC: Management Competence

MCI: Management Charter Initiative

MNC: Multi National Corporation

NCSMED: National Centre for Small and Medium Enterprise Development

OECD: Organization for Economic Cooperation and Development

PIC: Pacific Island Countries  
PIN: Pacific Island Nations  
PNG: Papua New Guinea  
R&D: Research and Development  
SINs: Small Island Nations  
SME: Small and Medium Enterprises  
SPR: South Pacific Region  
VIF: Variance Inflation Factor  
WTO: World Trade Organization

# 1. Introduction

Firms who are predominantly involved in taking their business across the globe define internationalization as emergent participation in global markets (Welch and Luostarinen 1988a), adapting the firms' actions to the international environment (Calof and Beamish 1995). Definitions differ depending on the phenomenon studied, although advanced technology and carriage, deregulation with regards to international trade, and the subsequent decline in the number of physically protected markets, has made it promising for many SMEs to see their operations as international (Mathews and Healy 2007; Mathews, Healy and Wickramasekera 2012).

Internationalization has become significant to the effectiveness of all firms regardless of their size (Musteen, Datta and Butts 2014). Large firms have already acquired much of the knowledge used in technological and product innovation (Hallen, Katila and Rosenberger 2014), while small firms lack resources required for successful internationalization at inception, hence they internationalize gradually or may adopt a leapfrog approach. In earlier times, internationalization was only for large multinational enterprises (MNEs); however, with the help of globalization and deregulation, SMEs are gradually adopting internationalization strategies in their operation. There are various theories that explain SME internationalization. Dunning (1988, 2001) explains how firms internationalize and select their modes of entry (stages or leapfrog jumping) and identifies firms that internationalize through incremental international growth. The *Uppsala model* (stages model) describes firm internationalization as an incremental process (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977) and suggests that firms internationalize in an ad-hoc manner (export) to nearby markets. *Network theory* explains how firms internationalize through regular enlargement of network relationships with foreign people and firms (Johansson and Mattson 1988). Networking is an important initiator of internationalization, since formal and informal networks permit

businesses to acquire knowledge that fosters internationalization (Autio, Sapienza and Almeida 2000; Welch and Welch 1996; Musteen, Datta and Butts 2014; Coviello and Munro 1997; Mitgwe 2006). International New Venture (INV) identifies businesses that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall 1994). Such firms make use of foreign direct investments (FDIs) and hybrid structures of entry modes shortly after inception, instead of adopting an incremental approach to internationalization (Oviatt and McDougall 1994; Knight and Cavusgil 1996).

SME internationalization is explained by the ability of SMEs to embrace new risks and integrate with the global economy through entrepreneurial orientation, their capacity to maintain international profitability, and their capacity to comply with the regulations of the institutional environment (Javalgi and Todd 2011; Ge and Wang 2013). The contribution of SMEs towards the economy cannot be ignored or underestimated (Ayyagari, Demircuc-Kunt and Maksimovic 2011, 2014; Javalgi and Todd 2011; Hessels and van Stel 2007; Huggins and Williams 2011). Prior research confirms that the failure rate of SMEs in small island countries is very high due to the challenges they encounter at the international stage (Pache and Santos 2010). The ability of SMEs to enforce appropriate strategies is very important in order to overcome internationalization challenges and to stay competitive and economically viable. Government institutions in developing and developed countries are assisting firms to internationalize by implementing policies and procedures that streamline different entry mode strategies and help mitigate internationalization challenges (Jiang, Li and Lin 2014; Oviatt and McDougall 1995; Doole, Grimes and Demack 2006).

This research aims to understand the internationalization of SMEs from Fiji. We further aim to intensify our understanding by studying the moderating impact of *institutions* and *management competence* on the correlation between the dimensions of *entrepreneurial orientation (EO)* and

*SME internationalization*. We aim to develop a blueprint for the internationalization of Fijian SMEs. The internationalization process embraces risk and uncertainty, which significantly impact the strategies of firms (Ge and Wang 2013; Zahra and Garvis 2000; Brouthers, Nakos and Dimitratos 2015; Haddoud, Jones and Newbery 2018). Firms with strong *EO* (risk-taking, innovativeness, entrepreneurial experience and proactiveness) can minimize uncertainty when expanding to international markets. This study will create a conceptual model of SME internationalization that will serve as a guide for SMEs in Fiji.

## **1.1 Research Country**

Fiji is a small island nation that intends to strengthen the relationship amongst island nations in the South Pacific. Fiji has 320 islands, of which one-third are populated. The two mainlands, Viti Levu and Vanua Levu, have undergone key economic developments. Fiji has four divisions – Central, Eastern, Northern and Western – all of which are included in our sample. Fiji's demography provides a distinctive mixture of diverse, multicultural groups. The Fijians are identified as iTaukei; they are the indigenous people and comprise 53.4% of the total population, whereas the Indo-Fijians, the second-largest cultural group, comprise 39.7% of the total population. Indo-Fijians arrived in Fiji under the indentured labour system from India and are mostly involved in sugar cane farming. The rest of the population is categorized as Rotumans, Chinese, Part-Europeans, and other Pacific Islanders (Country Report on the Republic of Fiji 2010).

Fiji is the second most developed economy in the South Pacific region after Papua New Guinea (PNG), although it remains a developing country with an enormous agricultural sector. GDP has expanded by 4.2% in 2017 from the previous year and this is attributed to manufacturing, construction, wholesale, retail and trade (Trade Economics 2017). Sugar and textile exports have driven Fiji's economy in the last century, although recently Fijian exports have suffered due to a decline in preferential market access and the phasing out of a preferential price

agreement with the European Union. Firms in these two sectors have faced huge difficulties in remaining competitive in the international market. The Fijian government has arbitrated and capitalized on the sugar cane industry to help address issues of quality concerns, poor administration and industry inefficiencies. These 2010 government reforms have supported the industry to see an upsurge in sugar cane quality and productivity today.

In 2005, the textile industry in Fiji significantly deteriorated due to two successive events: the end of the quota system under the Agreement on Textiles and Clothing (ATC) and the full integration of textiles into the World Trade Organization (WTO) General Agreement on Tariffs and Trade. Since 2000, the export of mineral water (Fiji Water and Island Chill), primarily to the United States, has gained substantial momentum. Other vital exports include gold, fish and timber. Currently, economic growth in the country is typically driven by a strong tourism industry. Tourism has expanded over the years and is the leading economic activity in the Islands. Inward and outward tourism is on the rise.

The emigration rate from Fiji has increased immensely since the 1960s, causing a brain drain in the white-collar sector. The two political upheavals in 1987 and 2000 further contributed to the emigration rate, as people sought better opportunities and stability abroad.

## **1.2 Research Background**

SMEs have been dynamically taking part in global markets during recent years, and this has attracted much scholarly attention. Recent studies have witnessed that SMEs are an essential segment of the private sector in small and developing countries. Previous research shows that the economic growth of small island nations can be sustained by the development of the SME sector (being the engine for growth, characterized by increasing fiscal income and buying power) and its impact on poverty alleviation (Gajanayake 2010; Talebi, Tajeddin, Rastgar and Emami 2017; Senik, Isa, Scott-Ladd and Entrekin 2010). Research shows that SMEs account

for a significant percentage of firms in both developing and developed regions. Lukács (2005) reports that 98% of an anticipated 19.3 million enterprises in the European Union are SMEs, contributing to roughly 66% of employment and 52% of private-sector turnover in the region. Comparable figures are seen in the U.K. alone, with 99.8% of business representing SMEs and contributing to 52% of household income (Lukács 2005). A report from the Organization for Economic Cooperation and Development (OECD 2009a) reveals that SMEs occupy over 95% of a share of business firms and account for two-thirds of economic activities in both the services and manufacturing sectors. Similarly, SMEs occupy over 80% of the firms and contribution of the SME sector in Fiji towards economic activity is around 12% (Prasad and Singh 2013). With the abundance of natural resources in Fiji, this sector remains unexploited and the growth potential for SMEs in Fiji is quite large (Singh, Pathak and Naz 2010).

SMEs have provided economic benefits in many countries, such as India and China (Kusumawardhani, Carthy and Perera 2009; Javalgi and Todd 2011) and continue to evolve around the world. Internationalization permits SMEs to extend their market capacities by stimulating organizational image and innovative capacity, and by advancing the quality of customer service (Tagliavini, Ravarini and Antonelli 2001).

The government of Fiji, as well as other Pacific Island governments, has recognized the importance of SME growth for sustainable economic development. In 2002, the National Centre for Small and Micro Enterprises Development (NCSMED) was established by the government of Fiji, under the Small and Micro-Enterprises Development Act 2002. Its role is to develop training programmes, encourage a supportive policy and regulatory environment for SMEs, and facilitate credit and funding for SMEs. The NCSMED is an important partner in the government achieving a quantum leap in the country's economy. Understanding the importance of internationalization as a prerequisite for success and finding out 'why' and 'how' SMEs internationalize, needs further investigation for theoretical and practical purposes.

It is argued that the increasingly important role of SMEs in the badly hit East Asian countries such as Korea, Thailand, Malaysia, Indonesia, and Philippine, to name a few, has been institutionalised in response to the adverse impact of 1997 economic turbulence on their economic development. Among the wake-up initiatives undertaken by these nations to reinstate their economic dynamism was the need to model a more adaptable and flexible economic system in the highly uncertain agenda. This urgent agenda prompted the individual governments to revise the existing public policies that regulate the activities of large and small enterprises in their countries. Consequently, Fiji government also used such an initiative after the 2000 political crises to reinstate economic growth and diversity. SMEs have been actively taking part in global markets during recent years, and have attracted a great deal of scholarly attention. They quickly extend their operation to international markets and use diversification as an essential strategic alternative to achieve growth. Studies have witnessed that SMEs have become a crucial segment and a major section of the private sector in small and developing countries. Previous research shows that economic growth of Small Island nations can be sustained by the expansion of the SMEs sector, as they are the engine of growth (Gajanayake, 2010). Given the importance of internationalisation as a rising phenomenon for the success of SMEs, why and how SMEs internationalize is a crucial question that needs further investigation for theoretical as well as practical purposes. Etemad (2004) and Jones and Coviello (2005) posit that the existing conceptualization of international performance of SMEs is lacking common conceptual framework.

Based on surveys of United States (U.S.) and United Kingdom (U.K.) firms, findings indicate that SMEs have higher international performance when they possess greater *EO* and when the type of alliance (research or marketing) used is in line with the capabilities of the firm (Brouthers et al, 2015). Moreover, other critical components to achieve superior firm performance include; business networks, past experience, and capabilities of the management team, role of the entrepreneur, financial resources, government agencies, age and size of the

firm, managerial skills and services leading to SMEs success in the global market. Lukács (2005) reports that 98 percent of an expected 19.3 million enterprises in the European Union at present are SMEs, contributing roughly 66 percent of employment and 52 percent of private sector turnover to the region. In the U.K. alone, SMEs represent 99.8 percent of 3.7 million businesses providing 56 percent of non-government jobs and 52 percent of income. The statistics reveal that the number of SMEs in the U.K. increased by 50 percent in the last 25 years contributing around 35 percent of the U.K.'s Gross National Product (GNP) (Beaver & Prince 2004). In most Organisation for Economic Co-operation Development (OECD) countries, SMEs occupy over 95 percent share of business firms and account for two-third of economic activities in both services and manufacturing sectors. This level of economic performance underpins SMEs contribution of generating 60-70 percent of private sector employment in the OECD member countries (Business and Industry Advisory Committee to the OECD 2004). In the United States, particularly, 90 percent of new businesses started during the 1990s were SMEs that contributed about 40 percent of total economic activity to its national development (OECD in Washington 2003). Consequently, Fiji's SME sector accounts for around 12 percent of economic activity in the country (Prasad and Singh, 2013). It is, therefore, still largely untapped. Hence, Fiji SMEs potential for growth is large when considering that SMEs in other emerging and developing countries can contribute as much as 40–60 percent of GDP.

Additionally, small and medium-sized enterprises have substantially contributed to the economic benefits, and their internationalisation has involved countries around the world (Fletcher, 2004). Improving the international performance of SMEs and sustainability of SMEs, which characterises the pillar of the global economic activity, can assist in achieving this type of development. Internationalisation enables SMEs to broaden the market capacities by developing company visibility, stimulate the organisational image by presenting its vitality and innovative capacity and advance the quality of customer service (Tagliavini et al., 2001). Well-

managed and healthy SMEs are the providers of employment and provide opportunities and income creation for the entire nation.

### **1.3 Definition of SMEs**

The World Bank defines SMEs as a business having 5 to 199 full-time employees (World Bank 2010), and the European Commission classifies SMEs as having less than 500 employees (European Commission 2016). In their review, Ayyagari, Beck and Demirguc-Kunt (2007) found that 54 of 76 countries define SMEs as an enterprise with up to 250 employees. The definition used by banks across 45 developed and developing countries defines a small or medium business as one with annual sales between \$200,000 and \$4 million (small; average midpoint: \$2m) or \$2 to \$16 million (medium; average midpoint: \$9m) (Beck, Demirguc-Kunt and Peria 2008). The Fiji Development Bank (2002) defines SMEs in this way: Small Business – any enterprise that has a turnover or total assets of between FJ\$30,000 and FJ\$100,000 and employs 6 to 20 people. Medium Business – any enterprise which has an annual turnover or total assets between FJ\$100,000 and FJ\$500,000 and employs between 21-50 people. For the purpose of this study, we will adopt the World Bank’s definition of SMEs.

### **1.4 Regulations on Doing Business in Fiji**

Economic growth entails government rules that inspire start-ups’ growth and discourage misrepresentations from being made in the marketplace. The Doing Business Guide (2019) describes the institutional environment in any given country when conforming to institutional regulations. It monitors and tracks amendments in procedures throughout the business life cycle: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, and labour market regulation.

In Fiji it takes 58 days to start a new business, and universally Fiji scores 167<sup>th</sup> in the ranking of 189 economies on business commencement ease. This figure indicates that firms willing to register a new start-up may face administrative and institutional barriers (Prasad and Singh 2013). The agenda for each government should be towards revising the existing public policies that regulate the activities of large and small enterprises in their countries. Following the political crisis in 2000, the Fijian government developed an initiative to reinstate economic growth and diversity. The launch of the NCSMED in 2002, under the SMEs Development Act (NCSMED 2002), assists in the creation of globally competitive Medium, Small and Micro Enterprises (MSMEs) and contributes to a vibrant and prosperous economy for Fiji and its people (NCSMED 2002).

The goal of the NCSMED is to provide strategic leadership and good governance systems; to give access to credit; to encourage a savings culture through microfinance programs; to build capacity in existing microfinance institutions and establish new ones; to advocate on SME issues; to offer innovative solutions for the progress of new and existing businesses; to provide professional and practical skills training to improve competences; to enhance the efficiency and effectiveness of micro SMEs; and to provide a cohesive community-based and user-driven SME expansion platform.

## **1.5 Problem Formulation**

The term ‘internationalization of businesses’ is not only applied to large-scale industrial establishments, but also to SMEs. It is apparent that numerous SMEs on the path of internationalization are run by individual owners. The comprehensive responsibility of running the business is on the entrepreneur, supported through inherent behavioral qualities. At the same time, the internationalization of firms involves countless issues in relation to regulation, government support, strategic orientation, institutions, competition and marketing channels. The behavioral qualities of leaders are needed to handle these situations, and many SMEs are

thus unwilling to take on the challenge of internationalization (Baffour Awuah and Amal 2011). Therefore, it is vital to examine the impact of entrepreneurial factors on internationalization in order to provide better insights into entrepreneurship, and to investigate the moderating impacts of country institutional environments and management competencies on SME internationalization.

## **1.6 Statement of the Problem**

The internationalization of SMEs has been extensively studied; however, little is understood about the internationalization process that takes place in developing countries (Ciravegna, Majano and Zhan 2014; Amal and Rocha Freitag Filho 2010), meaning there is a gap in the literature, which provides strong grounds for this study.

The influence of *entrepreneurial orientation*, *institutional environment* and *management competence* on the *Internationalization* of SMEs in Fiji.

## **1.7 Significance**

This study aims to gain a better understanding on the internationalization of SMEs, mainly how entrepreneurial orientation, institutional environment and management competence influence the internationalization of SMEs in Fiji. In this regard, the research gap is identified as ***“how the institutional environment and management competence moderate the relationship between entrepreneurial orientation and SME internationalization”***. The statement reveals a repositioning of the respective roles of three constructs: entrepreneurial orientation, institutional distance, and management competence.

SMEs' internationalization strategies vary between developed and developing economies. SMEs in developed countries are enthusiastic about reactive methods such as global market opportunities and current research and development (Karagozoglu and Lindell 1998), whereas small island nations depend on a proactive approach when embarking on international business.

It is anticipated that the research findings will be of high value to practitioners, academics and policy makers, and can further enhance theory development in the area of SME international business. Second, they can guide SME owner-managers to make their teams more innovative and managerially experienced in order to stay competitive. Next, the findings can serve as a guideline to institutions and professional bodies for the design of entrepreneurship training and development programs for SMEs. Based on previous reviews, research on the issue of understanding the internationalization of SMEs from small island economies is still lacking. The need for this research is suggested by a gap in the literature, since to date no research has been done on the proposed topic in Fiji. This study aims to fill this gap by providing a complete study of the internationalization of Fijian SMEs. Deregulation and globalization trends have posed various opportunities and challenges to Fiji-based SMEs. Opportunities have developed to enhance productivity and look for new markets at the national and international level; however, globalization trends have also compelled SMEs to improve competencies in order to meet competition.

Therefore, there are good reasons for focusing on the internationalization of SMEs in Fiji. Governments in developing economies are on a mission to attain sustainability and economic growth. The internationalization of SMEs contributes to stimulating growth, creating employment, and alleviating poverty (Hughes 2005). This research is extremely important as it highlights the huge contribution SMEs make to economies worldwide, and particularly to the Fijian economy. Such research allows the development of philosophies concerning how Fiji can encourage the expansion of such an important sector. Consequently, it will provide a broad exposure for SMEs in Fiji to explore new business opportunities regionally and internationally. It is recommended that exhibitions are organized in consultation with the concerned stakeholders and industry associations and publicised widely amongst all stakeholders. Such platforms highlight diverse technologies, products and services, and business opportunities, and at the same time promote trade, joint ventures, strategic alliances, technology and core

competency transfers. We anticipate that the findings of this study will assist in augmenting the capability of businesses in emerging economies, particularly Fijian SMEs, to become world-class enterprises.

## **1.8 International Expansion Process for SMEs**

Internationalization defines the actions of a company on the global stage in a dynamic manner (Henrik and Sylvie 2007). The survivability of a firm in a dynamic environment is a key determinant of local competitiveness, which influences national economies and the international performance of SMEs (OECD 2006). SMEs can internationalize using different entry strategies, such as exporting, franchising, sales subsidiaries, strategic alliances and Foreign Direct Investment (FDI). International growth is an essential choice for SMEs, who conventionally have a small financial base and a local focus with a narrow scope. Even though SMEs are ‘innovative’, many lack assets required to internationalize and are thus unwilling to participate in international business (Kirby and Kaiser 2003; Baffour Awuah and Amal 2011; Knight 2000). Traditionally, internationalization is defined as a regular consecutive process of several distinguishable phases. Johanson and Wiedersheim-Paul (1975) explain that firms move successively through distinct stages: intermittent exports, exports via agents, overseas sales via knowledge agreements with local firms (for example by licensing or franchising), and foreign direct investments. This method reduces the risks and the investment expenses, while giving space for learning before further development. Lloyd-Reason, Damyanov, Nicolescu and Wall (2005) have similar findings, emphasizing that firms move to nations that are culturally comparable to their own (psychic distance) and geographically close. As international activities are vigorous in nature, the methods of entry and operations are equally diverse. SMEs tend to choose entry modes that provide greater control over foreign marketing operations (Erramilli and Rao 1993; Doole and Lowe 2008; Root 1994).

Lumpkin and Dess (1996) emphasize internationalization as an entrepreneurial activity that enables firms to adopt different strategies and tactics over time. Innovation, proactivity, risk-taking, autonomy, competitive aggressiveness, firms' behavior, exports, experience and knowledge, networks and resources are posited as the most important dimensions contributing towards internationalization. Entrepreneurial skill sets such as knowledge, attitudes and motivation play a significant role in the decision to internationalize. Firms internationalize their operations in order to apply their limited resources to exploit new market opportunities under conditions of great risk (Dai, Maksimov, Gilbert and Fernhaber 2014; Calof and Beamish 1995). However, prior literature highlights the challenges that weaken the strategic decisions of SMEs to internationalize (Duarte Alonso, Bressan, O'Shea and Krajsic 2014; Kahiya and Dean 2016). These include weak institutional environments and exchange of knowledge and information (Jonsson and Lindbergh 2010), export barriers, lack of resources, and lack of knowledge on diverse marketing channels (Jin, Jung and Jeong 2018) and on market entry and currency exchange (Duarte Alonso et al. 2014). Arteaga-Ortiz and Fernández-Ortiz (2010) posit that a lack of knowledge and resources, together with procedural and exogenous barriers, are major challenges to internationalization. A few empirical findings identify quality control and safety standards as important challenges faced by internationalizing SMEs (Paul, Parthasarathy and Gupta 2017).

## **1.9 Aims and Objectives**

This research aims to empirically study the consequence of the influencing role of *institutions* and *managerial competence* on the relationship between the dimensions of *entrepreneurial orientation* and *SME internationalization* in Fiji. Past developments show a progressively dynamic role played by SMEs in international markets (e.g. OECD 2006, 2009a, 2009b; Zhou, Wu and Luo 2007), and deregulation coupled with advances in technology is anticipated to help SMEs gain further momentum (Lu and Beamish 2001; D'Angelo et al. 2013; Senik et al. 2010). However, the internationalization of SMEs has often been limited by various challenges

(Westhead, Wright and Ucbasaran 2004). The aim of this research is to gain a better understanding of the relationship between *entrepreneurial orientation* and the internationalization of SMEs in Fiji, and of how *institutional distance* and *management competence* moderate this relationship. This research may also act as a guide for SMEs in Fiji to form networks with prospective strategic alliances.

The major objectives of the study are:

1. Research into the impact of *entrepreneurial orientation* (risk-taking, innovativeness, proactiveness and entrepreneurial experience) on the international performance of SMEs in Fiji.
2. Research the extent to which *institutional environment* moderates the relationship between entrepreneurial orientation and *SME internationalization*.
3. Examine the moderating role of *managerial competence* on the relationship between entrepreneurial orientation and *SME internationalization*.
4. Research the *interactive* roles of *entrepreneurial orientation*, *institutional distance* and *managerial competence* on *SME internationalization*.

## **1.10 Definitions and Terminologies**

This section critically defines the terminologies and concepts studied in this research, namely *institutional distance*, *management competence*, and *entrepreneurial orientation*.

### **1.10.1 Institutions**

Institutions formulate and implement the rules of the game (Scott 1995a; Zucker 1987). This research demonstrates how the wider hypothetical perception of institutions places pressure on firm internationalization (Meyer 2001; Cheng and Yu 2008; Tangkittipaporn and Songkroh 2008). Developed nations are more likely to have established institutional environments with well-developed market factors, less governmental interventions, and an efficient agreement implementation mechanism (Meyer, Mudambi and Narula 2011; Wu 2014), whereas, due to less developed institutions in developing and small island countries, firms experience

restrictions with issues of added risk, costs, and restrictions (Wu 2014). Institutional theory is an important hypothetical basis for the study of entrepreneurial strategies in small island nations, along with transaction-cost theory (Hoskisson, Eden, Lau and Wright 2000; Peng 2003; Wright, Filatotchev, Hoskisson and Peng 2005). A distinguishing feature of small island nations is that these supporting institutions are underdeveloped, which thus limits the strategic decisions of firms (Khanna and Palepu 2000; Peng 2003, Ramamurti 2004). Prior research on the entry mode of entrepreneurs primarily differentiates between two perspectives, with researchers theorizing about the respective roles of informal and formal institutions (Slangen and Van Tulder 2009). A long informal institutional distance tends to increase the challenges of doing business in a host country (Xu and Shenkar 2002; Gelbuda, Meyer and Delios 2008; Slangen and Van Tulder 2009).

### **1.10.2 Management Competency**

Woodruff (1993) explains that a competency is a clear behavior pattern that it is compulsory for managers to carry out in order to accomplish their organizational responsibilities and functions proficiently. The managerial orientation of a firm is connected to an entrepreneurial proactive culture for evolving business in global markets (Knight and Cavusgil 2004; Sullivan Mort and Weerawardena 2006). It is worth noting that firms that desire to be successful in international markets need to possess a distinctive attitude and accompanying competencies (see for e.g. McDougall, Shane and Oviatt 1994; Sullivan Mort and Weerawardena 2006). Research interest in the relationship between management competence and SMEs has been growing over the decades. Contemporary scholars have studied the influence of managerial performance on SME accomplishment and subsequently, management literature states that SME management and development are some of the most significant determinants of SME success and failure (Stone, Freeman and Gilbert 1995; Brodie and Benett 1979). This argument suggests that SME managers must improve their effectiveness in terms of knowledge, behaviors and skills in order to advance their managerial competences to ensure the sustained success of

their firms. A typology of managerial accomplishments emphasizes the use of information (Smeltzer and Fann 1989), staffing and organizing (Olson 1987; Smith and Gannon 1987), managing operations (Pearson, Bracker and White 1990; Rinholm and Boag 1987), and cost control (Miller and Dorge 1986). This typology of managerial activities lends its support to the Management Charter Initiative (MCI) standard of competent performance. It validates the concept that competencies are not assets in themselves but are the mobilising agents that incorporate such assets. Literature suggests that managerial competency is more beneficial as it reflects technological changes, improved diversity and globalization, higher-speed market change, the growing importance of knowledge capital, and team-oriented environments (Dubois and Rothwell 2004; Lucia and Lepsinger 1999; Draganidis and Mentzas 2006).

### **1.10.3 Entrepreneurial Orientation (EO)**

Lumpkin and Dess (1996) describe EO as a process of adopting market opportunities in an innovative, proactive and risk-taking manner. The conceptual framework of this study incorporates EO scales developed by Miller (1983) – innovation, risk-taking, entrepreneurial experience (International New Ventures) and proactiveness – to understand the internationalization process of SMEs. Miller's original conceptualization on the dimensions of the EO construct are supported by Covin and Slevin (1991) and Naman and Slevin (1993). The Classical school portrays an entrepreneur as an opportunity-seeker (Peterson 1985) who is proactive (Miller 1983), innovative (Olson 1987), and strategic in action. This helps SMEs to achieve internationalization from inception. However, recent research shows that not all EO skills drive international expansion (Boso, Oghazi and Hultman 2017; Cavusgil and Knight 2015; Grande, Madsen and Borch 2011). Hence it is important to investigate the effects of EO on SME internationalization from a small island perspective.

#### **1.10.4 Innovativeness**

Innovation is categorized as the organizational actions of adopting and executing 'newness' in an arbitrary manner, reflecting the degree of an organization's propensity for doing business (Miller and Friesen 1982). This is supported by Becchetti and Trovato (2002) and Iacovone and Javorcik (2009). Firms that are passionate about adopting new technological changes can generate new ideas faster than others and have a proclivity to try new products and services (Salavou 2004). Thus, in the absence of innovation, SMEs' chances of survival are diminished. Innovation helps to reinforce activities for SMEs and helps them to achieve greater international sales (Golovko and Valentini 2011). Mathews (2006) puts forward the suggestion that firms can achieve rapid internationalization through organizational and strategic innovation. This is supported by Sapienza, Autio, George and Zahra (2006), Filatotchev, Liu, Buck and Wright (2009), Chetty and Stangl (2010) and Zucchella and Siano (2014).

#### **1.10.5 Proactiveness**

*Proactiveness* is defined as entrepreneurs' ability to lead the future rather than waiting to be influenced by it (Kuratko, Hornsby and Goldsby 2007). The management team of a firm thus creates the aspirations, initiatives, readiness, and commitments needed to enter new markets. A proactive firm is able to expand regionally as they can view environments from new perspectives and seek these opportunities (Boso, Oghazi and Hultman 2017). Proactive organizations can leverage resources and create competitive advantages (Kirzner 1997) that deliberately reduce their vulnerability to uncertainty (Beverland, Farrelly and Woodhatch 2007). This is supported by Dai et al. (2014) and Boso, Oghazi and Hultman (2017), whose findings reveal that EO dimensions are the drivers of internationalization.

#### **1.10.6 Risk-taking**

Firms are exposed to higher degrees of risk during internationalization. Risk is demarcated as a considerable variation in the distribution of possible outcomes through a given behavior

(MacCrimmon and Wehrung 1985) associated with the likelihood of uncertainty and potential loss (Forlani and Mullins 2000). During the internationalization process, entrepreneurs are exposed to institutional risk (Busenitz, Gomez and Spencer 2000), risk with regards to the chosen entry modes (Shrader, Oviatt and McDougall 2000) and foreign competition risk (Miller and Friesen 1984). Risk-taking is perceived as a motivation for international ventures (Pérez-Luño, Wiklund and Cabrera 2011). This research proposes that entrepreneurial firms are more likely to pre-empt their rivals by undertaking risky ventures and engaging in product-market innovation.

### **1.10.7 Entrepreneurial Experience**

Entrepreneurship is a lived experience and includes a wide collection of events, many of which are innovative, unanticipated and uncontrolled as the process unfolds. To begin with, entrepreneurial experience helps to reduce the liabilities of foreignness, to develop important networks in international distribution and to use riskier internationalization strategies (Root 1994; Lu and Beamish 2006). Therefore, experienced management teams have a greater chance to expand operations internationally and achieve higher levels of international performance (Reuber and Fischer 1997). Consequently, entrepreneurship literature argues there is a positive relationship between previous experience, and SMEs international expansion (McDougall and Oviatt 1991; Gimeno, Folta, Cooper and Woo 1997). This is also supported by Davidsson and Honig (2003) and by Schulz, Borghoff and Kraus (2009). The accumulation of human capital from experience allows entrepreneurs to perform better in the international market.

### **1.11 Research Questions**

This research describes how certain dominant philosophies and factors have influenced the internationalization of SMEs. Internationalization strategies differ for each firm depending on functions and characteristics. The factors influencing the internationalization decisions of SMEs include innovativeness, proactiveness, risk-taking, experience of an entrepreneur, the

country's institutional environment and management competency. Thus, it is argued that the following research questions can generate specific and precise hypotheses with appropriate test results to achieve the research objectives of this study:

RQ 1: To what extent can entrepreneurial orientation improve the international performance of SMEs in Fiji?

RQ 2: To what extent can *innovation* improve the *international expansion* of Fiji-based SMEs?

RQ 3: Can *proactiveness* improve SME internationalization in Fiji?

RQ 4: To what extent can *risk-taking* improve the internationalization of SMEs in Fiji?

RQ 5: Can experience improve SME internationalization in Fiji?

RQ 6: To what extent can *entrepreneurial orientation*, *institutional distance* and *management competence* influence SME internationalization in Fiji?

RQ 7: What role do *institutional environment* and *managerial competence* have in relation to the entrepreneurially-oriented SME in Fiji?

## 1.12 Thesis Structure

**Table 1.1: Structure of the Thesis**

Thesis Format	Thesis by Publication
Number of Papers	Three Research Papers
<i>Paper 1</i>	<i>Internationalization Barriers of SMEs from Developing Countries: A Review &amp; Research Agenda</i>
<i>Paper 2</i>	<i>Internationalization Challenges for SMEs: Evidence and Theoretical Extension</i>
<i>Paper 3</i>	<i>The effects of Entrepreneurial Orientation and SME Internationalization in Fiji: The Moderating Role of Management Competence and Institutions</i>

### 1.13 Research Design

The research design is a complete plan of the procedures used to gather and evaluate data (Hair, Bush and Oritinau 2009). The aim of this research can be categorized into three divisions: exploratory, descriptive and explanatory. An *exploratory* research study looks at a phenomenon that has not been studied before, and for which insufficient investigation has been done (Yin 2003). It generally involves extensive introductory work to be completed in order to become familiar with the phenomenon (Sekaran 1992). Such is the study of the internationalization of SMEs in Fiji. An *exploratory* study aims to achieve a greater knowledge of the issue as very few studies have been done to understand the phenomenon. This type of study permits researchers to deliver a complete assessment of the problem area. It likewise creates theories and proposes actions and attainability for further research. It generally concentrates on the ‘what’ not the ‘why’ questions. *Exploratory* studies are thus important for obtaining a good grasp of the phenomena and for advancing knowledge through good theory building (Sekaran 1992). On the other hand, a *descriptive* study defines the phenomenon of significance, usually when a certain amount of information is available on the topic (Sekaran 1992). It emphasizes the ‘how’ and ‘who’ questions. An *explanatory* study, meanwhile, is founded on previous philosophies and knowledge. An *explanatory* study thus clarifies the patterns associated with the phenomenon being focused on and gives answers to the research questions (Yin 2003). *Explanatory* studies allow hypotheses to be developed and tested empirically with a specific end goal to clarify connections. One of the objectives of *explanatory* research is to distinguish conceivable connections between the variables identified with the topic of interest, emphasizing the ‘why’ questions.

The aim of this research is to achieve a greater understanding of the variables contributing towards the internationalization of SMEs with respect to the use of one or a combination of dominant theories, although there is no one perfect theory that explains the internationalization

expansion of SMEs. The purpose of this research will mainly be *descriptive* and to some extent *exploratory*.

This research adopts a mixed-method approach, combining both qualitative and quantitative research, as this provides a better understanding of the research problem than either approach alone (Creswell and Plano Clark 2007). Christ (2007) states that the mixed-method approach gained momentum in the late eighties when several academics published their views on combining qualitative and quantitative methods in social science research. Creswell and Creswell (2017) suggest that the mixed-method ‘pragmatic’ approach facilitates researchers to look at the ‘what’ and ‘how’. This includes different forms of data collection and analysis in a single study and mixes the two when beneficial (Leech, Dellinger, Brannagan and Tanaka 2010). Quantitative research concentrates on collecting statistical data and generalizing it across groups of people. Thus, a survey instrument was developed to interview SMEs from Fiji. Meanwhile, a qualitative approach concentrates on collecting and procuring descriptive data that cannot be measured in the same way. This information can only be translated based on evidence and information provided. Therefore, face-to-face interviews and information sessions were carried out with industry experts to collect descriptive information.

#### **1.14 Research Context – Small and Medium Enterprise Sector in Fiji**

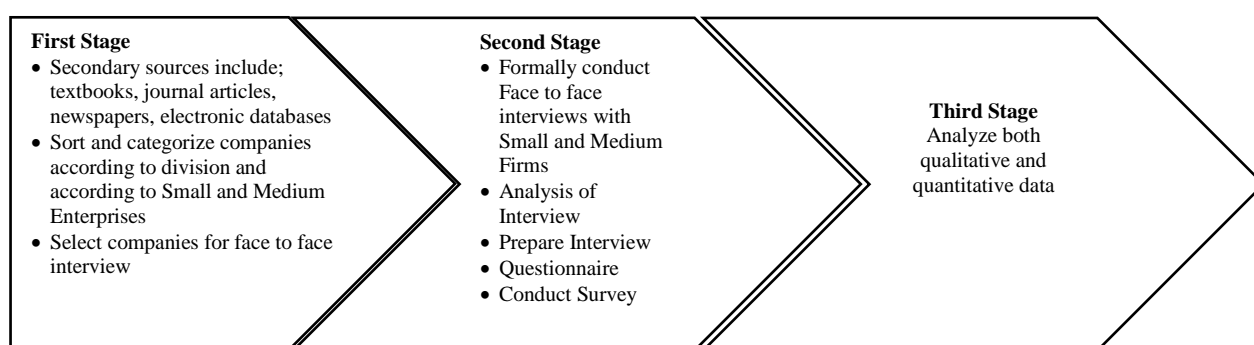
SMEs comprise many segments; however, this research focuses on the internationalization of SMEs in Fiji. It is established that not all models are appropriate to every situation of internationalization that occurs in the business world, but they in a way complement each other, and operate as diverse tools for researchers to describe and understand the internationalization processes of firms. SMEs are critical in that they can raise the living standards of Fiji’s people (Prasad and Singh 2013), and the sector itself has internationalization potential. The country remains underdeveloped, and in the last couple of years, it has moved to being in between periphery and semi-periphery. Fiji, being a developing country, has a high percentage of its

SMEs in food production – especially sugar, Fiji water, and fish – while very low percentages are seen in service and technology-based sectors. Fiji also produces a high percentage of other primary resources such as gold, timber and garments (International Trade in Services 2018).

It is important to recognize the contribution of SMEs to Fiji’s economy, and their development must be promoted. Internationalization strategies and approaches should thus be realized to promote such sectors in the economy. With Fiji’s estimated population of 918,757 (Fiji Bureau of Statistics 2019), SMEs draw upon the community for their workforce and rely on it to do business. For the communities, SMEs provide goods and services tailored to local needs at affordable costs to local people. SMEs have garnered greater consideration regarding their role in economic development, employment creation and poverty alleviation. The present Fiji First government has commenced an initiative motivating local people to buy Fijian Made. This provides an opportunity for local SMEs to further promote and gain recognition for their products.

## 1.15 Data Collection

**Figure 1.1: Data Collection Phases**



The first stage of data gathering incorporated a secondary data collection via a comprehensive online search and review of scholarly journal articles for information on government support and policies for SMEs in Fiji. Details were gathered of the constraints they face in terms of

institutional factors and those elements that support and motivate SMEs, for a synthesis of literature.

Further information was accessed on small and medium firms in Fiji through several organizations. These organizations were: 1) National Centre for Small and Medium Enterprises 2) Fiji Development Bank 3) Micro Finance Unit, and 4) Ministry of Agriculture. The next step was to develop a list of companies to be interviewed from the Registrar of Companies, and respondents for qualitative interviews were then found from the institutes stated above.

### **1.15.1 Sample Selection**

Approximately 250 firms were chosen from the population of SMEs in Fiji, using systematic random sampling. The study adopted this approach as it is necessary that the defined target population is organized in some way, usually in the form of a company list (Hair, Bush and Oritinau 2009). Hence, for this study, the company listing was obtained from the Registrar of Companies, and it was carefully chosen based on having subjects who are widely dispersed, who fall within the criteria of SMEs, and who can provide the information required. The selection of SMEs was based on the number of workers, the value of fixed assets and the annual turnover.

The second stage adopted a qualitative data collection method, using semi-structured face-to-face interviews. This allowed for in-depth probing and understanding of issues, giving opportunities to explore and explain the context of how SMEs use resource capabilities, experience, networks, and education to take business to an international level, and how institutions and management competence affect the internationalization of SMEs. A semi-structured questionnaire was utilized to formally interview SMEs in Fiji. Survey questionnaires were utilized as they are generally less expensive, faster and more appropriate for dealing with sensitive issues. More precisely, the research schedule was used to control the research

questions and hypotheses as it ensured a 100% response rate from the participants. Similarly, the interviewer took control of the interview time, and explanations were made during interview questions to increase precision and understanding. On top of this, direct field observations made it possible to gather additional information from participants.

From the four administrative divisions in Fiji, Central, Northern and Western Divisions were selected as they have high population densities, diverse groups of population and high concentrations of SMEs, and are more economically developed. Participants were then selected randomly from the major towns/cities in these regions. Convenience sampling was carried out as this method of sampling is more appropriate for population studies. It is a known fact that people today are excessively occupied with their commitments and do not wish to take part in research surveys; hence, the researcher allocated different times to target various groups.

The third stage consisted of a quantitative survey questionnaire. Data from the face-to-face interviews and case studies provided building blocks of concepts and themes that guided and shaped the design of the survey questionnaire. It was then emailed to all the companies in the three database sets, with a total sample size of 250 participants. The goal of this survey was to obtain statistical evidence that can be generalized to the sample population.

#### **1.15.2 Contact Procedure**

For both face-to-face interviews and surveys, the first contact was by telephone. During the first telephone conversation, the researcher gave the participant a general idea of the research project and requested his/her participation. This was followed by an email confirming participation, and to organize a meeting time to explain the project further. An arranged time to conduct the interview at his/her office or a convenient location was then organized. Prior to the interview, an email was sent containing the Interview Information Statement and semi-structured questionnaire guide. On the day of the interview, participants were asked to sign the Information

Statement and Letter of Consent as required by the Ethics Committee of Macquarie University. The length of each interview was about one and a half hours, and it was audio recorded (with participants' signed permission) to ensure accuracy in analyses.

Likewise, for the survey questionnaire, the first contact was also by phone to obtain agreement to participate, and upon agreement, an email was sent. The initial phone contact and subsequent email were directed to the owner, founder, managing director, or chief executive officer of the firm. The email explained the research project before directing participants to an online survey questionnaire. Participants were also able to complete the questionnaire in hard-copy format.

### **1.16 Data Analysis**

Face-to-face interviews were audio recorded and extensive notes were taken. A semi-structured questionnaire was used as a guide to gather information throughout the interview process. A qualitative analysis helps to draw patterns from concepts and insights and can help to generate theories grounded on data. For the purpose of this research, a manual analysis was used to check the reliability of the findings, with transcriptions being arranged by the principal researcher to allow engagement with the data, to assist in producing embryonic insights (Patton 2002a). According to Nigatu (2009), interviews help yield insights into new ideas for further inquiry. Subsequently, a cross-synthesis procedure was used, and groupings of similar responses were identified, allowing the data to be classified accordingly (Taylor and Jack 2013). The findings were then summarized and discussed.

The survey data was analyzed using SPSS software. SPSS software is commonly used for its ability to analyse both numerical and non-numerical data (Pallant 2013). It is known that raw data collection is subject to internal and external validity tests. The internal reliability of each scale was tested for its Cronbach's alpha value. Items not relevant to the measure of a variable were removed under several re-runs until the alpha coefficient reached the maximum level. This

ensures correlations between measures with the right number of factors, so that the solution is comprised of valid variables that can capture the distinct concept. Partial Pearson product-moment correlation was used to test the nature and strength of the associations among independent, controlled, and dependent variables. Finally, Moderated Multiple Regression (MRR) was performed to test the significance level of the two-domain hypotheses and eight sub-hypotheses respectively as the most important research findings of this dissertation project.

**Table 1.2 Proposed Sample Size for Fiji**

Country	Division/State/ Provinces	Population Density	Cities/Towns	Sample Size	Total Sample Size
Fiji	Central	220,870	Suva Nausori/ Nasinu Lami	120	250
	Western	226,060	Nadi Lautoka Ba	80	
	Northern		Savusavu Labasa	50	

*Source: Fiji Bureau of Statistics 2007*

## 1.17 Research Plan

**Table 1.3 Research Plan: Thesis Completion Plan**

	2016-2017				2017-2018				2018-2019			
	Mar-May	Jun-Aug	Sep-Nov	Dec-Feb	Mar-May	Jun-Aug	Sep-Nov	Dec-Feb	Mar-May	Jun-Aug	Sep-Nov	Dec-Feb
<b>Proposal Development</b>												
Write detailed proposal												
Proposal reviewed by supervisor												
Proposal presented												
<b>Paper 1</b>												
Draft Paper 1												
Paper 1 reviewed by supervisor												
Complete Paper 1												
<b>Paper 2</b>												
Develop theory & hypotheses Design instrument Pilot testing for Paper 2												
Interview for Paper 2												
Draft Paper 2												
Paper 2 reviewed by supervisor												
Complete Paper 2												
<b>Paper 3</b>												
Develop theory & hypotheses Design instrument Pilot survey for Paper 3												
Survey for Paper 3												
Draft Paper 3												
Paper 3 reviewed by supervisor												
Complete Paper 3												
Thesis compiled												
Printing & submission												

## **2. Study I – Internationalization of SMEs from Developing Countries: A Review and Research Agenda**

### **Abstract**

The purpose of this review is to identify and understand the gaps in research on the explicit factors influencing the internationalization of small and medium enterprises (SMEs) and to provide a lucid viewpoint on future directions for research on SME internationalization by developing a research agenda. It focuses on a wide range of questions aimed at providing a comprehensible platform for researchers working in this area. This review is unique as it is twofold: it a) distinctively outlines previous studies on factors influencing internationalization of SMEs from developing countries; and b) systematically points out the issues faced by SMEs from developing countries to understand the differences and address the paucity of studies on the internationalization of SMEs in developing countries. Our review also accentuates the variables acting as barriers to the internationalization of SMEs from such countries.

**Keywords:** *Small and Medium Enterprises, Internationalization, Developing Countries, Entrepreneurial Orientation, Institutions, Systematic Review.*

### **2.1 Introduction**

Penrose (1959) explains internationalization as firms having core competence and opportunities in foreign markets. Welch and Luostarinen (1988) focus on exploiting global market opportunities, facilitating export to overseas countries and forming alliances with overseas firms. Other scholars define internationalization as a phenomenon when firms intensify their attentiveness regarding the impacts of international transactions (Calof & Beamish 1995; Johanson & Mattson 1993; Johanson & Vahlne 1990; Lumpkin & Dess 1996).

SMEs play a significant role in all economies, and particularly developing ones, by creating employment and reducing poverty. Developing economies take center stage in the global economy and understanding the challenges they encounter while internationalizing is necessary for all firms conducting business in developing economies. Internationalization of SMEs has come to be a fundamental component in the growth strategy of most countries. The vast bulk of research indicates that this topic deserves more attention now than merely adding a new survey to the pile (Kahiya 2018). Up to now, earlier reviews are skewed towards looking at factors driving the performance of SMEs and MNCs (multinational corporations) in developed countries (Moghaddam, Sethi, Weber & Wu 2014; Athanassiou & Nigh 2000; Agndal & Chetty 2007; Lu & Beamish 2006) and little is done with regards to developing economies.

Developing economies are described as having an underdeveloped industrial base and a low human development index. Research shows that developing countries in Asia are profoundly influenced by SMEs, which play a key role in driving economic development (ADB 2001; Hajela & Akbar 2013, Paul & Gupta 2014; Child & Rodrigues 2005; Wang & Ngoasong 2012; Venkatesh, Dubey & Bhattacharya 2015). Over the past two decades, the growing number of SMEs from developing economies reaching out to foreign markets is showing an upward curve (Keupp & Gassmann 2009; Pavitt, Robson & Townsend 1987; Dikova, Jaklič, Burger & Kunčič 2016; Kiss, Danis & Cavusgil 2012). We draw upon the internationalization theories and explain the factors that influence SMEs' international expansion. Thus, studying how SMEs from developing countries internationalize and the challenges they face will add to the current literature on international entrepreneurship (IE).

Earlier studies have identified factors determining SME internationalization; for example, firm structure, strategy, entrepreneurial and market orientations, capabilities, social network, trust and environmental exigencies have all been shown to play a key role in international expansion (e.g. Luo & Tung 2007; Moreno-Menéndez & Casillas 2014; Chaston & Sadler-Smith 2012;

Amal, Baffour Awuah, Raboch & Andersson 2013). Similarly, entrepreneurial orientation (EO) is associated with a higher degree of international expansion (Javalgi & Todd 2011; Coviello, McDougall & Oviatt 2011; Covin & Miller 2014; Boso, Oghazi & Hultman 2017). Factors related to regional and economic development (see for e.g. Benneworth 2004; Huggins & Williams 2011; Laukkanen 2000) also drive the international expansion process. Research reveals that these attributes have shown to help lessen the challenges in the SME internationalization process (Dai, Maksimov, Gilbert & Fernhaber 2014; Knight 2001).

However, there are many entrepreneurial firms that are still reluctant to sell their output in international markets due to smallness and resource constraints. Such challenges have invariably affected the ability of SMEs from developing countries to compete in the international market (Kyvik, Saris, Bonet & Felicio 2013; Rahman, Uddin & Lodorfos 2017). This paper seeks to a) synthesize the extant literature on the internationalization of SMEs from developing countries, and b) serve as a platform for future research in the subject area of the internationalization of SMEs from developing countries. This review also illustrates the usage of theoretic models in experiential studies. An inclusive search of the literature was undertaken to bring together all imperative articles. The rest of the review is structured as follows: methodology, theoretical models and synthesis, discussion, limitations, future directions (context, theory and methodology), and conclusion.

## **2.2 Methodology**

The study of SME internationalization dates to the late 1970s (Johanson & Vahlne 1977; Ganitsky 1989; Luostarinen 1970, 1979; Oviatt & McDougall 1994). Past reviews and empirical research have contributed significantly to the growth of the research area of internationalization, yet fundamentally they have addressed the same issue: the internationalization of SMEs. We still lack knowledge on *factors influencing the internationalization of SMEs from developing regions*, which still needs further attention. Thus,

this review aims to help foster the harmonization of incomplete fragmented elements of knowledge on factors affecting the internationalization of SMEs from developing countries (Oesterle & Wolf 2011). An organized search strategy centered on adopting a selection criterion and a proposed method of data synthesis was developed to guide the review process. For the purpose of this review, we explored the databases Elsevier, SpringerLink, Taylor, Emerald, SAGE, JSTOR, ProQuest, Web of Science, Scopus, and Google Scholar, in order to identify research published regarding factors influencing SME internationalization and on the internationalization of SMEs in developing countries.

The process that we adopted to review literature about SME internationalization involved the following selection decisions. Firstly, we limited our review to the journals listed on the Australian Business Deans Council (ABDC) list. Based on this, we retrieved a total of 295 articles (Table 2.1), from which our priority was to first review the internationalization theories that have informed and explained the SME internationalization process. Following this, we further refined our search strategy using the keywords '*internationalization of SMEs*', '*internationalization of SMEs in developing countries*', '*SMEs and entrepreneurial orientation in developing countries*', and '*factors affecting SME internationalization in developing countries*'. After the refined search we excluded 230 articles based on the abstract. We went through and made notes on 65 articles, dividing them among the three co-authors according to the method described in earlier review articles by Keupp and Gassmann (2009) and Paul and Benito (2018), in order to reach a consensus on the articles to be excluded from the sample. In order to confirm the appropriateness and significance, co-authors individually reviewed the articles too.

### **Figure 2.1: Word Cloud of Keywords Used to Identify the Studies**



The papers that presented internationalization in their study, with schematic frameworks that contained SME internationalization attributes, are listed in Table 2.2. Papers for which we had full access to the appropriate version, and in which schematic designs of the models were provided, were included in this systematic review. Accordingly, the articles that presented empirical data on factors affecting SME internationalization are shown in Table 2.3. We specifically undertook to review literature published between 2007 and 2017, although we discuss internationalization theories developed in the last fifty years. The distribution of articles for the 10-year period is as follows: 2007-2012, 31%; 2013-2015, 47%; 2016-2017, 22%. This does not imply that research conducted before 2007 in this discipline was not significant; it just clarifies that this paper specifically conducted an in-depth review of literature published between 2007 and 2017.

### **2.2.1 Design Methods and Assessment Tools**

A conceptual model (see Figure 2.2) was developed and grounded from prior theoretical frameworks. The related measuring tools for all models reviewed are incorporated in this review (Table 2.2).

**Table 2.1 Articles Included in our Review**

<b>No</b>	<b>Name of Journal</b>	<b>No of Articles</b>	<b>Citations</b>
<b>1</b>	<i>International Business Review</i>	38	Francioni, Vissak & Musso (2017); Eriksson, Fjeldstad & Johnsson (2017); H Pellegrino & McNaughton (2017); Bai, Johanson & Martin (2017); Narooz & (2017); Dominguez & Mayrhofer (2017); Prange & Pinho (2017); Cerrato, C & Pastoriza (2016); Zhang, Ma, Wang, Li & Huo (2016); Love, Roper & Zho & Li (2016); Dimitratos, Johnson, Plakoyiannaki & Young (2016); Oparao Zhou (2014); Sandberg (2014); Nordman & Tolstoy (2014); Suh & Kim (20 Loane, Bell, Cunningha (2014); Love & Ganotakis (2013); Hallback & Ga Cerchillo & Gioranni (2012); Maeseneire & Claeys (2012); Fletcher & H (2012); Dimitratos, Voudouris, Plakoyiannaki & Nakos (2012); Li, Qian & (2011); Kontinen & Ojala (2012); Jihan-Nai, Sahin & Cilingir (2011); Dimit Tuselmann (2010); Perks & Hughes (2008); Cheng & Yu (2008); Liu, Xiao &
<b>2</b>	<i>Journal of International Business Studies</i>	33	Reuber, Dimitratos & Kuivalainen (2017); Chandra (2017); Kundu & Cirave Minichilli & Piscitello (2016); Oehme & Bort (2015), Zander, McDougall Knight (2015); Sui & Baum, (2014); Humper-Jenner & Suchard (2013); H Ganotakis & Love (2012); Maekelburger, Schwens & Kabst (2012); Golov Golovko (2011); Lamb, Sandberg & Liesch (2011); Ellis (2011); Zhou, Ba (2010); Zhou, Barnes & Lu (2010); Filatotchev & Piesse (2009); Lopez, Ku Musteen & Thomas (2009); Filatotchev, Liu, Buck & Wright (2009); Bruton, Gilbert & McDougall (2008); Lu, Zhou, Bruton & Li (2010); Lopez, Fan & PH Mathews & Zander (2007); Mudami & Zahra (2007); Fan & Phan (2007); Y
<b>3</b>	<i>Journal of World Business</i>	20	Paul, Parthasarthy & Gupta (2017); Lindstrand & Hanell (2017); Child, Hsie Puthusserry, Tsai, Narooz & Zhang (2017); D'Angelo, Majocchi & Buck (20 Baum, Schwens & Kabst (2015); Sui, Morgan & Baum (2015); Hsu, Chen (2013); Musteen, Francis & Datta (2010); Nordman & Melen (2008); Mich (2008); Acedo & Jones (2007); Kuivalainen, Sundqvist & Servais (2007) (2007); Zhou (2007); Weerawardena, Mort, Liesch & Knight (2007); McC (2007)
<b>4</b>	<i>Entrepreneurship Theory and Practice</i>	19	Li, Qian & Qian (2015); Al-Aali & Teece (2014); Covin & Miller (2014); (2014); LiPuma & Park (2014); Alvarez & Barney (2014); Sarasvathy, K Musteen, Datta & Butts (2014); Brouthers, Nakos, & Dimitratos (2014); Co Nordqvist & Hitt (2012); Prashantham & Yang (2011); Fernhaber & Li (2010) & McDougall-Covin (2009); Nasra & Dacin (2009); Yamakaw, Peng & Deeds Fernhaber, McDougall & Oviatt (2007)
<b>5</b>	<i>International Small Business Journal</i>	16	Thanos, Dimitratos, & Sapouna (2016); Onkelinx, Manolova & Edelman (20 Hilmersson (2012); Zhang, Ma, Wang & Wang (2014); Hilmersson (2013); B & Jack (2011); Baum, Schwens & Kabst (2011); Raymond & St-Pierre (20 Murry (2010); Tang (2011); Sousa & Bradley (2009); Arranz & De Arroyal (2009); Morgan-Thomas & Jones (2009); Holmlund, Kock & Vanyushyn (20
<b>6</b>	<i>Entrepreneurship and Regional Development</i>	13	Boso, Oghazi & Hultman (2017); Bau, Block, Cruz & Naldi (2017); Su, Zh Evers & Griot (2013); Smallbone & Welter (2012); Evers & O'Gorman (201 & Lombard (2008); Ruzzier, Antoncic & Hisrich (2007)
<b>7</b>	<i>Journal of Small Business Management</i>	12	Stoian, Rialp & Dimitratos (2017); Swoboda & Olejnik (2016); Delgianni, D Moen, Heggeseth & Lome (2016); Calabro, Brogi & Torchi (2016); Felzens (2015); Merino, Monreal-Perez & Sanchez-Marin (2015); Chen, Hsu & Ch (2012); Kontinen & Ojala (2011); Miocevic & Crnjak-Karanovic (2011); Arr
<b>8</b>	<i>Journal of Business Venturing</i>	7	Symeonidou, Bruneel & Autio (2017); Sleuwaegen & Onkelinx (2014) Maksimov, Gilbert & Fernhaber (2014); Kiss, Danis & Cavusgil (2012); Kha Al-Laham & Souitaris (2007)

<b>9</b>	<i>Journal of Business Research</i>	11	Felicio, Duarte & Rodrigues (2016); Cardoza, Fornes, Fartier, Duarte & Gu Zapate, Felzensztein (2016); Bianchi & wickramasekera (2016); Felicio, Caldeirinha & Ribeiro-Navarrete (2015); Ciravegna, Lopez & Kundu (2014); Schweizer (2012); Decotes, walliser, Holzmuller & Guo (2011); Guo (2011)
<b>10</b>	<i>Journal of Small Business Management</i>	10	Stoian, Rialp & Dimitratos (2017); Swoboda & Olejnik (2016); Bruneel & Perez (set language), Sanchez-Marín (2015); Chen, Hsu & Chang (2014); Lee & Ojala (2011); Kalantaridis & Vassilev (2011); Camion & Villar-Lopez (2011)
<b>11</b>	<i>Small Business Economics</i>	10	Hagsten & Kontik (2017); Gonzalez-Pernia & Pena-Legazkve (2015); Sciasc (2012); Soriano & Dobon (2009)
<b>12</b>	<i>Asia Pacific Journal of Management</i>	9	Terjesen & hessels (2009); Cardoza & Fornes (2009)
<b>13</b>	<i>International Marketing Review</i>	4	Radulovich, Javalgi & Scherer (2018); Rahman, Uddin & Lodorfos (2017); Damoah (2018).
<b>14</b>	<i>Journal of Management</i>	3	Terjesen, Hessels & Li (2016); Keupp & Gassman (2009); Ling, Zhao & Bar
<b>15</b>	<i>Journal of Management Studies</i>	3	Levie & Autio (2011); Schwens, Echie & Kabst (2011); Prashantham & Dha
<b>16</b>	<i>Journal of International Management</i>	3	Adomako, Opoku & Frimpong (2017); Meschi, Ricard & Moore (2017); Jan
<b>17</b>	<i>International Journal of Management Reviews</i>	2	Casillas & Acedo (2013); Mainela, Puhakka & Servais (2014)

### 2.3 Theoretical Models and Synthesis on Internationalization of SMEs

There are various theories that explain the international expansion of SMEs from developing countries. The most widely used theoretical models in this context are the Uppsala model, International New Ventures (INVs) and Network Theory. These are discussed in this section.

*The Uppsala model* indicates that market knowledge and commitment affect both internationalization decisions and the way current operations are performed (Johanson & Vahlne 1977). Johanson and Vahlne's (1977) Uppsala model explains internationalization as incremental learning development in which firms progressively acquire knowledge about external markets before increasing their market commitment. Johanson and Vahlne (2009) have expanded on their original 1977 Uppsala model to discuss the liability of outsidership. The core focus is on how markets and networks are linked to each other to a larger degree. In this modern age, networks, like an insider, are necessary for successful internationalization (Johanson & Vahlne 2009). Such networks allow the building of trust and market commitment, and studies have shown that network relationship plays an important role in the internationalization process (Coviello & Munro 1995). Network theorists see a firm's internationalization as a development from network relationships with foreign individuals and firms (Johanson & Mattson 1988).

*International New Ventures (INVs)* operate globally from commencement and internationalize faster than traditional (Uppsala Model models – incremental approach) (Chetty & Campbell-Hunt 2004; Knight & Cavusgil 2004). McDougall (1989) argues that these are small and young firms that go abroad shortly after their inception. Chetty and Campbell-Hunt (2004) demonstrate that INVs adopt a more rapid and proactive approach to learning. An INV's decision to internationalize at inception is influenced by the size of the domestic market, production capacity, location advantages and institutional factors (Fan & Phan 2007; Oviatt & McDougall 2005).

**Network Theory:** Prior studies demonstrate that social networks encourage internationalization, and this is acknowledged as a motivation for the internationalization of young SMEs (Lu, Zhou, Bruton & Li 2010; Oehme & Bort 2015; Owen-Smith & Powell 2008). Networking diffuses internationalization practices in an efficient way and allows entrepreneurs to imitate the strategies of networking partners (see for e.g. Milanov & Fernhaber 2009; Zhou, Wu & Luo 2007; Agndal & Chetty 2007). Lu, Zhou, Bruton & Li (2010) explain that institutional capital and the information acquisition capability of a small firm will positively influence their international performance. Similarly, the institutional environment of an economy controls substantial resources and can provide support to entrepreneurial firms with assets and inputs for internationalization (see for e.g. Peng, Sun, Pinkham & Chen 2009; Wilkinson & Brouthers 2006). In that regard, entrepreneurial firms must possess information acquisition capabilities to make use of the available institutional capital. Internationalizing firms depend on the local government to provide information regarding foreign market conditions and trade restrictions, as well as firm-specific capabilities, in order to deal with the challenge of a market-based economy (Czinkota 2002; Yeoh 2000).

### **RBV**

RBV has been widely studied to understand SME internationalization (Brouthers, Brouthers, and Werner 2008, McDougall and Oviatt, 2000; Lu and Beamish 2001; Elango 2000; Naidu and Prasad 1994). This theory explains international expansion and growth in terms of resource and capacity accumulation that help firms achieve domestic and international competitive advantage through knowledge transfer (Camisón, and Villar-López, 2010). OCED (2009:1996) and Oviatt and McDougall (1994) explains that RBV focuses on resources and capacities, and which is one of the main challenges faced by many SMEs while planning to internationalize. Early literature highlights that unique bundle of resources and capabilities indicates activities the firm is competent of carrying out resourcefully (Barney 1991; Hall 1993, 1992). Literature

reports that various resources and capabilities such as management capacities and experience (Yamakawa et al, 2013; Leonidou, Katsikeas, and Peircy 1998), social capital (Prashantham and Dhanraj, 2010) competent human capital (Alon et al, 2013; López-Rodríguez 2006;) innovation and technological know-how (Karadeniz and Göçer, 2007; Dhanaraj and Beamish 2003), and marketing capabilities (Andersen and Kheam 1998) all contribute towards SMEs internationalization. Leveraging these resources allows firms to gain that sustainable competitive advantage in the international market (Camisón, and Villar-López, 2010; Roy et al., 2016).

Some researchers have used Dunning's (1988, 2001) eclectic paradigm as a theoretical lens, which explains how firms internationalize (process) and select their modes of entry (stages or leapfrog jumping). This paradigm explains that a firm can achieve internationalization by realizing the advantages of ownership, location and internationalization (Dunning 1988). Studying the international motives of entrepreneurs enables scholars to understand how entrepreneurship drives economic growth in developing countries (Huggins & Williams 2011; Boso, Oghazi & Hultman 2017).

**Table 2.2 SME Internationalization Models**

Reference	Model Title	Constructs of Internationalization	Related Measurement tools
O'Cass & Weerawardena (2009)	The firm behavioral model of entrepreneurship – Uppsala Model of Internationalization	Innovation Firm Size Exporting International Entrepreneurship	High factor model International entrepreneurial scale Innovation intensity scale Australian Bureau of Statistics
Ruzzier, Antonic & Hisrich (2007)	The multidimensional internationalization construct – Product Life Cycle Model	Product Mode & market Time Performance	Internationalization scale Internationalization scope Likert's scale and Binary scales Percentage of sale Time employees dedicate to international operations Percentage of product/services in volume abroad
Fernandez-Ortiz & Lombardo (2009)	Graphic model of managerial characteristics, firm return and internationalization – Uppsala Model of Internationalization and Network Theory	Age Education Experience Language Performance Size Profitability Sector	International diversification entropy index Average age of managerial team Education qualification Experience acquired by directors Command of foreign language No. of employees Average age of SME's (Shannon entropy measure) Code of the National Classification of Economic Activities Data obtained from the mercantile register

**Table 2.3 Characteristics of the Reviewed Papers**

<b>Item</b>	<b>Characteristics</b>	<b>N</b>	<b>%</b>
Type of Outcome	International Scope	49	75.38
	International Sales Growth	16	24.62
Regions	China	22	33.84
	Slovenia	10	15.38
	India	15	23.08
	South Pacific	3	3.63
	Other	15	23.08
Internationalization Instrument	Survey	41	66.7
	Interviews	18	16.7
	Observation	3	8.3
	Mixed	3	8.3
Sample Size	< 100	28	25
	100 – 400	21	58.3
	401 – 800	10	8.3
	801 – 1100	5	8.3
	>1101	1	8.3
Innovation	Significant	5	7.69
Proactiveness	Significant	8	12.31
Risk-taking	Significant	3	3.63
Firm Size	Significant	7	10.77
Performance	Significant	3	3.63
Local Network and Industry Cluster	Significant	10	15.38
Social Networks	Significant	8	12.31
Time	Significant	3	3.63
Product	Significant	2	3.08
Operation	Significant	4	6.15
Experience	Significant	2	3.08
Foreign Language & Knowledge	Significant	7	10.77
Adaptive Capability	Partially Significant	3	3.63

## **2.4 Factors Influencing the Internationalization of SMEs**

International business (IB) literature proposes that the internationalization of SMEs has its own characteristics in each region. Table 2.3 shows variables that are used to understand internationalization and specifies their significance levels. The frameworks used in the study outline various factors affecting internationalization in developing countries that have been researched by different academics studying SME internationalization (Fernández-Ortiz & Lombardo 2009; Hessels & Parker 2013; Cardoza & Fornes 2011; Felício, Caldeirinha & Rodrigues 2012; Arranz & De Arroyabe 2009; Oura, Zilber & Lopes 2016; Kyvik et al. 2013). According to Moini (1995), MNCs perform relatively better in exports than SMEs. Manolova, Maney and Gyoshey (2010), Coad and Tamvada (2012), and Ruzzier and Ruzzier (2015) have similar findings, in that size influences the firm's exports and internationalization. Other factors such as international experience, trust, social network, entrepreneurial orientation of managers, strategy, attitudes (Bijmolt & Zwart 1994), foreign language proficiency and international business knowledge (Love & Roper 2015; Manolova, Brush, Edelman & Greene 2002; Stoian, Rialp & Rialp 2011) have all been instrumental in the internationalization of SMEs.

Research shows that international experience diminishes the apparent risk of internationalization and the liability of foreignness, allowing businesses to export to increasingly distant markets, hence increasing the probability of their survival in the international market (Dow 2006; Figueira-de-Lemos, Johanson & Vahlne 2009; Oehme & Bort 2015; De Clercq, Sapienza, Yavuz & Zhou 2012). Bruneel, Yli-Renko and Clarysee (2010) find that international experience increases a SME's propensity to internationalize and increase export sales. This is also supported by other studies (Ourá, Zilber & Lopes 2016; Beleska-Spasova, Glaister & Stride 2012; Stoian, Rialp & Rialp 2011).

Prior studies explain that imitation of network partners reduces the risk and uncertainties that arise during internationalization in the absence of international entrepreneurial experience (Fernhaber & Li 2010; Milanov & Fernhaber 2009). Social networks at home and trust-based personal connections act as the means to respond to international opportunities (Zhou, Wu & Luo 2007; Oviatt & McDougall 2005). SMEs can and should also rely on available government programs promoting international business to achieve better performance in the international market (Dhanaraj & Beamish 2003; Lu et al. 2010). Returnee entrepreneurs also facilitate internationalization since they already possess experience and knowledge in international business. They play a key role in remedying the leadership deficit and lack of management competencies (Tan 2006).

**Table 2.4 Some Notable Studies on SME Internationalization from Developing Countries**

**Using Primary Data**

Reference	Sample	Context	Findings
Singh, Pathak & Naz (2010)	118 Fiji SMEs 78 Samoa SMEs	Fiji Samoa	Findings reveal that it is difficult to weigh the f internationalization of SMEs in Fiji and Samoa encountered in the two countries <i>are government employees, labor laws, wage rates, high costs of concerns, and competition.</i>
Dai et al., (2014)	500 SMEs	National Federation of International Business (NFIB)	Correlations confirm that the dimensions of ent <i>proactiveness, risk-taking</i> ) are positively relate age positively correlates with international scop
indepeEllis (2011)	230 exporters	China	Findings reveal that entrepreneurs in open econ via social ties as opposed to entrepreneurs in co experienced the entrepreneurs, the more they m particularly great. Findings support the hypothe opportunities that were previously constrained ( Results also support the theory that the use of s and accounts for <i>superior sales</i> as opposed to o
Zhou, Wu & Luo (2007)	250	China	Results support the <i>mediating role of networks</i> internationalization on both export and profitab internationalization is found to directly impact a performance influence of inward internationaliz inward-outward link among internationalizing S

## **2.5 Studies on Challenges and Barriers to SME Internationalization**

It is crucial to note that firms in developing countries are typically small and have resource-related issues that limit their interaction with domestic and international environments (Kyvik et al. 2013), and it is vital to explore the challenges they face. Our knowledge in this area is still limited. SMEs in developed nations take less time to internationalize, whereas SMEs in developing countries are resource-constrained, lack international orientation, experience decision-making inertia, and lack domestic and overseas political ties; therefore, they are more vulnerable and take more time to internationalize (Rahman, Uddin & Lodorfos 2017; Zucchella, Palamara & Denicolai 2007; Chetty, Johanson & Martín 2014; Giovannetti, Ricchiuti & Velucchi 2011).

Table 2.4 outlines studies that investigate the factors that influence the international expansion of SMEs in and developing nations. Nearly all authors emphasized on the internationalization strategies and international performance of SMEs in the definition or descriptions of the models. One of the models included in this study was related to international entrepreneurship, and indicated outcomes that internationalization was possible due to innovation, firms' size and exporting (O'Cass & Weerawardena 2009). The remaining models were related to the international business field and depicted outcomes like the increased international performance of firms and the mediating roles of institutions. In addition to the components of internationalization, other elements were evident in several models. They are generally categorised as firm-level factors influencing internationalization. The authors of these models believed that these factors can affect the Degree of Internationalization (DOI) from the different context. EO dimensions are helpful in overcoming difficulties in the SME internationalization process (Dai et al. 2014; Knight 2001). Similarly, the empirical findings showed that SMEs that internationalized late relied mostly on international networks as concrete bridges to foreign markets in terms of market choice and entry mode (eg.

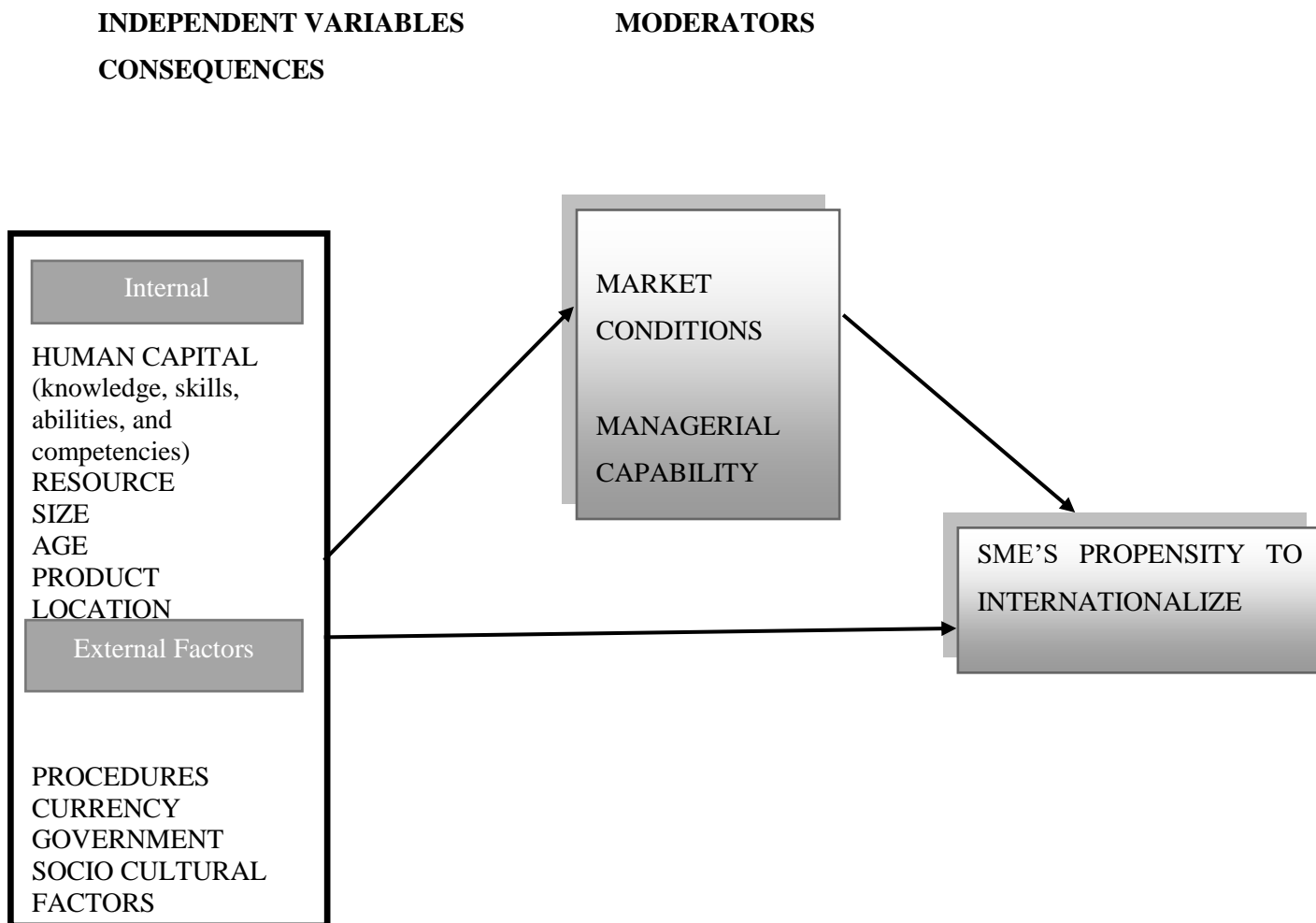
Andersson, Evers & Griot 2013; Ellis 2011; Zhou, Wu & Luo 2007). On the other hand, local networks in the cluster are more important for knowledge diffusion in creating globally competitive products (Camuffo & Grandinetti 2011; Zhou, Wu & Luo 2007).

Cahen, Lahiri and Borini (2016), Aaby and Slater (1989) explain managerial perceptions of obstacles to the internationalization of SMEs from Brazil. Cardoza, Fornes, Farber, Duarte and Ruiz-Gutierrez (2015) examine barriers and public policies affecting the internationalization of Latin-American SMEs in developing economies. Makhmadshoev, Ibeh, and Crone (2015) study institutional influences on SME exporters in Tajikistan and Kyrgyzstan. Singh, Pathak and Naz (2010) study the hurdles encountered by SMEs in Fiji and Samoa during the internationalization process. Rahman, Uddin and Lodorfos (2017) collate the institutional pressures and initiation of SME internationalization in Bangladesh. Such is the case in many developing nations, as identified by Ahmad and Seet (2009) and Hulbert, Gilmore and Carson (2013). Radulovich, Javalgi and Scherer (2018) had similar findings in their study.

Despite their contribution towards the national economy and other factors that positively influence internationalization, prior studies still reveal that SMEs in developing countries face several hurdles while internationalizing that are unique and different to those of SMEs from developed countries. However, we still lack knowledge in this area. Lack of resources and capabilities, the liability of smallness, marketing barriers, export-procedure barriers, internal organization and external operating environmental barriers, managerial incompetence, institutional barriers, human resource barriers, poor economic conditions, industry entry and exit barriers, knowledge gaps of external markets, currency fluctuations and country-level antecedents are some common barriers, which larger MNCs can overcome much better than smaller firms (Kyvik et al. 2013; Boermans & Roelfsema 2013; Paul, Parthasarathy & Gupta 2017; Aulakh & Kotabe 2008; Jones & Coviello 2005; Sapienza, Autio, George & Zahra 2006; Acs & Terjesen 2013; Freeman, Styles & Lawley 2012). Baumol, Litan and Schramm (2007)

emphasize that regulation discourages IE development as these environments normally lack other supportive institutions (e.g. property rights or legal structures), without which entrepreneurs cannot easily set up and protect their businesses (Bruton, Ahlstrom & Obloj 2008). Figure 2.2 presents predominant factors affecting entrepreneurs' propensity to internationalize and the moderators that influence the strength of relationship between EO and internationalization. We build on past research by integrating factors in a more dynamic model to address the key issues facing SMEs in developing countries. The review identifies the following factors (Figure 2.2) affecting SME internationalization, which can be classified as internal and external barriers.

**Figure 2.2 Factors Influencing SME Internationalization**



## **2.6 Internal Factors**

### **2.6.1 Human Capital**

Factors affecting internationalization is a matter of interest to both entrepreneurs and policymakers (Onkelinx, Manlova & Edelman 2016; Tang 2011; Idris & Saridakis 2018). Human capital is explained as the aggregate knowledge, skills, abilities, and the competencies of the organization. While developed nations have adapted to e-commerce, developing countries are still struggling with a lack of human capital. Human resources serve as the basis of achieving a sustainable competitive advantage in international operations. However, developing economies are still faced with a lack of tangible and intangible human capital (see for e.g. Prahalad & Hamel 1990; Javalgi & Todd 2011). Human resource (HR) literature reveals that SMEs in developing countries deal with several challenges in attracting, hiring, training, developing and retaining human talent (Ruzzier, Antoncic & Hisrich 2007; Kotey & Folker 2007).

### **2.6.2 Resource**

SMEs in developing economies encounter many challenges due to a lack of financial and physical resources, which limits their ability to internationalize (O'Cass & Weerawardena 2009; Rutashobya & Jaensson 2004; Dasanayaka 2007). This conclusion is further supported by Al-Hyari, Al-Weshah and Alnsour (2012), and by Okpara and Kabongo (2010). The literature also reveals that small firms encounter issues such as resource constraint, and resource commitment under conditions of uncertainty (Erramilli & D'Souza 1993). Al-Hyari, Al-Weshah and Alnsour (2012) explain that access to finance is one of the main barriers facing SMEs in Jordan. According to Singh, Pathak and Naz (2010), capital shortage and lack of information affects the internationalization of SMEs in Fiji. Gupta, MacMillan and Surie (2005) draw similar findings in their study on Indian SMEs. Such are the problems in many developing economies: for example, China (Huang & Renyong 2014), developing countries in Latin

America (Cardoza et al. 2015), and Turkey (Reddy & Naik 2011), where SMEs do not have adequate resources for international expansion (Roy, Sekhar & Vyas 2016).

### **2.6.3 Product Quality**

Most countries have specific quality standard requirements and have their own testing laboratories for certifying products (Roy, Sekhar & Vyas 2016; Leonidou 2000; Pinho & Martins 2010; Karabulut 2013); as such, SMEs avoid exporting to those countries that limit their exposure and presence. It is anticipated that exporters are expected to recognize these barriers. Al-Hyari, Al-Weshah and Alnsour's (2012) findings on Jordanian SMEs reveal that difficulties in meeting importers' product quality requirements are recorded as one of the biggest barriers. Leonidou (2000) has similar findings in his study. The Organization for Economic Co-operation and Development (OECD 2009a) also emphasizes that SMEs in developing countries encounter hurdles in developing new products, adapting to foreign tastes, meeting quality specifications and matching competitor pricing. Developing countries lack the necessary skills, knowledge and advanced technology to be able to qualify with the International Organization for Standardization (ISO). As a result of this, locally made products in developing countries are not able to meet international product quality requirements.

### **2.6.4 Managerial Capability**

According to the OECD (Fliess & Busquets 2006), limited managerial skills and knowledge of internationalization remain critical constraints to SME international expansion (Aharoni 1966; Boermans & Roelfsema 2013; Aaby & Slater 1989). Since SMEs have less hierarchical levels, their top managers play both strategic and operational roles, and consequently they directly experience the challenge of competing knowledge in the pursuit of internationalization (Al-Hyari, Al-Weshah & Alnsour 2012). Hsu, Chen and Cheng (2013) reveal that a lack of management competency has moderating effects on the relationship between internationalization and a firm's performance. Al-Hyari, Al-Weshah and Alnsour (2012)

identify that managers lack expertise, motivation and information about potential target markets, which affects SME internationalization.

## **2.7 External**

### **2.7.1 Currency and Procedural Factors**

Roy, Sekhar and Vyas (2016) demonstrate that the procedures for the receiving and payment of exports are too cumbersome for Indian SMEs. An OECD report (2009a) also highlights the degree of risk associated with international business transactions in developing countries. Such were the findings in Crick (2007) and Al-Hyari, Al-Weshah and Alnsour (2012), which reveal that SMEs are more vulnerable to exchange rate risks and fluctuations. Cardoza and Fornes' (2011) study on Chinese SMEs also confirm that bureaucracy related to exports is complex, and payment collections make export activities more difficult. Lakew and Chiloane-Tsoka (2015) and Uner, Kocak, Cavusgil and Cavusgil (2013) have similar findings for Ethiopian and Turkish SMEs.

### **2.7.2 Government**

Host and home country regulations together with underdeveloped institutions make it very challenging for SMEs to capitalize on the opportunities of international markets (Cardoza & Fornes 2011; Tangkittipaporn & Songkroh 2008; Rui & Yip 2008). Smallbone and Welter (2001) contend that external barriers are related to differences in rules and regulations between countries. This is supported by Koksall (2006) who identifies that macro-environmental factors, such as inadequate export incentives and regulation, affect entrepreneurial firms' internationalization. Bilkey (1978), Morgan and Katsikeas (1997) and Freeman and Reid (2006) also highlight government regulation and cumbersome procedures as main barriers. Procedural barriers such as export documentation (Jones & Jones 2004), delays in duty (Haidari 1999) and delays in customs' paperwork (Bodur 1996) are all identified as factors that hamper SMEs' international expansion in developing economies.

### **2.7.3 Socio-cultural Factors**

Countries embrace SMEs as a vehicle for economic and social development (Paul, Parthasarathy & Gupta 2017; Singh, Pathak & Naz 2010; Fletcher 2006). Prior literature puts the emphasis on a lack of knowledge of foreign languages, cultural differences and a lack of foreign target-market knowledge as being amongst the number of internationalization barriers identified in developing countries (Rutashobya & Jaensson 2004; Freeman & Reid 2006; Roy, Sekhar & Vyas 2016; Al-Hyari, Al-Weshah & Alnsour 2012). An OECD report (Fliess & Busquets 2006) discloses that socio-cultural barriers, and particularly language, pose a huge obstacle to the internationalization of SMEs in developing countries. Cahen, Lahiri and Borini (2016) and Kahiya (2018) present similar findings in their studies.

### **2.7.4 Market Conditions**

SMEs in developing countries face greater risks during international expansion, and they are greatly constrained by adverse market conditions in domestic as well as international markets (Leonidou 2004). In an unusually fragmented market, a lack of knowledge, stemming from an absence of market intelligence and a lack of proficiency in dealing with international markets, moderates entrepreneurs' orientation to internationalize (Hutchinson, Fleck & Lloyd-Reason 2009). Market uncertainty explains why firms choose different entry modes into internationalization, which also increases market transaction and control costs (Williamson 1989; Brouther & Nakos 2004). Transaction cost theory helps us to understand why firms organize activities internally that could otherwise be pursued through markets (Roberts & Greenwood 1997; Tesfom & Lutz 2006). We posit that different market conditions impact SMEs' abilities to achieve performance goals associated with internationalization. It is vital to study the strength of influence that moderates the relationship between EO and internationalization (regarding managerial capability and market conditions).

## 2.8 Discussion

International trade, globalization and deregulation are in the limelight, with developing economies becoming increasingly dependent on SMEs as a driving force for social and economic development (Robbins, Pantuosco, Parker & Fuller 2000; Shamsuddoha, Yunus Ali & Oly Ndubisi 2009). Similarly, other studies have observed an increase in the international activity of SMEs around the world (Singh, Pathak & Naz 2010). However, the World Trade Outlook Indicator by the World Trade Organization (WTO 2017) reveals that trends in exports for several developing countries are declining. There are a great many SMEs who still do not dare to go international, thus putting them at a disadvantage. This is as a result of the challenges that small firms encounter at the international stage. The obstacles to internationalization faced by SMEs in small developing countries are reported as being: environmental factors, lack of capital, shipping costs, distance, weak domestic markets, lack of governance on export promotion policies, lack of skills, increase in costs of doing business and traditional obligations (Singh 2006; Prasad & Singh 2013; Singh, Pathak, Shee, Kazmi & Parker 2013).

This review confirms that there are distinctive factors affecting the internationalization of SMEs in developing countries. The contribution of SMEs to the growth of developing economies has increased since the last decade (Javalgi & Todd 2011; Pinho & Martins 2010). Therefore, we need to re-focus on the factors affecting the internationalization of SMEs in developing countries. The findings of this review corroborate with prior studies (Anderson 2011; Francioni, Pagano & Castellani 2016; Keupp & Gassmann 2009; Singh, Pathak & Naz 2010; Zhou, Wu & Luo 2007; Kapurubandara & Lawson 2006; Javalgi & Todd 2011; Mahmood 2008).

Different theories help to explain the internationalization process of SMEs from developing countries. Some entrepreneurs internationalize shortly after inception (international new ventures or INVs), while others internationalize late in their life cycle (stage model) after being

long established in the local market (Andersson, Evers & Griot 2013). This review finds that the successful internationalization of SMEs in developing countries is dependent on several factors influencing internationalization, such as knowledge, innovation, an entrepreneurial global mindset, a proactive team, firm characteristics, and local and network collaboration. This is particularly true for countries where firms' geographic propinquity to other firms influences their internationalization tendency due to networks, experience and knowledge diffusion (e.g. Milanov & Fernhaber 2009; Staber 2010).

In order to deal with the challenges of internationalization it is vital for SMEs to be proactive and respond to the barriers by designing appropriate measures, as firms transit from domestic to international business. Table 2.4 provides a better picture of the factors driving internationalization. The review shows that EO, firm size, performance, networks, time, products, firm operations and knowledge of foreign languages help firms develop the orientation that fits their overall international strategy. Internationally orientated firms reduce their perception of the risks and barriers of internationalization, allowing them to stay focused on their internationalizing journey. Zortea-Johnston, Darroch and Matear (2012) argue that EO factors such as creativity, innovation, risk tolerance, proactiveness, negotiation, independence, determination, self-efficacy, cognitive ability and competitive aggressiveness support entrepreneurs' ability to take up international ventures.

SMEs who internationalize late rely mostly on international social and personal networks, as these bridge the gap to foreign markets (e.g. Andersson, Evers & Griot 2013; Ellis 2011). Network collaboration and cluster are more important, particularly in small developing countries, for knowledge diffusion in creating globally competitive products (Camuffo & Grandinetti 2011; Ciravegna, Majano & Zhan 2014). Similarly, a firm's international experience positively encourages entrepreneurs to use the same entry mode in successive internationalization. International experience enhances collaboration with distributors over

time, maintains international supply chain efficiency, reduces the risk to SMEs and influences the cognitive orientation of directors (Fernández-Ortiz & Lombardo 2009; Pellegrino & McNaughton 2017). Fernández-Ortiz and Lombardo (2009), Pellegrino and McNaughton (2017) research further identifies that firms gain experience from the domestic market before designing any product protocols for the international market. The institutional environment is an important factor influencing international business strategies in developing countries (Peng, Wang & Jiang 2008; Makhmadshoev, Ibeh & Crone 2015). Meyer's (2001) research posits that the institutional environment can either facilitate or hinder firms' international expansion. Well-developed institutions may also assist the internationalizing firm to reduce transaction costs.

## **2.9 Limitations**

Even though this review highlights the significance of developing country SME internationalization constructs and deepens our knowledge about its influences, there are several variables of internationalization and studying only one decade of papers may possibly equate to a lost opportunity. Further limitations were realized during this study relating to the conclusions, which are drawn from published or readily available studies conducted by scholars from developed countries, and thus may not be reliable. A more robust method is needed to identify the real factors effecting internationalization in developing and underdeveloped nations. Systematic reviews will be more useful when combined with other methodological approaches.

## **2.10 Directions for Future Research**

### **2.10.1 Future Directions – Theory**

It has so far been identified that the most significant reasons why firms internationalize their operations is to apply their limited resources to exploit new market opportunities under conditions of greater risk and to achieve a higher degree of internationalization (Dai et al. 2014; Calof & Beamish 1995). However, prior literature also highlights that there are many different

factors demotivating SMEs from making strategic decisions to internationalize (Duarte Alonso, Bressan, O'Shea & Krajsic 2014; Kahiya & Dean 2016), such as weak institutional environments (World Bank & International Finance Corporation 2013), poor exchange of knowledge and information (Jonsson & Lindbergh 2010), export barriers, lack of resources, lack of marketing capability (Jin, Jung & Jeong 2018), market entry and currency exchange (Duarte Alonso et al. 2014). Further research should focus on how the 'institution-based view' (formal and informal) and the 'enforcement mechanism' interact within national and international contexts to create a conducive environment for the internationalization of SMEs from developing economies. Arteaga-Ortiz and Fernández-Ortiz (2010) posit that a lack of knowledge, resources and procedures and exogenous barriers act as major challenges to the internationalization of SMEs from developing countries. Further research is also needed to gain greater insight into how the 'Uppsala model' and the 'resource-based view' help explain the SME internationalization phenomena in fast-growing economies such as China and India.

Inquiry is also needed using the newly developed 'Conservative, Predictable and Pacemaker' (CPP) model (Paul & Sánchez-Morcilio 2018), considering the legal integration of countries such as in the European Union, based on the concept of predictable firms and markets. In addition, further research is needed on 'network theory' to understand how SMEs in developing countries specifically use various types of networks to overcome resource and capability barriers. Similarly, studies should also explore the importance of dynamics in and between the developing clusters. Coviello and Munro (1997) posit that network clusters make firms more capable of learning about the possibilities that exist internationally. Institutional theorists explain how the diffusion of certain practices occurs through inter-organizational networks (Owen-Smith & Powell 2008). Thus, future research should focus on how network and industry clusters can help firms overcome internationalization barriers.

### **2.10.2 Future Directions – Contexts**

Our study brings out the scholarly contribution made by extant literature pertaining to factors affecting SMEs' internationalization in different contextual settings. The papers reviewed in this study represent heterogeneous contributions by researchers on SME internationalization from various contexts (internal, external, home and host), in terms of the type of entrepreneurial activity they focus on, the methodology used and the locations in which cross-border entrepreneurship is investigated, with reference to developing countries. It can be concluded that a specific model is not needed, because internationalization depends on general business behavior. Future research to understand the needs of the underserved markets is necessary since these developing markets can be the source of entrepreneurial firms and sustainable growth.

This review identifies diverse variables (EO, networking, institutions, adaptive capability) influencing SME internationalization, and the dynamic nature of it can guide future researchers in exploring new and relevant variables and framing new models and measurement scales for understanding SME internationalization in developing economy settings under varied environments. Since the EO of SMEs has been shown to lead to continued achievement as exporters in previous research, this acts as a promising area for further exploration with the incorporation of country-specific entrepreneurial variables. Future studies must also not forget the potential support provided by institutions and should focus on how entrepreneurs can take advantage of the institutions available in their home countries. Therefore, considering the dynamic nature of entrepreneurial activity, there is scope for future research taking international entrepreneurship as a driver of SME internationalization in developing economies, particularly in the context of fast-growing developing economies in Asia and Latin America. Additionally, there is a wider opportunity for an understanding of approaches used by SMEs towards exports in developing economies (Balodi 2014).

### **2.10.3 Future Directions – Methodology**

Future research should adopt a quasi-experimental approach for testing existing theories used by entrepreneurs in a given destination which includes manipulation of an independent variable. Hence Unique variables for each sample country can be used. There is a need to use comparative multi-country samples to gain greater insight into the factors effecting entrepreneurs' capability to internationalize under varied regimes. It is suggested that there is a need for quantitative studies examining various institutional factors and their impact on the internationalization of SMEs from developing countries. Qualitative methodology is well suited for exploratory studies (Creswell 2013; Patton 2002), as it allows greater understanding of the phenomenon of SME internationalization by addressing the 'why?' and 'how?' questions (Shavelson & Towne 2002). The next strand of inquiry should be based on longitudinal data to help analyze the internationalizing patterns of SMEs and the varying influence of firm factors over time. This may provide the best avenue for understanding the factors affecting SME internationalization. Additionally, there could be a possibility of using a mixed-methods approach that involves both qualitative and quantitative studies (Johnson, Onwuegbuzie & Turner 2007). Finally, the use of specialized software for analyzing the content arising out of qualitative interviews would be helpful in improving the reliability of such studies.

### **2.11 Conclusion**

This investigation shows that SMEs in developing countries do face unique challenges and they must diligently identify and overcome the explicit constraints through support available from the government and other institutions. Most importantly, young SMEs trying to internationalize should build networks and obtain help from business clusters who have internationalized successfully. This allows SMEs to imitate and implement strategies to successfully achieve their entrepreneurial and internationalization goals. This study proposes a new framework to portray the significant internal and external variables that impact SME internationalization in

developing countries. The study points out that the role of ‘entrepreneurship’ is significant when internationalizing since EO affects the speed, direction, and level of foreign commitments. With respect to the internationalization process, the study proposes that in each case the entrepreneur’s prior knowledge, innovation, proactiveness, willingness to risk-take, products, time, operation, local and social networks, and language proficiency explains and impacts the international orientation of SMEs. The external factors of institutional constraints and social and cultural considerations are also seen to be crucial in the process of SME internationalization in developing countries. This review is important as it can be applied to SMEs in all industries in developing countries at similar development stages of internationalization. This work also serves as a reference guide for entrepreneurs and SME managers that are focused on internationalization or seeking to internationalize their venture.

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### **3. Study II - Internationalization Challenges for SMEs: Evidence and Theoretical Extension**

#### **Abstract**

Internationalization helps small and medium enterprises (SMEs) to increase their competitiveness. This study has two goals: i) to analyze the stumbling blocks for the internationalization of SMEs in island nations with evidence from Fiji; and ii) to develop a theoretical framework that may serve as a platform for future research in the subject area. This paper adopts a qualitative methodology through semi-structured interviews for evaluating the cumulative knowledge and literature on the relationship between the factors of entrepreneurial orientation (EO), management competence (MC) and institutional distance (ID) on the international performance (IP) of SMEs. Findings indicate that a lack of adequate MC hinders the growth of SMEs, and that a high level of EO is critical for success in international markets.

**Keywords:** *Small and Medium-sized Enterprises, Entrepreneurial Orientation, Internationalization, Institutional Distance, Management Competence.*

#### **3.1 Introduction**

The globalization of production and consumption has brought about several challenges, as the pace of globalization is different across different markets (Buckley and Ghauri 2004). Consequently, the volume of international business has gathered momentum with the establishment of organizations such as the World Trade Organization (Paul 2015). International business literature has mainly provided country and firm-specific explanations for performance (Contractor, Hsu and Kundu 2005). In this dynamic era of globalization, SMEs face many challenges while competing internationally (Kahiya, Dean and Heyl 2014; Kahiya and Dean 2016; Paul, Parthasarathy and Gupta 2017). The institutional environment has significant

effects and impacts on export behaviors and firm competencies (Gao, Murray, Kotabe and Lu 2010). Firms need to possess and gain certain capabilities in order to be drivers in foreign markets (Ghauri, Wang, Elg and Rosendo-Ríos 2016). Internationalization can be considered a strategic decision that helps a firm's survival and growth (Puig, Gonzales-Loureiro and Ghauri 2018).

Developing economies have poor infrastructure, low standards of living, slow economic growth, and poor education systems. Legal systems are weak, and government mechanisms to promote international trade are inadequate, making it difficult for SMEs to internationalize. There are few relevant studies concerning the internationalization of SMEs from island nations and developing countries amongst Pacific Island nations (PINs). The internationalization process of PINs is under-researched, and it is crucial to advance our knowledge about how SMEs from PINs, such as Fiji, progress globally. SMEs in Fiji cater to the local population; they have encountered difficulties in obtaining information, and they lack competence to sell their products beyond local markets. More recently, China's significant investments throughout Fiji have been a big wakeup call for Fijian SMEs as they struggle to meet the competition. Thus, this is the main motivation to study the factors influencing the internationalization of SMEs from this neglected region – Fiji.

The characteristics of PINs are like those of other developing countries where there are many studies on SMEs (Roy, Sekhar and Vyas 2016; Todd and Javalgi 2007; Deng 2012; Zhang, Ma, Wang, Li and Huo 2016; Zhang, Ma and Wang 2012; Hajela and Akbar 2013; Cardoza and Fornes 2011). Therefore, it is vital to advance our understanding of how SMEs from PINs such as Fiji can enhance their IP. There are few research studies conducted about SMEs from PINs and even fewer studies that focus on their internationalization process. Exports from Pacific Island economies are usually seen as a source of growth. This study delves deeper into this information through semi-structured interviews with Fiji-based SMEs that are currently

engaged in international trade, using a multi-dimensional construct to understand the factors impeding the internationalization process.

SMEs in developing nations help to reduce poverty, provide employment, contribute to improving literacy rates, and lessen the burden of other social problems. Thus, it is worth studying the factors affecting the ability of Fijian SMEs to internationalize successfully. Current research on the factors impacting SME internationalization in developing economies is seen in the context of other developing countries (Hajela and Akbar 2013; Child and Rodrigues 2005; Cardoza and Fornes 2011; Wang and Ngoasong 2012; Venkatesh, Dubey and Bhattacharya 2015), whereas little attention has been given to the internationalization of SMEs from PINs, creating a major gap within the literature (OECD 2009a, 2009b; Singh, Pathak and Naz 2010; Prasad and Singh 2013). SMEs encounter several impediments, and in Fiji this has included an unstable political environment, global shocks and an unfavourable business environment for SMEs (OECD 2009b; Reserve Bank of Fiji 2016; Hajela and Akbar 2013).

This research is important as it contributes to the literature on the internationalization of SMEs from island nations by investigating the impact of the variables *EO*, *ID*, and *MC* on the internationalization of SMEs. *EO* is frequently viewed as a significant component towards nurturing SME internationalization (Knight and Cavusgil 2004, 2005; Alvarez and Busenitz 2001; Anderson 2011; Dai, Maksimov, Gilbert and Fernhaber 2014). *MC* influences how entrepreneurs guide the process and strategies for SMEs' internationalization (Hsu, Chen and Cheng 2013; Sapienza, Autio, George and Zahra 2006; Knight and Kim 2009; Daily, Certo and Dalton 2000). Previous research has identified the institutional impediments encountered by SMEs during the process of internationalization, which are overwhelming (Fillis 2002; Gao et al. 2010; Anderson 2011; Schwens, Eiche and Kabst 2011; Kahiya, Dean and Heyl 2014; Cahen, Lahiri and Borini 2016; Kahiya 2018). Thus, this paper will investigate the role of the above-mentioned variables on the internationalization process of SMEs and develop a

theoretical framework by integrating the variables to provide a platform for SME internationalization research.

Several studies have investigated the impact of ID and MC on SMEs from developed countries (Makhmadshoev, Ibeh and Crone 2015; Terjesen, Hessels and Li 2016; Hsu, Chen and Cheng 2013; Bruton, Ahlstrom and Li 2010; Yeoh 2000; Helfat and Martin 2015; Felício, Meidutė and Kyvik 2016), but very few research studies have investigated these dimensions with regard to PIN SMEs (Singh et al. 2013; Nair and Chellian 2012; Prasad and Singh 2013). Aiming to compensate for the dearth of theoretical frameworks in the area of international entrepreneurship in PINs, and in response to the call to develop such useful tools (Keupp and Gassman 2009; Terjessen, Hessels and Lee 2011; Paul, Parthasarathy and Gupta 2017), we attempt to fill the gap in the literature by developing a conceptual framework, determining the factors for the success or failure of SME internationalization

The paper proceeds as follows and is divided into eight sections: introduction, literature review, methodology, findings, discussion, new theoretical framework, limitations and future research, and conclusion.

### **3.2 Literature Review**

The World Bank defines SMEs as registered businesses with less than 299 employees (World Bank 2010). In Fiji, meanwhile, small businesses are defined as those with a turnover of, or total assets between, FJ\$30,000 and FJ\$100,000, and 6-20 employees, while medium enterprises have an annual turnover or total assets of between FJ\$100,000 and FJ\$500,000, and 21-50 employees (Fiji Development Bank 2002). SMEs contribute significantly towards the development of a country (Cernat, Norman-Lopez and Ana 2014; Kalinic and Clegg 2017); however, they have limited knowledge of business processes, and thus internationalization can be significantly impeded (Oehme and Bort 2015; Cahen, Lahiri and Borini 2016; Cardoza,

Fornes, Farber, Duarte and Ruiz-Gutierrez 2016; Boermans and Roelfsema 2013). However, it is seen that certain SMEs are internationalizing early (Oehme and Bort 2015), and researchers are examining these tendencies (see for e.g. Osei-Bonsu 2014; García-Cabrera, García-Soto and Suárez-Ortega 2017; Pickernell, Jones, Thompson and Packham 2016) and market entry modes (e.g. Keupp and Gassmann 2009; Singh, Pathak, Shee, Kazmi and Parker 2013; Nair and Chelliah 2012; Wignaraja 2015).

According to Singh, Pathak and Naz (2010), SMEs in Pacific nations lack proper coaching, are unable to access credit and have poor support systems. They lack knowledge relating to the role and importance of entrepreneurial activities, and in Fiji their structure also has an adverse effect on internationalization (Singh et al. 2013). Nair and Chellian (2012) also identify lack of corporate counselling services and the need for capital as major challenges confronted by firms.

## **Institutions**

Institutions formulate and implement the rules of the game (Scott 1995a; Zucker 1987). Developed nations are more likely to have established institutional environments with well-developed market factors, less governmental interventions, and an efficient agreement implementation mechanism (Meyer, Mudambi and Narula 2011; Wu 2014), whereas, due to less developed institutions in developing and small island countries, firms experience restrictions with issues of added risk, costs, and restrictions (Wu 2014). A distinguishing feature of small island nations is that these supporting institutions are underdeveloped, which thus limits the strategic decisions of firms (Khanna and Palepu 2000; Peng 2003, Ramamurti 2004). Prior research on the entry mode of entrepreneurs primarily differentiates between two perspectives, with researchers theorizing about the respective roles of informal and formal institutions (Slangen and Van Tulder 2009). A long informal institutional distance tends to

increase the challenges of doing business in a host country (Xu and Shenkar 2002; Gelbuda, Meyer and Delios 2008; Slangen and Van Tulder 2009).

### **Management Competency**

Woodruff (1993) explains that a competency is a clear behavior pattern that it is compulsory for managers to carry out in order to accomplish their organizational responsibilities and functions proficiently. The managerial orientation of a firm is connected to an entrepreneurial proactive culture for evolving business in global markets (Knight and Cavusgil 2004; Sullivan Mort and Weerawardena 2006). It is worth noting that firms that desire to be successful in international markets need to possess a distinctive attitude and accompanying competencies (see for e.g. McDougall, Shane and Oviatt 1994; Sullivan Mort and Weerawardena 2006). Research interest in the relationship between management competence and SMEs has been growing over the decades. Contemporary scholars have studied the influence of managerial performance on SME accomplishment and subsequently, management literature states that SME management and development are some of the most significant determinants of SME success and failure (Stone, Freeman and Gilbert 1995; Brodie and Benett 1979). This argument suggests that SME managers must improve their effectiveness in terms of knowledge, behaviors and skills in order to advance their managerial competences to ensure the sustained success of their firms.

### **Entrepreneurial Orientation (EO)**

Lumpkin and Dess (1996) describe EO as a process of adopting market opportunities in an innovative, proactive and risk-taking manner. The conceptual framework of this study incorporates EO scales developed by Miller (1983) – innovation, risk-taking, entrepreneurial experience (International New Ventures) and proactiveness – to understand the internationalization process of SMEs. Miller's original conceptualization on the dimensions of the EO construct are supported by Covin and Slevin (1991) and Naman and Slevin (1993). The

Classical school portrays an entrepreneur as an opportunity-seeker (Peterson 1985) who is proactive (Miller 1983), innovative (Olson 1987), and strategic in action. This helps SMEs to achieve internationalization from inception. However, recent research shows that not all EO skills drive international expansion (Boso, Oghazi and Hultman 2017; Cavusgil and Knight 2015; Grande, Madsen and Borch 2011). Hence it is important to investigate the effects of EO on SME internationalization from a small island perspective. **Innovation** is categorized as the organizational actions of adopting and executing 'newness' in an arbitrary manner, reflecting the degree of an organization's propensity for doing business (Miller and Friesen 1982). This is supported by Becchetti and Trovato (2002) and Iacovone and Javorcik (2009). Firms that are passionate about adopting new technological changes can generate new ideas faster than others and have a proclivity to try new products and services (Salavou 2004). Thus, in the absence of innovation, SMEs' chances of survival are diminished. Innovation helps to reinforce activities for SMEs and helps them to achieve greater international sales (Golovko and Valentini 2011). Mathews (2006) puts forward the suggestion that firms can achieve rapid internationalization through organizational and strategic innovation. This is supported by Sapienza, Autio, George and Zahra (2006), Filatotchev, Liu, Buck and Wright (2009), Chetty and Stangl (2010) and Zucchella and Siano (2014). **Proactiveness** is defined as entrepreneurs' ability to lead the future rather than waiting to be influenced by it (Kuratko, Hornsby and Goldsby 2007). The management team of a firm thus creates the aspirations, initiatives, readiness, and commitments needed to enter new markets. A proactive firm is able to expand regionally as they can view environments from new perspectives and seek these opportunities (Boso, Oghazi and Hultman 2017). Proactive organizations can leverage resources and create competitive advantages (Kirzner 1997) that deliberately reduce their vulnerability to uncertainty (Beverland, Farrelly and Woodhatch 2007). **Risk-taking**, firms are exposed to higher degrees of risk during internationalization. Risk is demarcated as a considerable variation in the distribution of possible outcomes through a given behavior (MacCrimmon and Wehrung 1985) associated with the likelihood of uncertainty and potential loss (Forlani and Mullins 2000). During the internationalization process,

entrepreneurs are exposed to institutional risk (Busenitz, Gomez and Spencer 2000), risk with regards to the chosen entry modes (Shrader, Oviatt and McDougall 2000) and foreign competition risk (Miller and Friesen 1984). Risk-taking is perceived as a motivation for international ventures (Pérez-Luño, Wiklund and Cabrera 2011). ***Entrepreneurial Experience***, entrepreneurship is a lived experience and includes a wide collection of events, many of which are innovative, unanticipated and uncontrolled as the process unfolds. To begin with, entrepreneurial experience helps to reduce the liabilities of foreignness, to develop important networks in international distribution and to use riskier internationalization strategies (Root 1994; Lu and Beamish 2006). Therefore, experienced management teams have a greater chance to expand operations internationally and achieve higher levels of international performance (Reuber and Fischer 1997).

To present a comprehensive literature review, we proceed with the relevant theories of internationalization and dimensions of SME internationalization, the dimensions of EO and the moderating variables of management competence and institutional distance.

### **3.2.1 Theories of Internationalization**

There are several theories that are widely used to explain the internationalization process of SMEs. These include the Uppsala internationalization process model (U-model), the network theory, and the international new venture (INV) theory.

The U-model supposes that market knowledge and commitment influence the obligation and the way existing choices are executed, and therefore assumes a gradual internationalization process (Johanson and Vahlne 1977; Figueira-de-Lemos, Johanson and Vahlne 2009). The incremental internationalization approach is explained by psychic distance and experiential knowledge.

Network theorists see the internationalization of entities as a normal expansion from network associations with overseas businesses (Johanson and Vahlne 2009). The formal or informal linkage allows the acquisition of information, based on which the internationalization process then begins (Johanson and Vahlne 2009; Musteen, Datta and Butts 2014; Coviello and Munro 1997; Oehme and Bort 2015; Lieberman and Asaba 2006). The INV theory recognizes entities that internationalize soon after commencement (Keupp and Gassmann 2009; Chahabadi 2016). Prior research illustrates that small firms often use networks to overcome their challenges during the process of internationalization (Ciravegna 2011; Ciravegna, Lopez and Kundu 2014).

RBV theory explains international expansion and growth in terms of resource and capacity accumulation that help firms achieve domestic and international competitive advantage through knowledge transfer (Camisón, and Villar-López, 2010). OCED (2009:1996) and Oviatt and McDougall (1994) explains that RBV focuses on resources and capacities, and which is one of the main challenges faced by many SMEs while planning to internationalize.

### **3.2.2 Dimensions of SME Internationalization**

Different dimensions of SME internationalization are reviewed in this section with reference to pattern, pace and performance.

#### **Pattern**

The entry modes chosen by a firm are known as an internationalization pattern (Jones and Coviello 2005). Due to a lack of knowledge and skill, firms use the same pattern of entry for re-internationalization (Oehme and Bort 2015). Prior research has shown that MC influences global operations (Fletcher, Harris and Richey 2013; Dichtl, Koeglmayr and Mueller 1990; Acedo and Jones 2007). According to the OECD (Fliess & Busquets 2006), limited managerial

skills and knowledge of internationalization remain critical constraints to SME international expansion (Aharoni 1966; Boermans & Roelfsema 2013; Aaby & Slater 1989). Since SMEs have less hierarchical levels, their top managers play both strategic and operational roles, and consequently they directly experience the challenge of competing knowledge in the pursuit of internationalization (Al-Hyari, Al-Weshah & Alnsour 2012). Hsu, Chen and Cheng (2013) reveal that a lack of management competency has moderating effects on the relationship between internationalization and a firm's performance. Al-Hyari, Al-Weshah and Alnsour (2012) identify that managers lack expertise, motivation and information about potential target markets, which affects SME internationalization.

Diverse environments such as market types, competitiveness, and regulation influence the entrepreneurial actions and patterns of SME internationalization (Bloodgood, Sapienza and Almeida 1996; Duarte Alonso, Bressan, O'Shea and Krajsic 2014; Oura, Zilber and Lopes 2016). Smallbone and Welter (2001) contend that external barriers are related to differences in rules and regulations between countries. Macro-environmental factors, such as inadequate export incentives and regulation, affect entrepreneurial firms' internationalization (Koksal, 2006). Bilkey (1978), Morgan and Katsikeas (1997) and Freeman and Reid (2006) also highlight government regulation and cumbersome procedures as main barriers. Procedural barriers such as export documentation (Jones & Jones 2004), delays in duty (Haidari 1999) and delays in customs' paperwork (Bodur 1996) are all identified as factors that hamper SMEs' international expansion in developing economies. Research by Sui and Baum (2014) shows that the internationalization process of businesses begins by employing low-risk methods of entry, with regions that are within proximity and culturally comparable. Some scholars study diverse institutional environments to explicate internationalization patterns of SMEs (e.g. Makhmadshoev, Ibeh and Crone 2015). Institutional theory concentrates on the influence this has on organizational behavior (Li and Zhang 2007; Peng 2003). Thus, the first proposition is as follows:

***P1: Lack of MC and ID affects EO and the pattern of internationalization of SMEs in PINs.***

### **Pace and Entrepreneurial Orientation (EO)**

We define pace as the rate at which SMEs internationalize (Taylor and Jack 2013; Casillas and Moreno-Menéndez 2014). INVs have a faster pace of internationalization as opposed to those SMEs that commence at a later stage. Some traditional SMEs adopt a step-by-step incremental method (Hilmersson and Johanson 2016), but INVs challenge the legitimacy of these models (Oviatt and McDougall 1994). Hilmersson and Johanson (2016) show that top management skills and a proactive, innovative approach pave the way for quicker internationalization. Entrepreneurially oriented firms exhibit a greater readiness to take on a certain degree of risky ventures and proactively leave behind rivals (Cassiman and Golovko 2011; Dai et al. 2014; Cao, Simsek and Jansen 2015). Within entrepreneurship literature, managerial experience impacts on a firm's innovation capacity and influences its accumulated experience through knowledge transfer (Hoskisson, Covin, Volberda and Johnson 2011; Evers and O'Gorman 2011). Prior studies support the positive link between EO and internationalization (Engelen, Gupta, Strenger and Brettel 2015; Covin and Miller 2014; Paul and Gupta 2014). Thus, the second proposition is:

***P2: Dimensions of EO (proactivity, innovation, and experience) impact on the internationalization speed of SMEs.***

### **International Performance (IP)**

International performance is defined as the performance of SMEs in a foreign market and can be measured through export intensity and export sales (Brouthers, Nakos and Dimitratos 2015). Studies propose that EO is the facilitator for new resources, competencies and information, contributing towards IP (Kuivalainen and Bell 2004; Keh, Nguyen and Ng 2007; Jin, Jung and Jeong 2017). The resource-based view (RBV) theory (Barney 1991) proposes that businesses mix and match resources and capabilities in different ways to achieve competitive advantages

and superior performance. Prior research suggests that looking at EO in terms of its competencies (innovativeness, proactivity and risk-taking) better explains its influence on IP (Anderson, Kreiser, Kuratko, Hornsby and Eshima 2015; Lomberg, Urbig, Stöckmann, Marino and Dickson 2017; Jin, Jung and Jeong 2017).

Highly proactive and innovative firms achieve cost efficiency and greater IP through knowledge transfer and commitment (Zahra and Garvis 2000; De Clercq, Sapienza and Crijns 2005; Dai et al. 2014). Risky ventures allow SMEs to achieve IP and scope. On the other hand, managerial experience impacts accumulated international experience through enhanced knowledge transfer over time. However, SMEs with a lack of foreign experience will encounter difficulties in understanding the benefits and limitations of international operations (Hoskisson et al. 2011). These dimensions are intertwined, and prior studies show a positive link between EO and the IP of a firm (Rauch, Wiklund, Lumpkin and Frese 2009; Engelen et al. 2015; Covin and Miller 2014; Paul, Parthasarathy and Gupta 2017). Based on this, we posit the third proposition:

***P3: Dimensions of EO (proactivity, innovation, risk-taking and experience) lead to high IP.***

### **Institutional Distance (ID)**

The target of a firm's internationalization ranges from similar regions to culturally distant countries (Sullivan 1994; Terjesen, Hessels and Li 2016; Khanna and Palepu 2000; Xu and Shenkar 2002). The institutions of a country define the 'rules of the game' (North 1991; Gupta and Batra 2016), and government settings in emerging economies significantly impact SME internationalization (Li and Zhang 2007; Peng 2003). Institutional constraints (Makhmadshoev, Ibeh and Crone 2015) such as export policies (Wilkinson and Brouthers 2006), home regulations, lack of information on markets (Cardoza et al. 2016), entry and exit barriers, intermediary institutions (Wei, Zheng, Liu and Lu 2014), and poor institutional infrastructures (Khanna and Palepu 2000) act as moderators of internationalization. In

international operations, the regulatory, cognitive and normative elements impose burdens on a firm's strategies and alliances in foreign markets. Without understanding the role of formal institutions in a host country (Peng 2002), the increased informal ID escalates the risk of operations being moved overseas (Schwens, Eiche and Kabst 2011; Terjesen, Hessels and Li 2016). Therefore, we propound the fourth proposition:

***P4: Institutional constraints encountered on the international stage moderate the direction of the relationship between EO and SME internationalization.***

### **Managerial Competence (MC)**

Previous findings have shown that MC is an important element in international opportunity identification and decision making (Oktemgil and Greenley 1997; Lu, Zhou, Bruton and Li 2010; Yeoh 2000; Helfat and Martin 2015). Studies have shown that a lack of managerial competence hinders the internationalization of a firm (Manolova, Brush, Edelman and Greene 2002; Reuber and Fisher 1997; Harveston, Kedia and Davis 2000; Knight 2001). Studies from USA SMEs reveal that firms do not internationalize when managers lack risk perceptions and knowledge about foreign markets (UPS Business Monitor 2007). We propose that management capabilities act as moderators in SME internationalization. Research shows that SMEs have limited resources, and that their management skills are not effective to deal with day-to-day challenges (Oehme and Bort 2015). The characteristics of top management (international experience, education, age, and management position) act as proxies for management competency (Herrmann and Datta 2005). Earlier research reveals that SME managers lack the knowledge and experience needed to internationalize, impacting on their opportunities for internationalization and the firms' performance (Lubatkin, Simsek, Ling and Veiga 2006; Hsu, Chen and Cheng 2013). Hence, the fifth proposition is framed as follows:

***P5: Lack of MC and foreign market knowledge moderate the relationship between EO and SME internationalization.***

### **3.3 Methodology**

The purpose of this study is to strengthen our knowledge of the challenges of internationalization for Fijian SMEs through understanding the relationship between the identified variables (EO, ID and MC), and to develop a theoretical framework to understand the stumbling-blocks faced by SMEs in the Pacific Island country of Fiji.

A qualitative methodology is adopted for this study. A qualitative method enhances our understanding of the research problem (Creswell and Creswell 2017). Qualitative data frequently includes interviews, quotations and observations without any formal measurement (Russell 1988; Quinn 2002). The main aim is to understand the phenomenon studied and describe the circumstances. Semi-structured face-to-face interviews were employed for data collection, using the constructs specified in the preceding section. Such interviews permit a deeper examination and understanding of the problems, to further investigate and elucidate the context of how SMEs use entrepreneurial competencies to take business to an international level, and the factors hindering the internationalization process.

#### **3.3.1 Sample**

This study was conducted through semi-structured interviews with Fiji-based SMEs that are currently engaged in international trade. This research explores the internationalization process of SMEs in Fiji, using multi-dimensional constructs to understand the factors impeding the internationalization process of SMEs. We present in this paper a sample of four firms from three different industries (Clothing and Textiles, Beauty and Cosmetics, and Food and Beverage) to derive insights, develop generalizations and extend theoretical frameworks for future research.

Overall, the average sample size for this kind of research is relatively small (Asif and Sargeant 2000; Sekaran 2003; Ebberwein, Krieschok, Ulven and Prosser 2004; Lipman 2008), although this is a frontier where no new information is being witnessed in the data and this can be achieved from a small sample size (Guest, Bunce and Johnson 2006; Bowen 2008). The firms selected for interviews are based on the systematic random sampling of four administrative divisions in Fiji, using the definition of SMEs provided by the World Bank.

### **3.3.2 Data Collection**

A total of four interviews were conducted with SME entrepreneurs/managers. The interviews incorporated the inclusion of ‘how’ and ‘why’ questions, and as a result, a detailed information set was collected. Each interview was more than an hour in length and was framed around the following themes: background information about the company; motivation for internationalization; internationalization experience; knowledge of foreign markets; skills; internal and external challenges; government support and constraints; and institutions framing the business.

During the interview, respondents were asked to narrate a story of an experience relating to internationalization to assist in understanding its significance (Cope and Watts 2000; Taylor and Jack 2013). To achieve valid variables, confirm a well-summarized analysis, and reduce misunderstanding, a collective use of numerous secondary sources of information was used, which allowed data triangulation (Stake 2000).

### **3.3.3 Data Analysis**

A manual analysis was used to check the reliability of findings, with transcriptions being arranged by the principal researcher to allow engagement with the data, to assist in producing embryonic insights (Patton 2002). Subsequently, a cross-synthesis procedure was used, and

groupings of responses were identified, allowing the data to be classified accordingly (Taylor and Jack 2013). The findings were then summarized and discussed.

**Table 3.1 Demographic Profile**

<b>Demographics</b>	<b>Frequency <i>N</i></b>	<b><i>Percent %</i></b>
<b>Gender</b>		
Male	3	75
Female	1	25
<b><i>Total</i></b>	4	100
<b>Age Category</b>		
18 – 35 years	1	25
36 – 55 years	2	50
56 years and over	1	25
<b>Education Level</b>		
Primary	0	0
High School	1	25
Certificate	1	25
Diploma	0	0
Undergraduate	2	50
Higher Degree	0	0
<b>Employment Status</b>		
Full-time	0	0
Part-time	0	0
Self employed	4	100

**Table 3.2 Level of Entrepreneurial Orientation**

	<i>Entrepreneurial Orientation</i>			
	<b>Proactiveness</b>	<b>Innovation</b>	<b>Risk-taking</b>	<b>Experience</b>
Firm 1	Highly proactive	Moderately innovative	Low risk-takers	Less experienced
Firm 2	Highly proactive	Highly innovative	High-risk takers	Highly experienced
Firm 3	Moderately proactive	Highly innovative	Moderate risk-takers	Highly experienced
Firm 4	Highly proactive	Moderately innovative	Moderate risk-takers	Less experienced

**Table 3.3 Mode and Time of Internationalization**

	<b>Mode of Internationalization</b>	<b>Time to Internationalize (from inception)</b>	<b>INV or Incremental</b>
Firm 1	Exporting	3 years	Incremental
Firm 2	Networking and exporting	2 years	INV
Firm 3	Exporting and licensing	7 years	Incremental
Firm 4	Networking, exporting, and joint venture	3 years	Incremental

### 3.4 Findings

In this section, we report the findings based on the interviews conducted with the executives of the firms in our sample.

<b><i>Interview 1 with Firm A: Food and Beverage</i></b> <b><i>Respondent: Director</i></b>	<b><i>Date: 5<sup>th</sup> January 2017</i></b>
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Firm A operates in the fish canning industry and manufactures canned fish for local retailers and for export. The firm is identified as having high levels of EO, as the director displays enterprising and proactive characteristics, embraces innovative technology, takes risks and identifies demand for new products in the food industry. Firm A aims to explore new markets

every year with the support of its export agents. Its enterprising characteristics help the firm to internationalize into neighbouring countries with minimal risk. The firm implements training for staff to enhance the MCs needed for internationalization. The main reason for Firm A to internationalize is to “make use of the demand for their products in the foreign market and escape from the domestic market, to achieve the likelihood of customer group enlargement, increased profitability and growth” (Director, Firm A).

Firm A comprehends the significance of distinguishing between domestic and international marketing and has adopted global-standard quality systems to attract customers in foreign markets. The firm can take risks and embark on selling products in new markets, as the management understands the export process and procedures within the fish canning business. This interview reveals that institutional constraints in host countries increase the costs of doing business. These constraints include anticompetitive practices, labour regulation, administration, business licensing and permits. Home country institutions, which are very rigid and bureaucratic, have an adverse impact on internationalization and make it difficult for firms to enter new markets. Further challenges impacting internationalization for Firm A include access to finance, weak capital markets in Fiji, minimal experience and skills, inadequate accurate information of international markets, and poor international networks.

***Interview 2 with Firm B: Beauty and Cosmetics***

***Date: 23<sup>rd</sup> January 2017***

***Respondent: CEO***

Firm B is in the beauty and cosmetics business and supplies both domestic and international markets with its popular natural and organic lotions. This SME is also observed to be high in EO, as it was quick to internationalize, doing so within two years of inception. This was achieved through networking with raw material suppliers, followed by exports. The firm was creative and proactive during the initial internationalization process by improving production

techniques and features and adapting and customising products. Firm B has taken risks and committed a large amount of resources, made rational decisions in uncertain situations, and explored alternative pathways before internationalizing. The CEO's previous work experience with international operations helped the firm to internationalize. This firm also faced cultural barriers and other challenges while internationalizing into countries with high psychic distance. The main reason for internationalization was that "high-quality products meant higher prices, which did not go well with the local people as the standard of living and purchasing power of the domestic market is low; as such we had to seek new international markets and there was no option" (CEO, Firm B).

Challenges outlined in the interview include the following:

*High transportation and communication cost, transmission cost of critical management information, cultural barriers. Fiji is too far away from major export countries (e.g. USA, UK, Japan and Korea). Limited support from the government for our industry, rigid rules by Fiji's government (Fiji Revenue and Customs Authority (FRCA) and Biosecurity), unclear export policies, poor infrastructure, difficulty in gaining access to land, lack of information on trade, social and economic problems adding to the high cost of doing business in Fiji.*

(CEO, Firm B)

***Interview 3 with Firm C: Clothing & Textiles***

***Date: 16<sup>th</sup> February 2017***

***Respondent: Founder***

Firm C is in the clothing and textiles business and employs 231 employees at the time of the interview. This firm was able to internationalize seven years after its inception through exporting and licensing to countries such as New Zealand, Australia and other regional countries under the South Pacific Regional Trade and Economic Co-operation Agreement

(SPARTECA). The reason for Firm C to internationalize was to “attain higher revenues and to get access to more market opportunity”, and to gain “access to new and larger markets in order to achieve growth, experience and profitability” (Director, Firm C).

The firm continually takes risks by introducing new designs to meet local and foreign consumer demand, and it has proactively put into practise modern management tools and systems to assist day-to-day operations. The industry is high-risk given the conditions under SPARTECA and its ability to change upon the expiry of the agreement.

This firm is supportive of employees and celebrates their hard work and achievements through staff recognition awards. Similarly, this firm has a ‘wait and see’ approach to further expansion. The director’s prior work experience contributed a lot towards internationalization. The director feels that the ensuing challenges they face continue to limit the firm’s ability to internationalize:

*Lack of marketing research techniques and knowledge on selling techniques, poor networks, insufficient managerial skills and expertise, limited financial resources, high level of tax, high cost of production and improper planning, [and] dealing with government agencies (FRCA and Trade Offices), takes a whole lot of time, corruption, and unfair competition practices.*

(Director, Firm C)

*The garment industry in Fiji is very low paid and attracts people who do not have a tertiary qualification and lack skills and knowledge about the international market.*

(Director, Firm C)

**Interview 4 with Firm D: Food and Beverage**

**Date: 25<sup>th</sup> March 2017**

**Respondent: Director**

Firm D is in the food and beverage industry and manufactures a wide range of products for its local and international markets. This firm was able to expand internationally through networking, exporting, and joint ventures:

*It was a strategic decision to move out and sell in the foreign market rather than depending only on domestic sales. We also wanted to gain additional return on our investments, to survive and grow by attracting more customers for the firm. Internationalization has helped us to gain additional capacities. Also due to the competitive pressure domestically we decided to explore opportunities in the overseas market.*

(Director, Firm D)

This firm exhibits an enterprising culture and continuously tries to look for ways to improve efficiency. The firm was proactive in identifying the overseas target market through various resources and networking training sessions, which helped employees to develop an entrepreneurial mindset. This effort is recognized by the firm through celebrations and incentives, which has contributed to their competitive advantage. Some other challenges faced are as follows:

*Limited access to financing, foreign government bureaucracy, rigid export policies, and overseas government emphasizes to buy locally made products, the general risk from operating from the unknown environment, and uncertainty about regulatory and trade policies. The weather was also an important constraint on our business as we relied on agricultural products for the final product. Lack of information about target countries culture made it difficult to predict challenges in the host country. Lack of managerial skills was another major challenge for our firm.*

(Director, Firm D)

### 3.5 Discussion

This research discusses the latent internationalization challenges faced by Fijian SMEs through piloted interviews in sectors such as Food and Beverage, Cosmetics, Clothing and Textiles, and Leather. Other sectors have low involvement in international trade due to the competitive challenges they encounter. The interviews identify that SMEs that are growing internationally are innovative firms with high entrepreneurial orientation, and with previous entrepreneurial work experience in trade or international business. The demand for their products is low in Fiji due to the low standard of living of the local people and high pricing of their unique products. SMEs that have not become involved in global operations have not done so due to a lack of experience, awareness, information, capital and competence. Institutional and cultural distance from the host countries is also a major factor, as is the absence of government support. Some of the challenges reported include access to finance, geographical location, limited international marketing knowledge, lack of MC, rigid rules and regulations by institutions (FRCA, Trade Offices and Biosecurity Authority), high transportation costs, limited support from the government for the industry, and a lack of export and trade promotion policies. Our findings align with prior research on SMEs conducted in various developing countries (Aaby and Slater 1989; Anderson 2011; Fillis 2002, Hessels and Parker 2013; Schwens, Eiche and Kabst 2011). For successful internationalization, SMEs should pay attention to the following influencers: foreign expertise, innovation, opportunity identification, institutional support, skills and marketing (Oura, Zilber and Lopes 2016; Paul, Parthasarathy and Gupta 2017). We find that institutional challenges and lack of MC significantly impede the internationalization of SMEs in Fiji as reported by all respondents, leading to the corroboration of P1.

In previous research, the EO factor was significant for a firm's speed of internationalization (Andersson and Evangelista 2006; Chaston and Sadler-Smith 2012; Dess and Lumpkin 2005). Fijian SMEs were not capable of internationalizing at inception, and respondents state that it

typically took between three and seven years to internationalize, although there were exceptional cases of internationalization within six months with innovative products. Firm B reveals that one of the reasons for its early internationalization was due to competitive pressures in the local market, for which they had to proactively develop and adjust products to overseas demands, develop new products, and look for alternative ways to meet competition. Consistent with the research of Oviatt and McDougall (2005), more than 50% of firms interviewed are involved in proactively discovering novel prospects and chose to achieve a competitive advantage through *engagement* of internationalization activities. We found that EO is fundamental for a firm to overcome disadvantages that arise while internationalizing (see for e.g. Harms and Schiele 2012; Knight 2001; Jantunen, Puumalainen, Saarenketo and Kyläheiko 2005; Kuivalainen, Sundqvist, Saarenketo and McNaughton 2012; Crick and Jones 2000; Moen 2002; Oviatt and McDougall 1994). It is essential for SMEs to identify the barriers to internationalization, but it is even more important to formulate unique and appropriate strategies and responses as they go through the various stages of their exporting growth path (Kahiya and Dean 2016; Yu, Yan and Assimakopoulos 2015). Thus, P2 is supported.

After investigating the significance of EO on the pace of internationalization, we now focus on its influence on performance. We identify that the performance of SMEs in Fiji can be explained by drawing parallels with the findings of prior research (McDougall 1989; Prashantham and Dhanaraj 2015). According to Shih and Wickramasekera (2011), SMEs strive to multiply sales outside the domestic market by using an export strategy and make a substantial contribution to domestic and regional economies by gaining a bigger market share and higher profits. Although achieving sustainability locally is very challenging for SMEs, it can be attained by expanding through foreign sales. Three of the SMEs mentioned in this paper cite profit-seeking behavior and market enlargement as their reasons for seeking new international markets. Consistent with IE research, these SMEs comprehend that identifying foreign opportunities with the help of entrepreneurial activities and innovation are necessary for the internationalization process. The

INV framework emphasizes that firms profit from being proactive and innovative, and from capitalizing on international opportunities (Jones, Coviello and Tang, 2011; Servantie, Cabrol, Guieu and Boissin 2016). These findings thus support P3.

Poor infrastructure (Prasad and Singh 2013) and a weak institutional setting (Singh, Pathak and Naz 2010) are very common in the markets of developing economies, where the small scale and lack of country-level support (Hoskisson, Eden, Lau and Wright 2000) pose formidable barriers for SMEs. Institutional challenges lead firms to restrain their decisions to confront internationalization difficulties, thus influencing the pattern, pace and performance of internationalization (Czinkota 2002; Pangarkar 2008). Since SMEs realize the high risks at the first market entry point, the export strategy serves as a better pre-condition for success. SMEs are discouraged from internationalizing due to the rigidity of government rules and regulations (see for e.g. Makhmadshoev, Ibeh and Crone 2015; Cahen, Lahiri and Borini 2016). The firms in our study state that their IP was affected by lack of market and trade information, the high costs of doing business overseas, inefficient legal and regulatory frameworks, overseas governments' emphasis on promoting local products, the costs of imported raw materials, cultural variances, and stiff competition in foreign markets, among other social and economic challenges. Firm D also emphasizes the difficulty in receiving bank loans, as banks consider SMEs as high-risk entities. Cumbersome loan application procedures add to the risk and cost of doing business. The institutional environment in Fiji is underdeveloped, which increases the transaction costs (TC) of SMEs. This coincides with the findings of Cuervo-Cazurra and Genc (2011) in that SMEs in developing countries suffer comparative weaknesses as their countries' institutions are much smaller than those available to SMEs in developed countries. Thus, these findings support P4.

This study reveals that due to a lack of knowledge, skills and tactics, the case firms entered foreign markets with a smaller psychic distance (exporting to other small PINs). This aligns

with previous research (Hessels and Parker 2013; Acs, Morck, Shaver and Yeung 1997; Bagchi-Sen 1999; Arranz and De Arroyabe 2009), which highlights that limited knowledge and international experience, and high levels of risks involved, affect SMEs' IP. Firms B, C and D have managers with narrow international experience and modest skills, making it difficult to internationalize at inception. Because of this, firms initially entered a small number of markets before proceeding to other leading markets. In addition to above, middle management in these cases did not have the mentioned mandatory experience and skills. It took a while for managers at lower levels to learn from top management teams as they had their own ways of doing local business. This leads to a stringency that limits a firm's flexibility and new business opportunities, as reported by one of the case firms (Firm D). Firm C also had employees with very little education, hence the top management team were mostly involved in meeting day-to-day demands. Thus, hiring inexperienced managers negatively affects IP. In line with the research conducted by Czinkota (2002) and Pangarkar (2008), our research confirms that many SMEs are characterized by inexperienced personnel, which discourages entrepreneurs from undertaking the challenge of internationalization. Based on the above discussion, we accept P5.

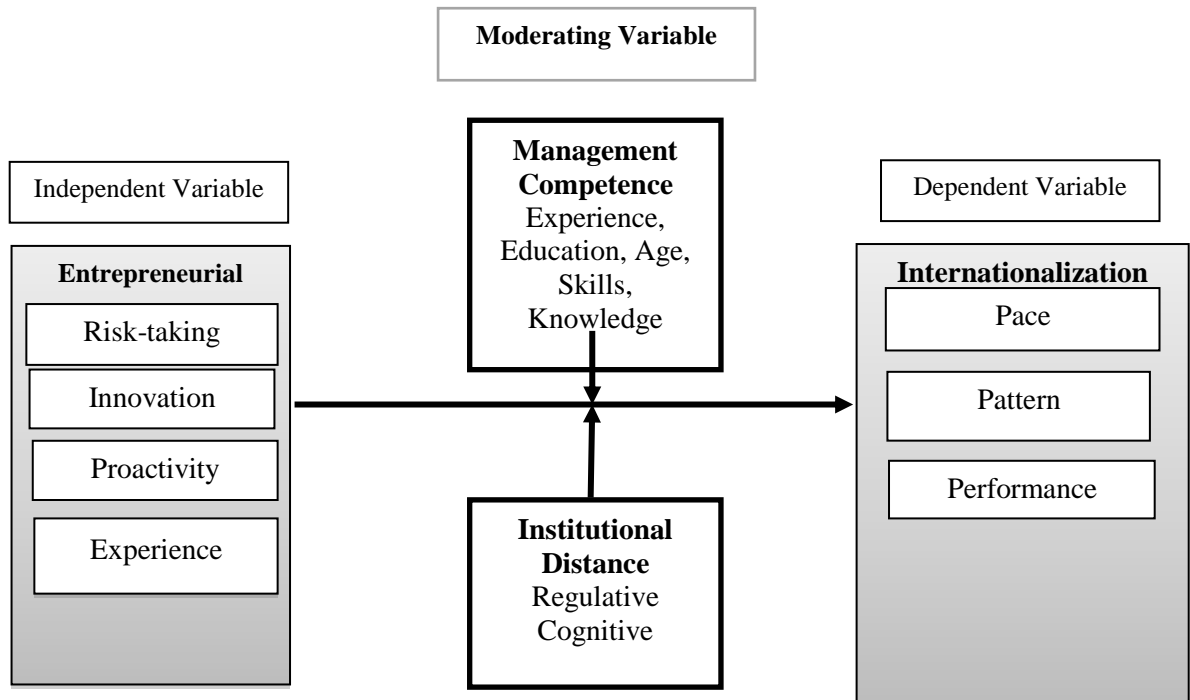
### **3.6 A New Framework for the Internationalization of SMEs**

Engaging in trade is significant for developing economies; the significance of international trade is crucial in Pacific Island nations. PINs are dependent on a wide range of imports, including industrial and manufactured products. Similarly, exports contribute significantly towards Pacific Island economies, foreign exchange earnings, cash income generation, employment and growth. A qualitative methodology is adopted to acquire rich insights into the internationalization experience (Creswell and Creswell 2017). The challenge facing Pacific Island countries (PICs) is to strengthen their export sectors as a basis for accelerated growth. However, the latest trade data reveals that few PIC economies have succeeded in meeting this challenge, and several countries have suffered serious decline. The reasons for these trade obstacles include low world prices for traditional exports from the regions (especially

agricultural products), failure to become accustomed to changing foreign market environments, and, in some cases, the implementation of governmental policies and strategies that effectively penalize export activity.

Several studies have investigated the impact of ID and MC on SMEs from developed countries (Makhmadshoev, Ibeh and Crone 2015; Terjesen, Hessels and Li 2016; Hsu, Chen and Cheng 2013; Bruton, Ahlstrom and Li 2010; Yeoh 2000; Helfat and Martin 2015; Felício, Meidutė and Kyvik 2016), but very few research studies have investigated these dimensions with regard to PIN SMEs (Singh et al. 2013; Nair and Chellian 2012; Prasad and Singh 2013). Aiming to compensate for the dearth of theoretical frameworks in the area of international entrepreneurship in PINs, and in response to the call to develop such useful tools (Keupp and Gassman 2009; Terjessen, Hessels and Lee 2011; Paul, Parthasarathy and Gupta 2017), we attempt to fill the gap in the literature by developing a conceptual framework (see Figure 3.1), determining the factors for the success or failure of SME internationalization. This new framework is based on a multidimensional approach that encompasses the impact of EO, MC and ID on the internationalization of SMEs. It can also provide useful input to studies on emerging-market SMEs in general. Figure 3.1 shows the variables influencing internationalization constructs (pattern, pace and performance) in Fiji. This could be generalized for SMEs from other developing countries/island nations.

**Figure 3.1 A Framework for Future Research on SMEs' Internationalization**



This framework presents the identified dimensions of EO for internationalization and the moderators of MC and ID, which impact the internationalization of SMEs in Fiji.

Regarding the internationalization process, we propose that for each case the entrepreneur's distinctive prior knowledge, innovation and proactivity provide an explanation for international orientated ventures. The challenges that impede the internationalization process can be summarized as a lack of MC (knowledge, qualification, skills and experience) and increasing ID (norms and regulations). This framework lays down the basis for further research in the field of international business (IB) and international entrepreneurship (IE).

### **3.7 Limitations and Future Research**

This study has some limitations, and like most other research studies cannot be generalized as this research has specifically examined SMEs from the Fiji region. Thus, it may not be perfectly applicable to SMEs from all other developing countries or other island nations such as Japan.

Future studies should take into consideration SMEs from more than one Pacific Island country. Secondly, we use a multidimensional construct of internationalization. Using more enhanced tools of internationalization will assist in gaining a better understanding of the variables used in this study. Third, we selected our sample from three industries, which makes it difficult to generalize across all sectors. Future research could categorize SMEs and then conduct comparative studies on their internationalization processes and identify which theories explain those behaviors. The fourth limitation is the interview method of using one person to represent each SME. Information provided by only one individual is not always enough to get a comprehensive picture. Future studies should collect data from at least 3-4 employees from each firm, as they may have different perspectives on the challenges of internationalization. The fifth limitation is the study's exploratory nature, reflected in its small sample size. Finally, limited cross-sectional data may not be accurate enough to determine causality. Future research should utilize longitudinal data to improve the generalizability of the findings.

There are many opportunities for future research in this area. Researchers could use one, two, three, or all the propositions from this study as testable hypotheses. Although qualitative studies with cases could be highly impactful (for instance Bonaglia, Goldstein and Mathews 2007), there is scope for quantitative studies using structural equation modelling, Granger causality tests, and partial least square tests. Since the research in this area is replete with the same theoretical models, such as the Uppsala model and the International New Ventures theory, there are opportunities to develop new models and frameworks so that researchers can use them as theoretical lenses for analyzing the pattern, process and pace of internationalization. We also urge researchers to use the framework developed in this study as a platform for their research using either qualitative or quantitative methods.

### **3.8 Conclusion**

The findings suggest that studying the internationalization of SMEs as a process within a multidimensional perspective provides a detailed analysis and increased knowledge of the dynamics and factors involved in the internationalization process of SMEs. SMEs in PINs can gain a competitive advantage from the identification of factors influencing and impeding internationalization. Lack of resources restricts opportunity identification for SMEs. Thus, many SMEs tend to prefer low-risk modes of entry. However, developing networks and identifying firms' entrepreneurial capabilities, as discussed in this study, can help managers to make better strategic choices. Changes are inevitable and being aware of these challenges will enable managers to be better prepared and adapt to these influences.

The construct used in this study provides practitioners and policy-makers with a new instrument that can be used to evaluate the effects of several assistance programmes developed for the internationalization of SMEs in PINs. The targets of assistance programmes can be more adequately established if more accurate measurements are employed. Developed countries aspiring to do business within the Pacific Island region will benefit from understanding the challenges faced by SMEs in this area, and this study will help governments and policy makers to understand the significance of support policies for SME internationalization, and to explore the potential of this underrepresented region.

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#### **4. Study III – The effects of Entrepreneurial Orientation on SME Internationalization in Fiji: The Moderating Role of Management Competence and Institutions**

This paper examines how entrepreneurial orientation (EO) drives SME internationalization, and the moderating role of institutional environments (IE) and managerial competence (MC). SMEs play an important role in improving the economic growth of emerging economies, but conversely our knowledge of SME internationalization within this context is comparatively narrow. More specifically, the factors influencing SME internationalization from the Pacific Islands context is still underexplored. SMEs in small island nations (SINs) find it difficult to internationalize due to financial constraints, managerial incompetence, lack of knowledge of the requirements for international involvement, and the underdeveloped institutional environment. Understanding the extent of these impacts can assist in policy development and further contribute to our understanding of SME internationalization in small island nations. A quantitative survey study was undertaken with Fiji-based SMEs to measure the influence of the independent variable (EO) and moderating variable (MC and IE) on the dependent variable (SME internationalization). The findings from the survey show that elements of the institutional environment (regulatory and cultural), and management competence, impact the entrepreneurs' orientation to internationalize within a Fijian context. The study partially confirms the hypotheses and indicates that ongoing training and government support can help foster the internationalization of Fiji-based SMEs. The outcome of this study will also guide policy makers to formulate and implement more robust policies that encourage SME development and internationalization.

**Keywords:** *Small and Medium Enterprises, Entrepreneurial Orientation, International Entrepreneurship, Management Competence, Institutions, Pacific Island Countries, Developing Countries, Internationalization.*

## 4.1 Introduction

This study investigates the internationalization of SMEs and the factors influencing superior performance abroad. Internationalization of SMEs has become an important issue in the sustainability of developing nations (Kazlauskaitė, Autio, Gelbūda & Šarapovas 2015; Hale 2012; De Clercq, Lim & Oh 2014; Zhang, Ma, Wang, Li & Huo 2016). Promoting entrepreneurship and developing an environment favourable to SMEs can assist developing nations to be competitive. The internationalization of SMEs in developing economies plays a strong role in augmenting employment, technology diffusion, and socio-economic development (Osei-Bonsu 2014; Mejri & Umemoto 2010; Scarborough & Zimmerer 2002; Jonsson & Lindbergh 2010) and has become a key research area in international entrepreneurship (IE) literature. However, the factors influencing internationalization in developing countries, such as the Pacific Islands (Fiji), remain under-theorized in practice. This field is progressing and demands greater exploration of key entrepreneurial elements influencing internationalization in developing economies (Kowalik, Danik & Sikora 2017; Kollmann & Christofor 2014). Studies have shown that EO acts as a unidimensional strategic orientation for SMEs and allows entrepreneurs to achieve higher degrees of internationalization (Covin & Slevin 1989; Zhang, Tansuhaj & McCullough 2009; Zhang, Ma & Wang 2012).

Fiji is a major exporter (149th) and importer (151st) in the world economy (149th) (WTO 2017), with total exports and imports at \$961m and \$2.44b respectively. Fiji's dominant exports include water (13.5%) and processed fish (7.45%) (WTO 2017), and imports include refined petroleum (12.7%) and cars (4.7%). Fiji has a negative trade balance, which can be attributed to political instability and ongoing land issues affecting the export of sugar and other agricultural items. Exports in Fiji are further impacted by challenges relating to a lack of business development of one-stop shops (Singh, Pathak, Shee, Kazmi & Parker 2013), a lack of capital and knowledge of foreign markets (Wakolo 2005), regulatory and legal challenges,

and a lack of international orientation by entrepreneurs (Singh 2006). The level of international trade between countries influences the level of internationalization, and it has become an important activity not only in developed but also in developing nations, such as those in Pacific Island countries (PICs). Exactly how entrepreneurs' skillsets impact SME internationalization is till now unexplored.

Surprisingly, developing island nations have not received as much attention within the field of international entrepreneurship, even though they have developed business in nations such as the USA, Australia, New Zealand, Japan and China. Many studies have examined the relationship between EO as a unidimensional construct and various indicators of internationalization, generally finding support for its influence (e.g. De Clercq, Sapienza & Crijns 2005; Knight 2000). However, this literature lacks a focus on Pacific Island nations. The Pacific Islands have a small domestic customer base thus internationalization becomes an important ingredient for growth. Fiji is well suited for study, given that its economy is stronger than that of other Pacific Island nations.

For developing economies, prior research demonstrates that entrepreneurial acts contribute to the initial phase of internationalization, with exports as the main mode of entry for SMEs (Jin, Jung & Jeong 2018; Johanson & Vahlne 1977, 1990; Zhang, Tansuhaj & McCullough 2009; Kowalik, Danik & Sikora 2017). Conversely, prior literature shows that SMEs in developing economies find it more difficult to internationalize and achieve sales in foreign markets, due to a lack of experience and domestic track record, incompetence, and lack of resources (Knight & Cavusgil 2004; Massini, Lewin & Greve 2005; Cavusgil & Knight 2015; Hutchinson, Quinn & Alexander 2006). Further research shows that globalization, and various world economic factors, have created a boundary between government and business (Hillman & Keim 1995; Peng 2003), constraining SME internationalization by obstructing the formal and informal institutional environments (Makhmadshoev, Ibeh & Crone 2015; Jonsson & Lindbergh 2010).

Studies indicate that entrepreneurship can comprehensively increase the likelihood of survival in foreign markets (Sarason, Dean & Dillard 2006; Zahra, Hayton, Marcel & O'Neill 2001; Zhang et al. 2016; Glavas & Mathews 2014; Onetti, Zucchella, Jones & McDougall-Covin 2012). Studies have confirmed that SMEs can leverage EO to attain extensive foreign market success in their early years of evolution (Boso, Story & Cadogan 2013; Cavusgil & Knight 2015; Dai, Maksimov, Gilbert & Fernhaber 2014).

Adopting a quantitative survey technique, this study at hand will empirically examine the moderating role of the institutional environment and management competence on SME internationalization in the Pacific Island country of Fiji. Subsequently, we examine whether EO drives the superior international performance of SMEs in Fiji. At this stage it is worth investigating how these entrepreneurial acts are moderated by management competence and institutions in the Pacific region, specifically Fiji. This research thus provides insight into SME internationalization from an island nation perspective by studying the moderating impact of institutions and management competence (MC) on SME internationalization.

## **4.2 Materials and Methods**

### **4.2.1 Theoretical Framework and Hypotheses**

Literature on international entrepreneurship has attracted extensive consideration from researchers studying the internationalization method from several theoretical and experimental viewpoints (Amal & Rocha Freitag Filho 2010; Oviatt & McDougall 2005a; Oparaocha 2015). Internationalization is the process of increasing involvement in the international market (Welch & Luostarinen 1993), which supports novelty, job creation and economic restoration (Greene & Mole 2006). Trade liberalization in economies has provided prospects to entrepreneurially oriented and competitive firms to exploit emerging opportunities at home and abroad (Hoskisson, Eden, Lau & Wright 2000). However, research still shows that SMEs face many

challenges in the internationalization process (Hessels & Terjesen 2010; Shaw & Darroch 2004). Factors identified as moderating entrepreneurs' propensity to internationalize include sex, an unfriendly environment, a lack of innovation, entrepreneurs' characteristics and risk perception (Orser, Spence, Riding & Carrington 2010; Ibeh 2003; Cassiman & Golovko 2011; Chetty & Holm 2000; Acedo & Florin 2006). Research on Chinese SMEs reveals that small firms are subject to a lack of resources for internationalization (Zhang et al. 2016). According to Tang (2011) the point at which the entrepreneurs' international orientation can result in the internationalization of SMEs in a developing market is dependent on their ability to overcome these challenges. Since there is very little research concerning the moderating role of MC and institutions on EO and SME international performance, studying this from a Fijian perspective is worth investigating. This study argues that the internationalization of SMEs from developing economies is subject to challenges set by dissimilar institutional environments and MC, which influences SME internationalization.

*The Uppsala model* - Johanson and Vahlne's (1977) Uppsala model explains internationalization as incremental learning development in which firms progressively acquire knowledge about external markets before increasing their market commitment. The core focus is on how markets and networks are linked to each other to a larger degree. In this modern age, networks, like an insider, are necessary for successful internationalization (Johanson & Vahlne 2009). Such networks allow the building of trust and market commitment, and studies have shown that network relationship plays an important role in the internationalization process (Coviello & Munro 1995).

*International New Ventures (INVs)* operate globally from commencement and internationalize faster than traditional models (Chetty & Campbell-Hunt 2004; Knight & Cavusgil 2004). Chetty and Campbell-Hunt (2004) demonstrate that INVs adopt a more rapid and proactive approach to learning. An INV's decision to internationalize at inception is influenced by the

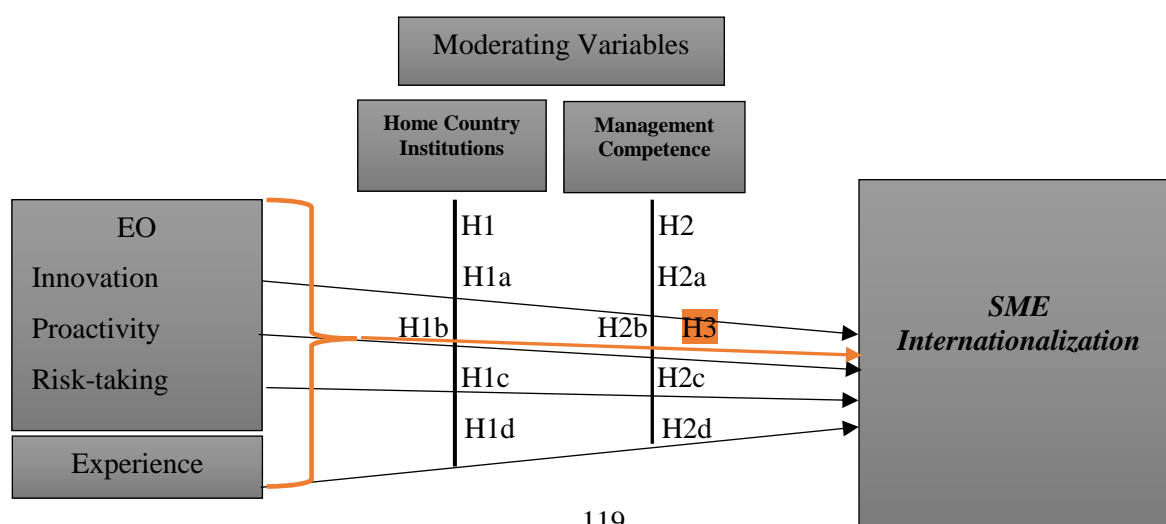
size of the domestic market, production capacity, location advantages and institutional factors (Fan & Phan 2007; Oviatt & McDougall 2005).

**Network Theory:** Prior studies demonstrate that social networks encourage internationalization, and this is acknowledged as a motivation for the internationalization of young SMEs (Lu, Zhou, Bruton & Li 2010; Oehme & Bort 2015; Owen-Smith & Powell 2008). Networking diffuses internationalization practices in an efficient way and allows entrepreneurs to imitate the strategies of networking partners (see for e.g. Milanov & Fernhaber 2009; Zhou, Wu & Luo 2007; Agndal & Chetty 2007).

**RBV** theory explains international expansion and growth in terms of resource and capacity accumulation that help firms achieve domestic and international competitive advantage through knowledge transfer (Camisón, and Villar-López, 2010). OCED (2009:1996) and Oviatt and McDougall (1994) explains that RBV focuses on resources and capacities, and which is one of the main challenges faced by many SMEs while planning to internationalize.

Studying the international motives of entrepreneurs enables scholars to understand how entrepreneurship drives economic growth in developing countries (Huggins & Williams 2011; Boso, Oghazi & Hultman 2017).

**Figure 4.1 A Model of Internationalization from Developing Economies**



#### **4.2.2 Institutions and Internationalization**

Earlier studies illustrate that the institutional environment of a country affects SME internationalization in developing economies (Yamakawa, Peng & Deeds 2008; Scott 2008; Szyliowicz & Galvin 2010). The institutional environment of a country influences the decision of SMEs to internationalize (Volchek, Jantunen & Saarenketo 2013).

There are several institutional challenges faced by SMEs in developing economies, which makes internationalization tough. Challenges may include underdeveloped institutions, taxation regulations and societal attitudes (Smallbone & Welter 2012; Volchek, Jantunen & Saarenketo 2013). The question of how Fiji's institutional environment influences the development of a firm's EO capability, and its decisions around internationalization, remains unanswered (Kiss, Danis & Cavusgil 2012; Peiris, Akoorie & Sinha 2012; LiPuma, Newbert & Doh 2013; Shirokova & Tsukanova 2013). Institutional environments of countries differ in terms of their regulation, quality standards, values and norms, making it difficult for SMEs to engage in international transactions that are unique from domestic markets. Some studies have supported the proposition that certain dimensions of the domestic institutional environment can directly affect entrepreneurs' orientation (innovation, proactiveness, risk-taking, and experience) towards the internationalization of firms (Gao, Murray, Kotabe & Lu 2010; LiPuma, Newbert & Doh 2013; Lu, Zhou, Bruton & Li 2010; Shirokova & Tsukanova 2013; Volchek, Henttonen & Edelman 2013; Smallbone & Welter 2012; Bruton, Ahlstrom & Li 2010). These studies provide a starting point for our investigations, as previous research has analyzed patterns across a large selection of countries (LiPuma, Newbert & Doh 2013; Shirokova & McDougall-Covin 2012) or Chinese SMEs (Gao et al. 2010; Lu et al. 2010). There is a clear need to broaden the evidence base to include different and diverse developing nations and contexts. Thus, our first hypotheses include:

H1: *Entrepreneurial orientation* towards SME internationalization is moderated by the *institutional environment at home*.

H1a: SME innovativeness towards *internationalization* in Fiji is moderated by the *institutional environment at home*.

H1b: SME *proactiveness* towards *internationalization* in Fiji is moderated by the *institutional environment at home*.

H1c: SME *risk-taking* towards *internationalization* in Fiji is moderated by the *institutional environment at home*.

H1d: *Experience of the entrepreneur* and SME *internationalization* in Fiji is moderated by the *institutional environment at home*.

#### **4.2.3 Management Competencies and Internationalization**

Managerial incompetence in developing countries makes SME internationalization difficult and cumbersome. To position the firm successfully in diverse international environments, the characteristics, skills and experience of SME executives and managers are identified to be mandatory antecedents (Ganotakis & Love 2012; Kowalik, Danik & Sikora 2017; Etemad 2004). The extant relevant literature indicates that a major constraint on small firm internationalization is a lack of knowledge relevant to international involvement (Loane & Bell 2006). The controversial role of managerial competence in improving the performance of SMEs is further triggered by investigating its relationship with entrepreneurial orientation. Olson (1987) contends that entrepreneurial businesses not only essentially need developed management functions during the start-up phase (marketing, production, finance and human resources), but these management talents are also vital during the rapid-growth stage.

Previous empirical research demonstrates that one valuable, difficult-to-imitate and intangible resource that SMEs in developing economies tend to leverage in their internationalization endeavours is their existing stocks of competencies (Kocak & Abimbola 2009; Prashantham &

Dhanaraj 2010; Wach 2014; Yamakawa, Khavul, Peng & Deeds 2013). SME managers with higher levels of education (for e.g. Alon, Yeheskel, Lerner & Zhang 2013; Thai & Chong 2008), serve as valuable resources that are leveraged by developing economies for internationalization. Higher stocks of social capital in the form of domestic networks (Manolova, Manev & Gyoshev 2010) and international knowledge (Ciszewska-Mlinaric & Mlinariè 2010) may also serve as valuable and difficult-to-imitate skills for internationalization (Prashantham & Dhanaraj 2010; Kocak & Abimbola 2009). Dichtl, Koeglmayr and Mueller (1990) put forward specific management characteristics that influence internationalization: age (Ursic & Czinkota 2015; Obben & Magagula 2003), education (Hambrick & Mason 1984), professional experience (Cheong & Chong 1988) and language knowledge (Roux 1987; Dichtl, Koeglmayr & Mueller 1990). Thus, the second set of hypotheses are as follows:

H2: SME *entrepreneurial orientation* towards internationalization is moderated by *management competence*.

H2a: SME *innovativeness* and *internationalization* in Fiji is moderated by *management competence*.

H2b: SME *proactiveness* and *internationalization* in Fiji is moderated by *management competence*.

H2c: SME *risk-taking* and *internationalization* in Fiji is moderated by *management competence*.

H2d: *Experience of the entrepreneur* and SME *internationalization* in Fiji is moderated by *management competence*.

#### **4.2.4 EO and Internationalization**

In economies such as China and India, EO significantly affects the internationalization of SMEs (Kowalik, Danik & Sikora 2017; Kollmann & Christofor 2014; Zhang et al. 2016; Zhang, Ma & Wang 2012; Hajela & Akbar 2013). However, research on Swedish firms has identified a diminutive influence (Frishammar & Andersson 2009). Similarly, Zhang, Ma and Wang (2012)

argued that dimensions of EO have varying levels of influence on firms in emerging markets. Findings from previous studies reveal that EO is a driver of several important parameters, key to the international performance of a firm (Oviatt & McDougall 2005a, 2005b; Lu & Beamish 2001; Knight & Cavusgil 2004; Fernández-Ortiz & Lombardo 2009; Kuhl-Meier & Knight 2010). It is associated with managerial vision, innovativeness and proactive competitive posture overseas (Miller & Friesen 1984; Covin & Slevin 1989; Davis, Morris & Allen 1991; Appelbaum, Roy & Gilliland 2011). Thus, the final hypothesis is:

H3: The antecedents of *Entrepreneurial Orientation* are positively related to SME internationalization.

### **4.3 Research Methodology**

#### **4.3.1 Population and Data Collection**

A quantitative method, using a questionnaire-based survey, was undertaken in Fiji from February 2017 to December 2017. Quantitative research is characterized by a deductive approach, positivism and objectivism, based on the assumptions of epistemological and ontological theory (Bryman 2003). The survey instrument was constructed in English, and the scale was established using input from earlier studies and literature. This was subsequently refined after successive meetings with supervisors.

The World Bank defines a SME as an enterprise with up to 250 employees, where the likelihood of strategic influence on the company by the business owners is higher. With this in mind, this study randomly selected 250 firms in Fiji that are predominantly export based, in the districts of Suva, Lautoka, Nadi and Ba. The exports directory available at the Registrar of Companies in Fiji was used to randomly distribute the survey questionnaire. The data collection was undertaken using two methods. Between February and May 2017, the 200 survey instrument was personally distributed, and respondents were observed during self-completion. The

response rate for this phase was 56%, with 140 samples successfully collected. The second phase consisted of 50 firms that preferred email or postal completion due to time constraints. These questionnaires were sent to senior managers, given their understanding of the organization as a whole (Glick, Huber, Miller, Doty & Sutcliffe 1990; Lu & Beamish 2001). A total of 21 completed surveys were received (8.4%). Thus, after several contacts through phone calls, emails and personal follow up, the final sample comprised 161 SMEs, representing a response rate of 64.4%. Brock, Shenkar, Shoham, and Siscovick (2008) confirm this is a good response rate for international data collection. Non-respondent rates were analyzed, and observed that size, age and export intensity were not statistically different from respondents. This confirms that the sample represents the target population.

#### **4.3.2 Independent Variable (IV) – Entrepreneurial Orientation**

Miller's (1983) unique scale was used to capture the degree of EO. Research suggests that the vast majority of prior studies on EO have employed the Covin and Slevin (1989) conceptualization, and an empirical review by Wales, Gupta and Mousa (2013) confirms that this conceptualization was adopted by roughly 80% of prior studies. This research employs a sixteen-item scale to measure EO (proactiveness, innovativeness and risk-taking) of SMEs in Fiji. This study also incorporates entrepreneurs' experience as one of the dimensions of EO, and there is limited consensus surrounding how to measure an entrepreneur's experience. Numerous measures have been operationalized, which makes it difficult to compare results between studies (Cooper, Woo & Dunkelberg 1988; Fraser & Greene 2006; Hmieleski & Baron 2009; Landier, Sraer & Thesmar 2009). Indirect measures are preferred for measuring optimism in social psychology studies (Otten & Van der Pligt 1996). Therefore, in this study, four items were used as an indirect method is selected to measure entrepreneurial experience, which is as follows: if previous experience has strongly contributed towards firms' performance, if greater experience contributes to greater success, and if less experience is the cause for firms' failure, firms will adopt a 'wait and see' posture in order to minimise costly mistakes.

### 4.3.3 Moderators

**Institutions** – This study measures the regulatory and cognitive dimensions of institutions. The *Regulatory* dimension entails regulations and other guidelines that influence business operations. According to Scott (1995), the regulatory pillar of institutions consists of rules, regulations, and the degree to which these regulations are scrutinised and successfully implemented. To execute this thought empirically, this study employs an index that covers a wide scope of regulatory aspects: The Regulatory Factor of the Economic Freedom Index, published by The Heritage Foundation. This index includes the following sub-indices (Beach & Miles 2006): licensing requirements to operate a business; ease of obtaining a business license; corruption within bureaucracy; labour regulations; environmental, consumer safety and worker health regulations; and regulations that impose a burden on businesses. The *cognitive* pillar measures how culture influences choice of entry mode, how culture is associated with top executive commitment to the strategy status quo, how cultural values relate to preference for cooperative strategy, and whether high uncertainty avoidance affects the level of entrepreneurial innovation.

**Management Competency** – The measure for *managerial competence* developed by Cagliano and Spina (2002), was referred to and was refined to include items based on the international environment of SMEs in Fiji. It incorporates a scale from 1 (strongly disagree) to 5 (strongly agree). Several variables were aggregated and subsequently their average score was used to indicate the level of managerial competence. The age variable was controlled according to the average age of SME directors represented at the management level (Michel & Hambrick 1992; Herrmann & Datta 2005). Tertiary education levels were noted for the qualification variable (Wiersema & Bantel 1992), and international professional experience was reflected by professional or academic experience abroad.

#### 4.3.4 Dependent Variables (DV) - Internationalization

The study adopts objective and subjective measures to assess international market performance through growth rate, market share, and overall performance. SME internationalization is measured by its pace, pattern and performance on a scale from 1 (much lower than) to 5 (much higher than). The Likert and itemized scales are both interval-scale instruments suitable for measuring continuous variables such as entrepreneurial characteristics, management practices and growth. The pace of internationalization is measured by the number of years taken to internationalize, and patterns of internationalization are measured via an item asking respondents to identify if their product had the potential to enter new markets. The degree of internationalization by country is also measured via an item asking respondents to rank the firm's entry into new markets from 1 (much lower than) to 5 (much higher than).

**Table 4.1 Reliability Test: Internationalization Factors**

The Cronbach's alpha reliability test is used to measure internal consistency on the scales and the dependent, moderating and independent variables. Table 4.1 shows the Cronbach's alpha value of the variables and exceeds the minimum acceptable level of 0.60 (Nunnally 1978). The above variables range from 0.70 to 0.748 in reliability, with the Cronbach alpha coefficient of a scale above 0.7 (DeVellis 2003). This confirms that the measurement model is adequate.

Factors	A
<b>Innovation</b>	
Innovation NP	0.725
Innovation RoC	0.74
Innovation RnD	0.73
<b>Proactiveness</b>	
Proactive Efficiency	0.725
Proactiveness Agg Comp	0.746
Proactive Opportunities	0.728
<b>Risk-taking</b>	
Risk High Projects	0.731
Risk Bold Agg	0.736
Risk Strong Fearless Measures	0.731
<b>Experience</b>	
Experience Perform	0.732

Experience Greater Success	0.737
<b>Management Competence</b>	
Management Competence 1	0.702
Management Competence 2	0.704
Management Competence 3	0.712
Management Competence 4	0.704
Management Competence 5	0.714
<b>Internationalization</b>	
Sales	0.703
Time to Internationalize	0.74
Innovative Marketing Strategies	0.71
Sales Growth	0.723
Market Share	0.718
Overall Performance	0.719
Entering New Markets	0.722
<b>Institutions</b>	
Government Facilitates Internationalization	0.741
Government Bureaucracies	0.739
No Export Incentives	0.738
Culture	0.75
Culture Corporate Strategy	0.748
High Uncertainty Avoidance Innovation	0.729
Ease of Doing Business	0.715
Developed Institutions	0.725
Business Registration	0.724
Law Enforcement	0.736

#### 4.4 Results

The data was analyzed using SPSS version 25 on the basis of descriptive, partial correlation, and multiple hierarchical regression. The descriptive statistical analysis and the study of correlations between variables are shown in Table 4.2 and Table 4.3.

**Table 4.2 Descriptive**

<i>Variables</i>	<i>N</i>	<i>Percent</i>
<b>Gender</b>		
Male	111	68.9
Female	50	31.1
<b>Industry</b>		
Food and Beverage	44	27.3
Clothing and Textiles	34	21.1
Wood and Furniture	20	12.4
Paper and Stationaries	9	5.6
Publishing, Printing and Recording	8	5.0
Petroleum and Chemicals	8	5.0
Rubber and Plastics	9	5.6
Machinery and Equipment	8	5.0
Electrical and Electronics	5	3.1

Transportation Accessories	4	2.5
Kitchen and Toiletries	7	4.3
Other	5	3.1
<b>Education</b>		
Less than 15 years	2	2.4
15 years	12	7.5
16 years	18	11.2
17 years	17	10.6
18 years or over	110	68.3
<b>Position</b>		
Founder	20	12.4
Owner	53	32.9
Manager	88	54.7
<b>Total</b>	<b>161</b>	<b>100.0</b>

The number of SMEs in the analysis ( $n = 161$ ) represents the varying Fijian industries actively engaged in internationalization. They are predominately in the food & beverage and clothing & textile industries. Table 4.2 also highlights the total number of education years obtained by the entrepreneurs/managers as well as the positions held by the participants. The sample firms varied across several characteristics.

**Table 4.3 Partial Correlation Matrix**

Control Variables		1	2	3	4	5	6	7
-none- <sup>a</sup>	1.Internationalization	1.000						
	2.Innovation	-0.132	1.000					
	3.Proactiveness	-0.243	0.461	1.000				
	4.Risk	0.124	-0.219	-0.085	1.000			
	5.Experience	0.008	0.214	0.185	-0.082	1.000		
	6.Management Competence	0.507	-0.050	-0.073	0.221	-0.198	1.000	
	7.Institutions	0.395	-0.226	-0.321	0.099	-0.069	0.319	1.000
Management Competence & Institutions	1.Internationalization	1.000						
	2.Innovation	-0.064	1.000					
	3.Proactiveness	-0.164	0.421	1.000				
	4.Risk	0.005	-0.212	-0.064	1.000			
	5.Experience	0.136	0.212	0.182	-0.039	1.000		
a. Cells contain zero-order (Pearson) correlations.								

$p < 0.0005$

A partial correlation test was run to measure the strength and direction of the relationship between EO and internationalization while controlling the statistics for management competence and institutions. The first half of Table 4.3 indicates a normal Pearson correlation matrix between the independent variable (EO) and the dependent variable

(internationalization), without controlling the moderator variables (management competence and institutions). The bottom half of Table 4.3 shows the Pearson correlation matrix with the controlling variables of management competence and institutions. The new partial correlation is -0.064, -0.164, 0.005, 0.136. The results show a negative correlation between innovation and internationalization. As such, very higher levels of innovation are associated with lower levels of internationalization ( $r = -0.064$ ,  $n = 161$ ,  $p < .0005$ ) after controlling for the moderators (institutions and management competence). There is also a negative correlation between internationalization and proactiveness, with very higher levels of proactiveness resulting in lower levels of internationalization ( $r = -0.164$ ,  $n = 161$ ,  $p < .0005$ ). An inspection of zero-order correlation suggests that controlling for management competence and institutions had a moderate effect on the strength of the observed relationship between EO (innovation, proactiveness, risk and experience) and internationalization.

#### 4.4.1 Regression

This study adopted hierarchical multiple regression analysis in order to measure the effects of a moderating variable. The interaction effect between the *IV* (*Independent Variable – Enterprenerial Orientation*) and the *M* (*Moderator – Institutions and Management Competence*) is observed, along with whether the effect is significant in predicting the *DV* (*Dependent Variable – Internationalization*). Thus, institutions and management competence (moderating variables) are analyzed along with the entrepreneurial orientation (independent variables) of SMEs (innovation, proactivity, risk, and experience). Moderation regression predicts that increasing the moderator will increase the effect of the *IV* on *DV*, or that increasing the moderator will decrease the effect of the predictor on the outcome, or that the moderator will reverse the effect of the predictor on the outcome.

## Regression Tables

<b>Table 4.4: Model Summary (Institution * Innovation)</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.397 <sup>a</sup>	0.158	0.147	0.58219	0.158	14.805	2	158	0.000
2	.436 <sup>b</sup>	0.190	0.174	0.57279	0.032	6.226	1	157	0.014
a. Predictors: (Constant), Zscore(Institutions), Zscore(Innovation)									
b. Predictors: (Constant), Zscore(Institutions), Zscore(Innovation), ModeratorH1a									
c. Dependent Variable: Internationalization									

<b>Table 4.4a: ANOVA<sup>a</sup> (Institution * Innovation)</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.036	2	5.018	14.805	.000 <sup>b</sup>
	Residual	53.553	158	0.339		
	Total	63.589	160			
2	Regression	12.079	3	4.026	12.272	.000 <sup>c</sup>
	Residual	51.510	157	0.328		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(Institutions), Zscore(Innovation)						
c. Predictors: (Constant), Zscore(Institutions), Zscore(Innovation), ModeratorH1a						

Table 4.4b: Coefficients (Institution * Innovation)											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.143	0.046		68.497	0.000					
	Zscore (Innovation)	-0.028	0.047	-0.045	-0.594	0.553	-0.132	-0.047	-0.043	0.949	1.054
	Zscore (Institutions)	0.243	0.047	0.385	5.135	0.000	0.395	0.378	0.375	0.949	1.054
2	(Constant)	3.120	0.046		67.666	0.000					
	Zscore (Innovation)	-0.010	0.047	-0.016	-0.208	0.836	-0.132	-0.017	-0.015	0.926	1.080
	Zscore (Institutions)	0.219	0.047	0.348	4.629	0.000	0.395	0.347	0.332	0.913	1.096
	ModeratorH1a	-0.104	0.042	-0.187	-2.495	0.014	-0.270	-0.195	-0.179	0.923	1.083
a. Dependent Variable: Internationalization											

<b>Table 4.4c Residuals Statistics<sup>a</sup></b>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.5441	4.6771	3.1429	0.27476	161
Residual	-1.27533	1.74434	0.00000	0.56740	161
Std. Predicted Value	-2.179	5.584	0.000	1.000	161
Std. Residual	-2.227	3.045	0.000	0.991	161
a. Dependent Variable: Internationalization					

The total variance explained by the model was 19.0% (Table 4.4),  $F(3,157) = 12.272$ ,  $p < .01$  (Table 4.4a). The control measures explained an additional 3.2% of the variance in

internationalization, after the moderation interaction variable,  $R^2 = 0.032$ , F change (1, 157) = 6.226,  $p < .05$  (Table 4.4). Even though the  $\beta$  coefficient is (-0.187), the moderator is statistically significant ( $p < .05$ , Table 4.4b). Consistent with the moderating result, we thus accept H1a: ‘SME innovativeness towards *internationalization* in Fiji is moderated by the *institutional environment at home*’.

Table 4.5: Model Summary <sup>c</sup> (Institution * Proactiveness)									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.414 <sup>a</sup>	0.171	0.160	0.57762	0.171	16.295	2	158	0.000
2	.423 <sup>b</sup>	0.179	0.163	0.57662	0.008	1.550	1	157	0.015
a. Predictors: (Constant), Zscore(Institutions), Zscore(Proactiveness)									
b. Predictors: (Constant), Zscore(Institutions), Zscore(Proactiveness), ModeratorH1b									
c. Dependent Variable: Internationalization									

Table 4.5a: ANOVA <sup>a</sup> (Institution * Proactiveness)						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.873	2	5.437	16.295	.000 <sup>b</sup>
	Residual	52.716	158	0.334		
	Total	63.589	160			
2	Regression	11.389	3	3.796	11.418	.000 <sup>c</sup>
	Residual	52.201	157	0.332		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(Institutions), Zscore(Proactiveness)						
c. Predictors: (Constant), Zscore(Institutions), Zscore(Proactiveness), ModeratorH1b						

Table 4.5b: Coefficients (Institution * Proactiveness)											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.407	0.730		1.928	0.056					
	Proactiveness	-0.167	0.099	-0.130	-1.693	0.092	-0.243	-0.134	-0.123	0.897	1.115
	Institutions	0.547	0.118	0.353	4.619	0.000	0.395	0.345	0.335	0.897	1.115
2	(Constant)	1.473	0.730		2.017	0.045					
	Proactiveness	-0.145	0.100	-0.112	-1.450	0.149	-0.243	-0.115	-0.105	0.869	1.151
	Institutions	0.509	0.122	0.328	4.162	0.000	0.395	0.315	0.301	0.839	1.191
	ModeratorH1b	-0.054	0.043	0.096	-1.245	0.015	-0.229	-0.099	-0.090	0.873	1.146
a. Dependent Variable: Internationalization											

Table 4.5c: Residuals Statistics <sup>a</sup>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.6807	4.2462	3.1429	0.26679	161
Residual	-1.43532	1.66303	0.00000	0.57119	161
Std. Predicted Value	-1.732	4.135	0.000	1.000	161
Std. Residual	-2.489	2.884	0.000	0.991	161
a. Dependent Variable: Internationalization					

There is a significant difference between proactivity \* institutions, with variance of 17.9% (Table 4.5)  $F(3,157) = 11.42$  (Table 4.5a),  $p < .01$ . The control measures explain an  $R^2$  change of .008,  $F(1, 157) = 1.55$  (Table 4.5). The adjusted  $R^2$  after moderation interaction has slightly increased from 16.0 to 16.3. The model is statistically significant ( $p$  is .000) in Table 4.5b, and the moderating effect ( $\beta = 0.096$ ) on the relationship is also significant ( $p < .05$ ). The results show that institutions are statistically significant and influence internationalization directly, it does also moderate the relationship between proactiveness and internationalization. Thus H1b, ‘SME proactiveness towards internationalization in Fiji is moderated by the institutional profile at home’, is supported.

Table 4.6: Model Summary (Institution * Risk)									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.404 <sup>a</sup>	0.163	0.153	0.58033	0.163	15.406	2	158	0.000
2	.420 <sup>b</sup>	0.176	0.160	0.57770	0.013	2.444	1	157	0.120
a. Predictors: (Constant), Zscore(Institutions), Zscore(Risk)									
b. Predictors: (Constant), Zscore(Institutions), Zscore(Risk), ModeratorH1c									
c. Dependent Variable: Internationalization									

Table 4.6a: ANOVA (Institution * Risk)						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.377	2	5.189	15.406	.000 <sup>b</sup>
	Residual	53.212	158	0.337		
	Total	63.589	160			
2	Regression	11.193	3	3.731	11.179	.000 <sup>c</sup>
	Residual	52.396	157	0.334		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(Institutions), Zscore(Risk)						
c. Predictors: (Constant), Zscore(Institutions), Zscore(Risk), ModeratorH1c						

Table 4.6b: Coefficients (Institution * Risk)											
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	0.155	0.568		0.272	0.786					
	Risk	0.127	0.109	0.086	1.170	0.244	0.124	0.093	0.085	0.990	1.010
	Institutions	0.598	0.113	0.386	5.284	0.000	0.395	0.388	0.385	0.990	1.010
2	(Constant)	0.194	0.566		0.342	0.733					
	Risk	0.127	0.108	0.085	1.170	0.244	0.124	0.093	0.085	0.990	1.010
	Institutions	0.588	0.113	0.380	5.208	0.000	0.395	0.384	0.377	0.987	1.013

	ModeratorH1c	0.071	0.045	0.113	1.563	0.120	0.137	0.124	0.113	0.997	1.003
a. Dependent Variable: Internationalization											

Table 4.6c: Residuals Statistics <sup>a</sup>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.4529	4.3544	3.1429	0.26449	161
Residual	-1.33509	1.66658	0.00000	0.57226	161
Std. Predicted Value	-2.609	4.581	0.000	1.000	161
Std. Residual	-2.311	2.885	0.000	0.991	161
a. Dependent Variable: Internationalization					

The moderating effect between risk \* institutions shows variance of 17.6% (Table 4.6),  $F(3, 157) = 11.18$  (Table 4.6a),  $p < .05$ .  $R^2$  change = .013 (Table 4.6),  $F$  change  $(1, 157) = 2.44$ . Although the  $\beta = 0.113$  (Table 4.6b) value of the moderator is positive, the moderation interaction remains statistically insignificant ( $p > .05$ ). While institution is statistically significant with internationalization, it does not have a moderating effect on the relationship between risk-taking and internationalization. Thus H1c, ‘SME *risk-taking* towards *internationalization* in Fiji is moderated by the *institutional profile at home*’, is not supported.

Table 4.7: Model Summary (Institution * Experience)									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.396 <sup>a</sup>	0.157	0.147	0.58240	0.157	14.737	2	158	0.000
2	.410 <sup>b</sup>	0.168	0.153	0.58035	0.011	2.117	1	157	0.148
a. Predictors: (Constant), Zscore(Institutions), Zscore(Experience)									
b. Predictors: (Constant), Zscore(Institutions), Zscore(Experience), ModeratorH1d									
c. Dependent Variable: Internationalization									

Table 4.7a: ANOVA (Institution * Experience)						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.997	2	4.999	14.737	.000 <sup>b</sup>
	Residual	53.592	158	0.339		
	Total	63.589	160			
2	Regression	10.710	3	3.570	10.599	.000 <sup>c</sup>
	Residual	52.879	157	0.337		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(Institutions), Zscore(Experience)						
c. Predictors: (Constant), Zscore(Institutions), Zscore(Experience), ModeratorH1d						

Table 4.7b: Coefficients (Institutions * Experience)											
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.143	0.046		68.472	0.000					
	Zscore(Experience)	0.022	0.046	0.036	0.487	0.627	0.008	0.039	0.036	0.995	1.005
	Zscore(Institutions)	0.251	0.046	0.397	5.428	0.000	0.395	0.396	0.396	0.995	1.005
2	(Constant)	3.138	0.046		68.444	0.000					
	Zscore(Experience)	0.029	0.046	0.047	0.637	0.525	0.008	0.051	0.046	0.985	1.016
	Zscore(Institutions)	0.233	0.047	0.370	4.913	0.000	0.395	0.365	0.358	0.934	1.071
	ModeratorH1d	-0.068	0.047	-0.110	-1.455	0.148	-0.199	-0.115	-0.106	0.925	1.081
a. Dependent Variable: Internationalization											

Table 4.7c: Residuals Statistics <sup>a</sup>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.4493	4.2242	3.1429	0.25872	161
Residual	-1.36982	1.64729	0.00000	0.57489	161
Std. Predicted Value	-2.681	4.180	0.000	1.000	161
Std. Residual	-2.360	2.838	0.000	0.991	161
a. Dependent Variable: Internationalization					

The variance of 16.8% in model 2 (Table 4.7) between experience \* institution shows the moderating effect, with an  $R^2$  change of .011. The adjusted  $R^2$  after the moderation interaction is 15.3% (Table 4.7). Even though the model is statistically significant (p is .000, Table 4.7a), the moderation interaction is statistically not significant ( $\beta$  -0.110,  $p > .01$ , Table 4.7b). Institutions directly affect internationalization, however they do not really moderate the relationship between EO and internationalization. Thus H1d, '*Experience of the entrepreneur and SME internationalization in Fiji is moderated by the institutional profile at home*', is not supported.

Table 4.8: Model Summary (Management Competence * Innovation)									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.518 <sup>a</sup>	0.268	0.259	0.54268	0.268	28.960	2	158	0.000
2	.567 <sup>b</sup>	0.322	0.309	0.52421	0.053	12.330	1	157	0.001
a. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Innovation)									
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Innovation), ModeratorH2a									
c. Dependent Variable: Internationalization									

Table 4.8a: ANOVA (Management Competence * Innovation)						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.058	2	8.529	28.960	.000 <sup>b</sup>
	Residual	46.532	158	0.295		

	Total	63.589	160			
2	Regression	20.446	3	6.815	24.801	.000 <sup>c</sup>
	Residual	43.144	157	0.275		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Innovation)						
c. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Innovation), ModeratorH2a						

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.143	0.043		73.484	0.000					
	Zscore(Innovation)	-0.067	0.043	-0.106	-1.561	0.121	-0.132	-0.123	-0.106	0.997	1.003
	Zscore(ManagementCompetence)	0.316	0.043	0.502	7.361	0.000	0.507	0.505	0.501	0.997	1.003
2	(Constant)	3.136	0.041		75.808	0.000					
	Zscore(Innovation)	-0.028	0.043	-0.045	-0.660	0.511	-0.132	-0.053	-0.043	0.932	1.073
	Zscore(ManagementCompetence)	0.230	0.048	0.365	4.777	0.000	0.507	0.356	0.314	0.740	1.352
	ModeratorH2a	-0.143	0.041	-0.277	-3.511	0.001	-0.472	-0.270	-0.231	0.696	1.436
a. Dependent Variable: Internationalization											

Table 4.8c: Residuals Statistics <sup>a</sup>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.1996	4.4889	3.1429	0.35747	161
Residual	-1.41837	1.58893	0.00000	0.51928	161
Std. Predicted Value	-2.639	3.766	0.000	1.000	161
Std. Residual	-2.706	3.031	0.000	0.991	161
a. Dependent Variable: Internationalization					

The moderation interaction between innovation \* MC accounts for significantly more variance than in Model 1. Model 2 (Table 4.8) shows variance of 32.2% and an  $R^2$  change of .053. The adjusted  $R^2$  has also increased from 25.9 to 30.9 (Table 4.8) after the moderations' interaction. The moderation model is also statistically significant:  $F(3, 157) = 24.801, p < .01$  (Table 4.8a). Even though the  $\beta$  coefficient is negative (-0.277, Table 4.8b) the moderation interaction remains statistically significant ( $p < .01$ ). Thus H2a 'SME innovativeness and internationalization in Fiji is moderated by *management competence*', is supported.

Table 4.9: Model Summary (Management Competence * Proactiveness)									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.547 <sup>a</sup>	0.300	0.291	0.53093	0.300	33.793	2	158	0.000
2	.560 <sup>b</sup>	0.314	0.301	0.52712	0.014	3.294	1	157	0.041
a. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Proactiveness)									
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Proactiveness), ModeratorH2b									
c. Dependent Variable: Internationalization									

Table 4.9a: ANOVA (Management Competence * Proactiveness)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.051	2	9.526	33.793	.000 <sup>b</sup>
	Residual	44.538	158	0.282		
	Total	63.589	160			
2	Regression	19.967	3	6.656	23.954	.000 <sup>c</sup>
	Residual	43.623	157	0.278		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Proactiveness)						
c. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Proactiveness), ModeratorH2b						

Table 4.9b: Coefficients (Management Competence * Proactiveness)											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.143	0.042		75.111	0.000					
	Zscore(Proactiveness)	-0.131	0.042	-0.207	-3.101	0.002	-0.243	-0.240	-0.206	0.995	1.005
	Zscore(ManagementCompetence)	0.310	0.042	0.492	7.367	0.000	0.507	0.506	0.490	0.995	1.005
2	(Constant)	3.138	0.042		75.352	0.000					
	Zscore(Proactiveness)	-0.120	0.042	-0.191	-2.849	0.005	-0.243	-0.222	-0.188	0.976	1.024
	Zscore(ManagementCompetence)	0.277	0.046	0.439	6.061	0.000	0.507	0.435	0.401	0.833	1.200
	ModeratorH2b	-0.071	0.039	0.133	-1.815	0.041	-0.341	-0.143	-0.120	0.818	1.222
a. Dependent Variable: Internationalization											

Table 4.9c: Residuals Statistics <sup>a</sup>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.5346	4.3645	3.1429	0.35326	161
Residual	-1.56872	1.47816	0.00000	0.52215	161
Std. Predicted Value	-1.722	3.458	0.000	1.000	161
Std. Residual	-2.976	2.804	0.000	0.991	161
a. Dependent Variable: Internationalization					

The moderation variance between proactivity \* MC is 31.4% in Model 2 (Table 4.9), which shows a potential moderation with an  $R^2$  change of .014. The model remains statistically significant (Table 4.9a). Similarly, the  $\beta$  (0.133, Table 4.9b) shows that moderation exist, and the moderation relationship between the two variables is also significant ( $p < .05$ ). Thus, we corroborate H2b ‘SME *proactiveness* and *internationalization* in Fiji is moderated by *management competence*’.

Table 4.10: Model Summary (Management Competence * Risk)									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change

1	.507 <sup>a</sup>	0.257	0.248	0.54680	0.257	27.341	2	158	0.000
2	.522 <sup>b</sup>	0.273	0.259	0.54264	0.016	3.432	1	157	0.066
a. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Risk)									
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Risk), ModeratorH2c									
c. Dependent Variable: Internationalization									

Table 4.10a: ANOVA (Management Competence * Risk)						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.349	2	8.175	27.341	.000 <sup>b</sup>
	Residual	47.240	158	0.299		
	Total	63.589	160			
2	Regression	17.360	3	5.787	19.652	.000 <sup>c</sup>
	Residual	46.229	157	0.294		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Risk)						
c. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Risk), ModeratorH2c						

Table 4.10b: Coefficients (Management Competence * Risk)											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.143	0.043		72.931	0.000					
	Zscore(Risk)	0.008	0.044	0.012	0.176	0.860	0.124	0.014	0.012	0.951	1.051
	Zscore(Management Competence)	0.318	0.044	0.504	7.171	0.000	0.507	0.496	0.492	0.951	1.051
2	(Constant)	3.127	0.044		71.682	0.000					
	Zscore(Risk)	0.001	0.044	0.001	0.014	0.989	0.124	0.001	0.001	0.944	1.060
	Zscore(ManagementCompetence)	0.297	0.045	0.471	6.533	0.000	0.507	0.462	0.445	0.892	1.121
	ModeratorH2c	0.073	0.039	0.132	1.853	0.066	0.260	0.146	0.126	0.918	1.089
a. Dependent Variable: Internationalization											

Table 4.10c: Residuals Statistics <sup>a</sup>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.4297	4.2163	3.1429	0.32939	161
Residual	-1.63332	1.48448	0.00000	0.53753	161
Std. Predicted Value	-2.165	3.259	0.000	1.000	161
Std. Residual	-3.010	2.736	0.000	0.991	161
a. Dependent Variable: Internationalization					

This regression test shows a moderation variance of 27.3 % between Risk \* MC in model 2 with Adjusted  $R^2$  25.9 (Table 4.10),  $F(3, 157) = 19.652$ ,  $p < .01$  (Table 4.10a) indicating that moderation exists. The positive  $\beta$  (.132) also indicates that moderation exists; however, the moderation interaction is statistically insignificant ( $p > .05$ ) (Table 4.10b). Thus H2c, ‘SME risk-taking and internationalization in Fiji is moderated by *management competence*’, is not supported.

<b>Table 4.11: Model Summary (Management Competence * Experience)</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.519 <sup>a</sup>	0.269	0.260	0.54231	0.269	29.110	2	158	0.000
2	.532 <sup>b</sup>	0.283	0.269	0.53897	0.014	2.963	1	157	0.087
a. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Experience)									
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Experience), ModeratorH2d									
c. Dependent Variable: Internationalization									

<b>Table 4.11a: ANOVA (Management Competence * Experience)</b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.122	2	8.561	29.110	.000 <sup>b</sup>
	Residual	46.467	158	0.294		
	Total	63.589	160			
2	Regression	17.983	3	5.994	20.635	.000 <sup>c</sup>
	Residual	45.607	157	0.290		
	Total	63.589	160			
a. Dependent Variable: Internationalization						
b. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Experience)						
c. Predictors: (Constant), Zscore(ManagementCompetence), Zscore(Experience), ModeratorH2d						

<b>Table 4.11b: Coefficients (Management Competence * Experience)</b>											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.143	0.043		73.535	0.000					
	Zscore(Experience)	0.071	0.044	0.113	1.631	0.105	0.008	0.129	0.111	0.961	1.041
	Zscore(ManagementCompetence)	0.334	0.044	0.529	7.629	0.000	0.507	0.519	0.519	0.961	1.041
2	(Constant)	3.129	0.043		72.449	0.000					
	Zscore(Experience)	0.092	0.045	0.146	2.039	0.043	0.008	0.161	0.138	0.893	1.120
	Zscore(ManagementCompetence)	0.322	0.044	0.510	7.302	0.000	0.507	0.504	0.494	0.936	1.068
	ModeratorH2d	-0.069	0.040	-0.123	-1.721	0.087	-0.186	-0.136	-0.116	0.889	1.125
a. Dependent Variable: Internationalization											

<b>Table 4.11c: Residuals Statistics<sup>a</sup></b>					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.2563	3.9955	3.1429	0.33525	161
Residual	-1.68363	1.35576	0.00000	0.53389	161
Std. Predicted Value	-2.644	2.543	0.000	1.000	161
Std. Residual	-3.124	2.515	0.000	0.991	161
a. Dependent Variable: Internationalization					

The moderation effect for experience \* MC accounts for 28.3% (Table 4.11) variance in model 2, adjusted  $R^2$  of 26.9 with an  $R^2$  change of .014. While the moderation model remains statistically significant –  $F(3, 157) = 20.64, p < .01$  (Table 4.11a) – the moderation relationship is statistically not significant ( $\beta = -0.123, p > .05$ ) in Table 4.11b. Thus H2d, ‘*Experience of the entrepreneur and SME internationalization in Fiji is moderated by management competence*’, is not supported.

The results indicate that management competency and institutions directly influence internationalization. This research confirms that management competence and institutional environment moderate the relationship between EO (proactiveness, innovation) and SME internationalization. The findings lead to partial acceptance of H1 and H2.

**Table 4.12 Pearson Correlation**

Variables	Internationalization	Innovation	Proactiveness	Risk	Experience
Internationalization	1				
Innovation	-0.132*	1			
Proactiveness	-.243**	.461**	1		
Risk	0.124	-.219**	-0.085	1	
Experience	0.008	.214**	.185*	-0.082	1
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

The relationship between EO and internationalization is further investigated using the Pearson product-moment correlation coefficient (Table 4.12). There is strong negative correlation between innovation and internationalization ( $r = -0.132^*$ ), and between proactivity and internationalization ( $r = -.243^{**}$ ). The negative correlation refers only to the direction of the relationship and not the strength (Pallant 2002). However, innovation and proactiveness is statistically significant ( $p < .05$ ). On the other hand, risk and internationalization are positively correlated ( $r = .124$ ) but the relationship is statistically insignificant. Thus, we conclude that high risk-taking can lead to de-internationalization. Entrepreneurs' experience and internationalization are positively correlated but the relationship is statistically insignificant. Thus, using Cohen's (1988) technique for determining the strength of a relationship, we see there is a small positive and negative correlation between *SME Internationalization* and the independent variable (EO), with proactiveness and innovation being statistically significant.

**Table 4.13 Multicollinearity (Independent Variables)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF

1	(Constant)	3.565	0.720		4.949	0.000	2.142	4.988					
	Innovation	-0.014	0.114	-0.211	-0.123	0.003	-0.240	0.212	-0.132	-0.010	-0.009	0.741	1.350
	Proactiveness	-0.310	0.113	-0.241	-2.757	0.007	-0.533	-0.088	-0.243	-0.216	-0.212	0.779	1.283
	Risk	0.158	0.118	0.106	1.343	0.181	-0.074	0.391	0.124	0.107	0.104	0.950	1.052
	Experience	0.078	0.098	0.064	0.804	0.422	-0.114	0.271	0.008	0.064	0.062	0.943	1.060
a. Dependent Variable: Internationalization													

The collinearity diagnostics on variables are also performed as part of the multiple regression procedure. We have used cut-off points for determining the presence of multicollinearity (tolerance value of less than .10, or a VIF (Variance Inflation Factor) value of above 10). In this research the tolerance value for each independent variable (Table 4.13) is not less than .10. Therefore, the study does not violate the multicollinearity assumption. This is further supported by VIF results of below 10.

Table 4.14: Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.271 <sup>a</sup>	0.074	0.050	0.61451
a. Predictors: (Constant), Experience, Risk, Proactivity, Innovation				
b. Dependent Variable: Internationalization				

Variance in the DV (*internationalization*) is explained by the  $R^2$ . In this case,  $R^2$  is .074 (Table 4.14). Thus, the model (innovation, proactiveness, risk and experience) explains 7.4% of the variance in internationalization (Table 4.14). The statistical significance is .017. The variable with the strongest unique contribution for internationalization (DV) is  $\beta = -0.241$  (largest value ignoring the negative sign). Thus  $\beta$  (-0.241), indicates that proactiveness is the strongest unique contributor to internationalization. Innovation is also strongly related to internationalization with  $\beta$  (-0.211). This is followed by experience ( $\beta = 0.064$ ), and risk ( $\beta = 0.106$ ). Proactiveness and innovation are statistically significant ( $p < .05$ ) and show a unique contribution to the prediction of the dependent variable. There is, however, no significant contribution to the prediction of the DV for risk or experience. Hence, we partially accept H3: '*The antecedents of entrepreneurial orientation are positively related to SME internationalization*'.

## 4.5 Discussion

There is previous literature on SME internationalization that identifies the motives for entrepreneurial orientation and factors driving SME internationalization from developing and developed nations (Zhang et al. 2016; Zhang, Ma & Wang 2012; Javalgi & Todd 2011; Todd & Javalgi 2007). However, testing the moderating role of management competence and institutions remains a new contribution to this area of study. This contribution is made possible through a refinement of existing models and an examination of the literature on entrepreneurial orientation. This paper thus makes an important contribution towards IE literature. This study moves away from the more often examined factors to understand the moderating impact of MC and institutions on the internationalization of SMEs in Fiji. Thus, it contributes to the discussion around SME internationalization as well as contributing greatly towards theory and policy development for the internationalization of SMEs in developing countries. It also contributes to the understanding of intuitional effects on international businesses. This is supported by the square change values in the H1 and H2 tables above, with significant *p* values (innovation and proactiveness). Similarly, the variance in the tables for H1a (Table 4.4), H1b (Table 4.5), H1c (Table 4.6) and H1d (Table 4.7), and in those for H2a (Table 4.8), H2b (Table 4.9), H2c (Table 4.10) and H2d (Table 4.11), shows potential moderation.

The parameters in our sample confirm that management competence and institutional distance moderate the strength of the relationship between EO (innovation and proactiveness) and the internationalization of Fiji-based SMEs. The multiple hierarchical regression analysis shows that institution and management competence are independently statistically significant with internationalization. This result concurs with previous studies on the barriers to internationalization, indicating the influence of institutional barriers and managers' lack of competency on SME internationalization (Arranz & De Arroyabe 2009; Kunday & Şengüler 2015; Senik, Isa, Scott-Ladd & Entrekin 2010; Ruzzier, Hisrich & Antoncic 2006).

The institutional environment shows a moderating variance on the strength of relationship between EO (innovation and proactiveness) and internationalization. Entrepreneurs' proactiveness in Fiji is hampered by institutional barriers such as government bureaucracies, lack of export incentives, lack of government support, increasing costs of doing business and the lack of government facilitation programs on internationalization. Previous studies show similar findings (Jonsson & Lindbergh 2010; Arranz & De Arroyabe 2009; Fillis 2002; Kahiya 2013). Earlier research has identified that emerging nations face institutional challenges to internationalization to a larger extent than developed nations, due to inadequate government regulation, lack of formal and informal institutions, and complex government bureaucracy (Al-Hyari, Al-Weshah & Alnsour 2012; Roy, Sekhar & Vyas 2016; Khanna & Palepu 2000). Entrepreneurs in emerging nations lack knowledge in this field, which makes international expansion even more challenging. Thus, this paper further contributes to the IE literature on emerging markets.

Studying the effects of moderation deepens our understanding of how these variables in developing countries impact SME proactivity, innovativeness, experience and risk-taking capacity when embarking on internationalization. SMEs in Fiji are challenged by a lack of managerial competency, and perceived risks by managers include a lack of international experience and exposure, insufficient education, and limited foreign language and market knowledge. These factors and their impacts on SME internationalization are well recognised in the literature. As a result, this weakens EO and the ability to take the risk of internationalization. There is a growing consensus that managerial capabilities play a significant role in SME internationalization, and support is required through extensive university educational programs (Volchek, Jantunen & Saarenketo 2013), and training and workshops for managers, to inspire international propensity (Gupta, Guo, Canevar, Yim, Sraw & Liu 2014). There is still a lack of evidence on how SMEs in emerging markets organize and make use of their valuable

competences. This study confirms that not all EO variables are equally significant in the internationalization process. There are potential trade-offs associated with sub-dimensions, and this conforms with previous literature on EO and SME internationalization. This paper contributes to international business literature on SME internationalization.

Literature shows that firms in developing markets have scarce resources that they use to pursue opportunities in the global market (Knight & Cavusgil 2004). Kowalik, Danik and Sikora (2017) argue that while EO is important in SME internationalization, it can hamper growth in the later phases. According to Ganotakis and Love (2012), different skill sets, and capabilities are required at varying phases to achieve higher degrees of internationalization. Thus, the degree of influence of the variables of EO on SMEs will differ throughout the business cycle, and not all firms will possess the same set of EO skills required to function effectively. Entrepreneurs in Fiji are reluctant to take risks due to the unstable business and political environment.

In this study, each sub-dimension is analyzed separately with internationalization, revealing that the proactivity of entrepreneurs is very strong and makes a unique contribution towards SME internationalization. This is followed by innovation, while risk and experience have a moderate influence on SME internationalization. Although, literature contains mixed results on EO and SME internationalization (Orengo 2012; Semrau, Ambos & Kraus 2016) and Colovic and Lamotte (2015) find that highly innovative firms have less impact on internationalization. This study confirms that not all EO variables will have the same level of contribution to the internationalization of SMEs.

#### **4.6 Conclusion**

This research proposes a fresh approach to literature by examining SME internationalization from a Fijian context. We advance the previous studies by observing the moderation interaction

between variables for Fiji-based SMEs, and our results specify that institutions and management competence moderate the relationship between EO (innovation and proactiveness) and internationalization. However, the moderation is not statistically significant for all EO (risk and experience) dimensions, and variance exists. This clearly coincides with previous literature, where lack of managerial competency and institutions hamper SME internationalization. Entrepreneurs should undergo training in order to improve their understanding of the international environment. At the same time, governments from emerging nations should realize the economic contributions of SMEs and create one-stop-shop resources to facilitate their international ventures. It is found that the ability of entrepreneurs to internationalize is impacted by difficulties in obtaining business licenses, the cost of doing business, law enforcement and political instability. It is extremely important that government agencies (Trade Department) support trade activities that connect Fiji with the rest of the world.

Moreover, it is important to note that the relationship between EO and internationalization differs at various stages of internationalization. Highly proactive entrepreneurs experience higher levels of success in the international market. It is worth noting that due to Fiji's volatile economic and political environment, managers are very reluctant to undertake risky ventures, which slows the internationalization process. This finding concurs with prior literature on the internationalization of SMEs in emerging nations. The results show that due to a lack of managerial skills and experience, firms are not highly innovative, further slowing the internationalization process.

#### **4.7 Managerial Implication**

This study contributes to the literature by exploring the variables in the conceptual model of SME internationalization in a Fijian context in several ways. It is important to realize the strength of EO, and small businesses with the capability to be more proactive can make their international ventures possible. At the same time, firms need to undergo extensive training to

build on managerial capabilities, and to further assist entrepreneurs with the selection criteria during the hiring process of managers. Experienced managers bring with them novel and creative ideas that can foster SME internationalization.

At the same time, institutional barriers must be reduced. There is a clear need in Fiji for well-designed national policies to aid exporters, including export enticements. Policy makers should assist SMEs to launch their products in foreign trade shows, to stimulate internationalization. The NCSMED (National Centre for Small and Medium Enterprise Development) in Fiji should take an active role in entrepreneurial development, policy development, lobbying for approval of incentives, and assisting the SME sector to receive government subsidies. To circumvent the shortfall of knowledge and skills, the NCSMED should develop training programs to improve the skills of entrepreneurs. Trade agencies in Fiji (Investment Fiji) can help SMEs in providing end-to-end solutions, such as obtaining regulatory clearance (FRCA), promotions, CRM, distribution, business insurance and marketing. There is an opportunity for knowledge development by the NCSMED to assist SMEs in Fiji to reduce the risk and absorb excess capacity by operating in multiple international markets.

The management competence of SMEs could be improved further by attending export seminars on international business and product development, including international trade shows. Entrepreneurs in Fiji can also engage with business incubators to identify international market opportunities. Developing a positive attitude and being proactive towards international business is important. Fiji is one of the largest countries in the South Pacific region and targeting neighbouring countries prior to venturing into distant markets may allow SMEs to exploit their core competencies competitively. SMEs from emerging nations should also invest in insurance protection to cater for the losses that might be incurred in the international market.

#### **4.8 Limitations and Future Research**

From the methodological point of view this study includes firms from various industries (food & beverage, clothing & textiles, wood & furniture, paper & stationaries, rubber & plastics, petroleum & chemicals), and they are unlikely to be entirely representative. More than half the business population in Fiji consists of SMEs, and thus there may be some generalizations, given the sample size of 161. Fiji is a developing country and offers an abundance of resources for internationalization. Future research should focus on SMEs' international diversification, and towards understanding the performance drivers of SMEs in Fiji. Moreover, future study should also focus on understanding the internationalization of different countries located in the South Pacific Region (SPR). There is also scope to study Fiji's institutional environment for SME internationalization.

## 4.9 References

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## **5. Conclusion and Implications**

The purpose of this research was to evaluate the internationalization of Fijian based SMEs and further analyze these challenges by adopting a mix methodology approach. This incorporated a synthesis of the topic ‘Internationalization of SMEs’, followed by a qualitative and quantitative study. The single chapters in this thesis contain studies in journal article format which address shortcomings and contribute to closing prevailing research gaps identified in the literature. While each study outlines its own contribution and implications, this present chapter will provide an overarching conclusion. The results presented in this study aim to contribute to the international business literature on the internationalization of small businesses, especially SMEs from emerging economies and specifically from small island nations – Fiji.

The study identifies the challenges and barriers faced by internationalizing SMEs from a small island nation (Fiji). A systematic review was carried out to understand the scope of literature available on the topic and potential gaps. A synthesis of the literature helped to explain how theories are applied to international business and what factors affect SME internationalization from developed and developing regions. This synthesis shows that the internationalization of SMEs in small island nations differs from those in developed nations. For the case of island nations, smallness and resource constraints invariably impact the ability of SMEs to interact with the international market (Kyvik, Saris, Bonet and Felicio 2013). Due to limited growth potentials in the domestic market, firms are motivated to internationalize. The internationalization of SMEs is seen as a prerequisite for the sustainability and growth of emerging nations and is a primary agenda for government and policy makers. SMEs depend on home institutions to offer financial assistance, market information, and provide support with regards to securing relevant business licenses (Narooz and Child 2017).

Globalization has offered opportunities for SMEs to internationalize in both mature and emerging markets. However, the frameworks used in Study 1 highlight the common barriers to internationalization (Fernández-Ortiz and Lombardo 2009; Hessels and Parker 2013; Cardoza and Fornes 2011; Felício, Caldeirinha and Rodrigues 2012; Arranz and Arroyabe 2009; Oura, Zilber and Lopes 2016; Kyvik et al. 2013). Common challenges to SME internationalization include: scarcity of resources, absence of international orientation, lack of decision making inertia, limited domestic and overseas political ties, lack of international experience, entrepreneurial orientation of managers, use of inappropriate strategy, attitudes, foreign language and cultural barriers (Zucchella, Palamara and Denicolai 2007; Chetty, Johanson and Martín 2014; Giovannetti, Ricchiuti and Velucchi 2011; Bijmolt and Zwart 1994; Love and Roper 2015; Manolova, Brush, Edelman and Greene 2002; Stoian, Rialp and Rialp 2011). These challenges create barriers for SMEs and hinder their ability to internationalize quickly.

Theoretical models such as the eclectic paradigm, Uppsala model, network approach and INVs contribute to our understanding of internationalization, and further informed the framework developed in this study. The *eclectic paradigm* (Dunning 1988; Johanson and Vahlne 1977) points to regional expansion as an antecedent to global expansion, and notes that international marketing decisions are based on transaction costs. Henceforth an increase in transaction costs leads to the de-internationalization of firms in most economies. Although, trade liberation, deregulation and access to previously restricted markets have made international expansion easier for firms. The *Uppsala model* assumes that firms internationalize in an incremental and orderly manner, based on knowledge and experience (Johanson and Vahlne 1977). Internationalization under the Uppsala Model is explained by psychic distance, where firms will first expand to physically closer markets and then enter distant markets, thus allowing them to use acquired knowledge and experience. This stage theory has been supported by many nations (USA, Japan, Australia), where firms incrementally internationalize, using export in and ad-hoc manner. Turnbull (1987) explains the *network approach*, where firms develop

relationships with suppliers, customers and distributors in the supply chain which is lasting and competitive. The strength of the relationship with suppliers and customers helps to decide which countries to enter and which segments to serve and supply (Cunningham 1986). Our findings show that SMEs use connections and a web of network relationships to mitigate various institutional obstacles in the international business environment. *INVs* are international from inception and achieve competitive advantage by selling in multiple countries (Oviatt and McDougall 1994). They gained momentum in late 1970s and are a product of creativity and network relationships with overseas counterparts. Previous literature shows that *INVs* sell outputs for which competition is not standardised, and acquire foreign assets prior to exporting (Jolly, Alahuhta and Jeannet 1992; McDougall, Shane and Oviatt 1994). *INVs* are thus more attentive to international opportunities.

Despite the growing prominence of SME contribution to poverty alleviation, job creation, and innovation diffusion, SMEs in developing countries face several hurdles while internationalizing which are unique and different to SMEs from developed countries. These factors include: human capital (knowledge, skills, abilities and competencies), resource poverty, size, product, location, procedures, currency barriers, government barriers, socio-cultural factors, market conditions, and managerial capabilities. These unique factors limit an entrepreneurs' ability and propensity to internationalize. These explicit constraints should be mitigated through support available from government institutions in their home country.

Study II identifies the lack of research conducted on SME internationalization from Pacific Island nations. The qualitative study for this thesis employed four face-to-face interviews with Fijian based SMEs. The purpose was to strengthen our knowledge on the challenges of internationalization for Fijian SMEs, through understanding the relationship between the identified variables (EO, ID, and MC) and develop a theoretical framework to understand the stumbling blocks faced by SMEs in the Pacific island country of Fiji. SMEs from Clothing and

Textiles, Beauty and Cosmetics, and Food and Beverage industries were chosen, as SMEs in other sectors have low involvement in international trade. Importantly, study II compensates for the absence of theoretic frameworks in the area of IE in Pacific Island nations, in response to a call for developing such useful tools (Keupp and Gassmann 2009; Terjesen, Hessels and Li 2016; Paul, Parthasarathy and Gupta 2017). We attempted to fill this gap by developing a conceptual framework and determining the factors for success/failure of SME internationalization. This new framework is based on a multi-dimensional approach which encompasses the impact of EO, MC, and ID on the internationalization of SMEs. The framework presents the identified antecedents of entrepreneurial orientation for internationalization, and the moderators of management competence and institutional environment on the internationalization of SMEs in Fiji. The challenges identified include a lack of MC (knowledge, qualification, skills, and experience) and increasing ID (norms and regulations). The framework lays down the basis for further research in the international business and international entrepreneurship field.

Consequently, the aim of study III was to address the limitations in the above qualitative study, given the small sample size in both the number of interviews and industries selected, to enable greater generalization across the population. Study III employed an empirical research approach to examine how entrepreneurial orientation (EO) drives SME internationalization, and the moderating role of institutional environments and managerial competence. Hence for study III a quantitative method, using a questionnaire-based survey, was undertaken in Fiji and 250 firms were randomly selected from various industries. These industries are predominantly export based and from the main towns and cities of Fiji (Suva, Lautoka, Nadi and Ba). The parameters of the sample helped to confirm that management competence and institutional distance influences the strength of relationship between EO and internationalization of Fijian based SMEs. The findings support previous results by Arranz and De Arroyabe (2009) Fillis (2002) and Kahiya (2013), where lack of managerial competencies and undeveloped institutional

environments impede SME internationalization. The strength of the relationship between EO dimensions correlates with internationalization, indicating that EO does have an impact on SME internationalization in Fiji. Li, Wei and Liu (2010), and Zhang, Ma and Wang (2012) show similar findings.

## **5.1 Theoretical Contribution**

This research confirms that the proactive nature of entrepreneurs influences the decision of SMEs to internationalize their operations. This encourages firms to apply their scarce resources and exploit new market opportunities to achieve a higher degree of internationalization (Dai et al. 2014; Calof and Beamish 1995). The path to internationalization varies significantly for SMEs from emerging nations, and prior studies add that there are several factors affecting this (Duarte Alonso et al. 2014; Kahiya and Dean 2016). This study contributes empirically to the literature by analyzing how an underdeveloped institutional environment affects SMEs from small island nations and their ability for international expansion. Findings of this research confirm that the level in which institutional environments are developed can either facilitate or hinder small firm internationalization. It thus contributes to the international business and international entrepreneurship literature.

It is important to embrace an ‘institutions based view’ (formal and informal) and the impact of ‘enforcement mechanism’ on the internationalization of SMEs from developing economies. A lack of knowledge, resources, cumbersome procedures and exogenous barriers precludes SMEs international expansion from developing countries. The findings add to the stage theory ‘Uppsala model’ by indicating why and how firms increase their international commitment after gaining experience from regional expansion. The effect of exports is nuanced by the geographical distance of markets. Fijian SMEs use exports as their main strategy for selling products to neighboring markets (NZ, Australia, PNG, Tonga, Vanuatu, Samoa, Tuvalu, Marshall Islands, Kiribati, Cook Islands and Solomon Islands) prior to expanding to distant

markets. Moreover, the empirical findings of this research contribute to the ‘resource based view’ literature, by inspecting how managerial competencies and experienced human resources influence SME international growth. Resource based factors encourage owner-managed SMEs to enter export markets (Westhead, Wright and Ucbasaran 2001; Knight and Cavusgil 2004; Bell, Crick and Young 2004). Experienced entrepreneurs can internationalize their venture earlier than those entrepreneurs with less experience.

The results of this study further contribute to the extant literature on Network theory, whereby the findings from the qualitative study reveal that firms can internationalize early by using several types of network clusters, procuring information on international opportunities. Network theory informs the significant role of network clusters in developing economies towards SME internationalization. The study discloses that it is important to advance network positions in international markets. The domestic network is used as a web to access the outside world (Johanson and Mattson 1988). Prior research confirms that SMEs which do not develop essential international networking competences are at risk of losing control over the value chain and ongoing processes (Hirsch-Kreinsen 2002). IE scholars should embrace networking as an important dimension as it facilitates internationalization to a greater extent in small island nations. Smaller firms may experience power asymmetry and the connections with networks and intermediaries assists in gaining access to information, resources and other strategic support (Child and Rodrigues 2011; Harris, Rae and Misner 2012).

## **5.2 Practical Implication**

The results of this thesis provide important implications for managers with regards to internationalization. Trade institutions and government statutory bodies should create awareness and encourage managers/entrepreneurs to take part in expositions such as trade shows, which encourages SMEs to promote themselves. Trade shows can influence buyers and build lasting relationships and can play a strategic role in creating and developing international

networks for competitive advantage. Additionally, SME owner/managers should embrace the importance of building networks and engage in active information acquisition to develop effective marketing strategies. There lies massive potential for Fijian based SMEs to engage in international markets, and a proactive approach can facilitate access to these lucrative markets. SMEs in Fiji need to be educated so that they can understand the significance of developing appropriate strategies for internationalization. This research encourages SMEs to induce entrepreneurial capabilities that provide greater productivity and performance and can help to overcome internationalization barriers. The present findings indicate that it is useful for SMEs to reassess the vitality of entrepreneurial orientation within their firm. They should take into consideration the country's institutional context when formulating strategies for international expansion. Managers should be educated and well informed to decide whether to choose equity or non-equity-based entry modes. It is extremely important that SME owner/managers are well versed with institutional risks so that they can easily mitigate those risks during international expansion.

### **5.3 Concluding Remark**

Internationalization allows firms to explore and exploit the differentiated world business environment, and we add to this knowledge by investigating the internationalization of SMEs from the Pacific Island nation of Fiji. SMEs in developing countries internationalize in an ad hoc manner using export as a primary expansion strategy. Entrepreneurially orientated firms have a stronger motivation to take part in exporting activities. The results show that EO and the SME internationalization relationship is moderated by the local institutional environment and management competencies. We can conclude that the ability of SMEs to internationalize is influenced by the acquired level of competencies and skills of human resources which assists in their ability to respond to the conditions that might occur during international expansion.

Our study shows that the institutional environment in Fiji poses many risks to internationalizing SMEs, thus we recommend that government agencies should effectively promote entrepreneurial development through providing necessary resources, particularly when these are made available under the terms of clear universalistic rules. We contribute to the research area by testing the moderating role of management competence and institutional environments. This remains a new contribution to this area of study and offers a new framework to SME internationalization in Fiji. The findings confirm that management competence and institutional environments influence the strength of relationship between entrepreneurial orientation and the internationalization of SMEs in Fiji.

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## 7. Appendices

### Ethics Approval Letter

To: Meena Chavan

Cc: Nikola Balhave; Rob Jack; Ashna Chandra

Inbox

Dear Doctor Chavan,

RE: 'Internationalisation of Small and Medium Enterprises (SMEs) in Pacific Island Country – Fiji Is it Institutional Factors or Management Competence that is Impeding the International Performance of SMEs in Fiji?' (Ref: 5201600881)

The above application was reviewed by the Faculty of Business & Economics Human Research Ethics Sub Committee. Approval of the above application is granted, effective "27/3/2017". This email constitutes ethical approval only.

This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site:

<http://www.nhmrc.gov.au/files/nhmrc/publications/attachments/e72.pdf>.

The following personnel are authorised to conduct this research:

Doctor Meena Chavan  
Doctor Robert Jack  
Mrs Ashna Ashwini Chandra

NB. STUDENTS: IT IS YOUR RESPONSIBILITY TO KEEP A COPY OF THIS APPROVAL EMAIL TO SUBMIT WITH YOUR THESIS.

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).
2. Approval will be for a period of five (5) years subject to the provision of annual reports.

Progress Report 1 Due: 27th March 2018  
Progress Report 2 Due: 27th March 2019  
Progress Report 3 Due: 27th March 2020  
Progress Report 4 Due: 27th March 2021  
Final Report Due: 27th March 2022

NB. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:  
[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/forms](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms)

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).
4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:



5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at the following websites:

<http://www.mq.edu.au/policy/>

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/policy](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy)

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of approval to an external organisation as evidence that you have approval, please do not hesitate to contact the FBE Ethics Committee Secretariat, via [fbe-ethics@mq.edu.au](mailto:fbe-ethics@mq.edu.au) or 9850 4826.

Please retain a copy of this email as this is your official notification of ethics approval.

Yours sincerely,

Dr. Nikola Balhave  
Chair, Faculty of Business and Economics Ethics Sub-Committee

FBE Ethics Secretariat

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## **Semi-Structured Interview Guide**

### **Introduction and “warm up” questions**

- a. Thank participant for agreeing to participate.
- b. Ask if there are any questions regarding the Interview meeting before we start.
- c. Give outline of the meeting: remind participant that interview will be audio-recorded to facilitate more accurate transcribing.
- d. Ask if there are any questions regarding the Information and Consent Form sent earlier. Ask participants to sign Consent Form.

### **Section A**

#### **Information on the company and business**

1. Starting statement: Think back to the time you started this business:

- When was that? \_\_\_\_\_
- What were your goals then? \_\_\_\_\_  
\_\_\_\_\_
- Was one of your goals to internationalise? \_\_\_\_\_  
\_\_\_\_\_
- Were you guided by a mission or vision? \_\_\_\_\_  
\_\_\_\_\_
- Please describe your current Product or Service?  
\_\_\_\_\_  
\_\_\_\_\_

### **Section B**

#### **Information on Entrepreneurial Orientation Dimensions**

1. Has your company marketed many new lines of products or services in the last 5 years?

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2. If “Yes” name few of those product and to which market segments did it cater for?

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3. How do managers in your firm emphasize on Research and Development (R&D), technological leadership, and innovations?

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4. While dealing with competitors, how does your company initiate competitive actions?

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5. Explain the proactive strategies of your organization to deal with competition?

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6. Do managers in your firm have a strong tendency for high-risk projects? If yes, please describe them?

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7. How do you think your firm has propensity to creatively support and initiate new ideas?

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8. Why do you think it is important for your firm to plan for long-term investment?

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9. How is your firm able to control costs in: (a) production, (b) marketing, (c) human resource and (d) administration?

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10. Businesses operate in uncertain environments. In such an uncertain environment and decision-making situations, does your firm typically adopt a bold, or an aggressive position in order to maximize the probability of exploiting potential opportunities?

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11. How has your previous work experience contributed towards firm's performance?

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12. Businesses operate in uncertain environment. When confronted with external uncertainty, does your firm adopts a cautious “wait and see” posture in order to minimize costly mistakes? If so, how

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13. Do you think less work experience contributes to firm’s failure? Describe a situation

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14. Why do you think recruiting people with the right skill set is important for firm’s success?

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15. How is the firm able to meet the international quality requirement such as ISO certification?

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16. Why do you think it can take an unreasonably long time to get established in the international market?

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17. How does your firm allocate budgets and resources towards achieving firm’s competitive position

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18. As an entrepreneur, how satisfied are you with the firm's sale growth over last 5 years?

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19. Which geographical markets have the firm tried to enter at a regional or international level?

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20. Can you explain some of the challenges that have hampered your business when trying to internationalize?

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21. Please explain what strategies your firm have used to internationalize?

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22. How fast did the internationalization occur?

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23. Describe the marketing strategies used by your firm to promote its brand and product?

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**Section C**  
**Institutions**

1. What are your views on doing business in Fiji?

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2. What is the level of Fiji Government's support towards enabling SME's to internationalize?

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3. What are the procedures entrepreneurs need to go through when obtaining a business license in Fiji?

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4. How does your firm comply with home and host countries Labor regulations?

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5. How does your firm comply with the occupational health and safety standards?

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6. Do you think regulations of doing business in host and home Countries impose significant a burden on your business?

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7. What is the relation between uncertainty avoidance and innovation in your firm?

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8. How does host country culture affect your choice of entry mode?

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9. Is culture associated with top executive commitment to the strategy status quo?

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10. Are your firm's Cultural values associated with a preference for cooperative strategies?

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11. Why do you think it is important for entrepreneurs to have an opportunity for high earnings and to have opportunity for skill development?

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**Thank you for taking the time for the interview. Your assistance is very much appreciated. Do you have any other information or comments that you would like to make?**

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**Thank You**

Ashna Ashwini Chandra  
Department of Marketing and Management  
Faculty of Business and Economics  
Macquarie University  
NSW 2109  
Australia

## *Internationalization of SMEs in Fiji*

*You are invited to participate in a study which investigates the impact of entrepreneurial orientation on the international performance of SMEs in Fiji.*

*The study is being conducted by Ashna Ashwini Chandra [Department of Marketing and Management, Macquarie University, NSW, Australia, ashna.chandra@students.mq.edu.au, Ph: [(614) 14430311]. It is being conducted to meet the requirements of Doctor of Philosophy in Marketing and Management under the supervision of Dr Meena Chavan [meena.chavan@mq.edu.au, Ph: (614) 18971952] and Dr Rob Jack [rob.jack@mq.edu.au] of the Department of Marketing and Management, Macquarie University.*

### **Section 1**

#### **YOUR PERSONAL PROFILE**

**Please respond to the following questions so that a profile for respondents can be developed.**

<b>1.</b>	<b>Are you:</b> Male <input type="checkbox"/> Female <input type="checkbox"/>
<b>2.</b>	<b>How old are you?</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Under 20 years      20-24      25-29      30-34      35-39      40-49      50-59      60 or over
<b>3.</b>	<b>In total, how many years of formal education (primary, secondary and tertiary) did you complete?</b>  <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Less than 15 years      15 years      16 years      17 years      18 years or over
<b>4.</b>	<b>In which country did you complete your:</b> <b>Primary education</b> _____ <b>Secondary education</b> _____ <b>Tertiary education</b> _____
<b>5.</b>	<b>What is your current position in your firm?</b> <input type="checkbox"/> Founder/Co-founder <input type="checkbox"/> Owner-manager (Executive director, shareholder) <input type="checkbox"/> Professional Manager (e.g. employed without ownership interest)

6.	<b>Your organisation is in the business of</b>	
	<input type="checkbox"/> Food & Beverage <input type="checkbox"/> Textiles, garments & fashions <input type="checkbox"/> Wood & furniture <input type="checkbox"/> Paper & stationaries <input type="checkbox"/> Publishing, printing & recording <input type="checkbox"/> Petroleum & chemicals	<input type="checkbox"/> Rubber & plastics <input type="checkbox"/> Machinery & equipment's <input type="checkbox"/> Electrical & electronics <input type="checkbox"/> accessories <input type="checkbox"/> Transportation <input type="checkbox"/> Kitchenware & toiletries <input type="checkbox"/> Other (specify)_____
7.	<b>How long has your organisation been established?</b>	
	<input type="checkbox"/> Less than 3 years <input type="checkbox"/> 3 – 6 years <input type="checkbox"/> 7 – 10 years <input type="checkbox"/> 11-15 years <input type="checkbox"/> More than 15 years	
8.	<b>Currently, the total number of full-time employee in your organisation is</b>	
	<input type="checkbox"/> Less than 5 <input type="checkbox"/> 5-10 <input type="checkbox"/> 11-50 <input type="checkbox"/> 51-150 <input type="checkbox"/> More than 150	

## Section 2

### ENTREPRENEURIAL ORIENTATION

Please indicate how strongly you agree or disagree with each of the statements (Please circle one answer in each line across)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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<i>Innovativeness</i>	1	2	3	4	5
Company has marketed many new lines of products or services in the last 5 years	1	2	3	4	5
Changes in product or service have not been quite dramatic in the last 5 years	1	2	3	4	5
In general, top managers in my firm favour a strong emphasis on R&D, technological leadership, and innovations	1	2	3	4	5

<b><i>Proactiveness</i></b>					
In dealing with competitors, company initiates actions rather than responding to its major competitors	1	2	3	4	5
Firm is able to achieve expected performance in lowest possible cost manner	1	2	3	4	5
In dealing with competitors, firm is not often the first business to introduce new products/services, administrative techniques, operating technologies, etc	1	2	3	4	5
Facing competition, firm normally engages aggressive actions over the competitors	1	2	3	4	5
Top managers of my firm believe that it is best to explore new opportunities cautiously via “one step at a time” adjustments.	1	2	3	4	5
<b><i>Risk-taking</i></b>					
In general, the top managers at my firm have a strong tendency for high-risk projects (with chances of very high returns)	1	2	3	4	5
Top managers of my firm have a strong tendency for low risk projects (with normal rates of return).					
When confronted with decision-making situations involving uncertainty, my firm typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities	1	2	3	4	5

In order to achieve the firm's objectives, the impact of the business environment implies our firm to adopt strong and fearless measures	1	2	3	4	5
<b><i>Entrepreneurial Experience</i></b>					
Previous experience have strongly contributed towards firms performance	1	2	3	4	5
Greater experience contributes to greater success	1	2	3	4	5
Less experience contributes to firms failure	1	2	3	4	5
When confronted with external uncertainty, my firm adopts a cautious "wait and see" posture in order to minimise costly mistakes	1	2	3	4	5

### Section 3

#### MANAGEMENT COMPETENCY

<b>Please indicate how strongly you agree or disagree with each of the statements (Please circle one answer in each line across)</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewh at Disagree</b>	<b>Neutral</b>	<b>Somewh at Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
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Firm is able to meet the budget objectives	1	2	3	4	5	6	7
Firm is able to recruit staff with right skills for the jobs	1	2	3	4	5	6	7
Firm is able to meet major deadlines requested by customers	1	2	3	4	5	6	7
Firm is able to meet the international quality requirements	1	2	3	4	5	6	7
Firm is reliable in product quality, delivery, and communication	1	2	3	4	5	6	7
Firm is able to control costs in production, marketing, human resource, and administration	1	2	3	4	5	6	7
Firm is able to achieve expected performace in lowest possible cost manner	1	2	3	4	5	6	7
The sales turnover of firm improves by 10% over the last 2 years	1	2	3	4	5	6	7

As a enterprenuer I'am staisfied with firms sales growth rate	1	2	3	4	5	6	7
Net profit of the firm improves by 10% over the last 2 years	1	2	3	4	5	6	7
Satisfied with the profit return of the firms investment	1	2	3	4	5	6	7
Firms easily finds access to start-up capital	1	2	3	4	5	6	7
It is fairly easy to obtain financial assiatnce from non-bank financial sources	1	2	3	4	5	6	7
Firm is more innovative and is thus able to rapidly gain competitive advantages by exporting to international markets	1	2	3	4	5	6	7
Firm do not possess sufficient resources to undertake even a low resource entry strategy such as exporting	1	2	3	4	5	6	7
Firm takes unreasonably long to get established in the international market as the owners/managers have to use their own savings to set up their firms and eventually internationalise	1	2	3	4	5	6	7
Firm have at their disposal sufficient resources to undertake export activity	1	2	3	4	5	6	7

Firm tend to exploit opportunities outside their domestic markets and such exploitation yield performance differentials in activities such as entering new markets, increased market share and increased customer satisfaction	1	2	3	4	5	6	7
Firm uses innovative marketing techniques to achieve superior marketplace performance	1	2	3	4	5	6	7
Firms spent great deal of time studying their potential markets and have in-depth knowledge by the time they decided to internationalise	1	2	3	4	5	6	7
Firm need to be assisted by their governments as they venture into the international markets	1	2	3	4	5	6	7
Government's role is viewed as primarily facilitating trade relations between small firms and foreign countries	1	2	3	4	5	6	7
Firm find it challenging to market their products and at the same time deal with foreign government bureaucracies	1	2	3	4	5	6	7
Sentiments are consistent across the different internationalization patterns. As a result, some firms scaled down	1	2	3	4	5	6	7

their international participation as the local market seemed more lucrative							
There was no incentive, because the firms in developed countries get export rebates	1	2	3	4	5	6	7
Firms performance is not dependent on the time they took to internationalise	1	2	3	4	5	6	7

## Section 4

### SME PERFORMANCE

<b>Relative to your principle competitors, rate your firm's performance over the last three years on:</b>	<b>Much Lower than</b>	<b>Lower than</b>	<b>Same as</b>	<b>Higher than</b>	<b>Much Higher than</b>
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Sales growth rates	1	2	3	4	5
Market Share	1	2	3	4	5
Profit growth before tax	1	2	3	4	5
Overall performance	1	2	3	4	5
Entering New Markets	1	2	3	4	5
Increased market share	1	2	3	4	5
Increased customer satisfaction	1	2	3	4	5

## SECTION 5

### INSTITUTIONS

<b>Please indicate how strongly you agree or disagree with each of the statements (Please circle one answer in each line across)</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewh at Disagree</b>	<b>Neutral</b>	<b>Somewh at Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
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Culture affect your choice of entry mode	1	2	3	4	5	6	7
It is important for culture to be associated with top executive commitment to the strategy status quo	1	2	3	4	5	6	7
Cultral values should be associated with preference for cooperative stratgey	1	2	3	4	5	6	7
High uncertainiy avoidance affect the level of innovation for enterprenuers	1	2	3	4	5	6	7
It is fairly very easy to do business in Fiji	1	2	3	4	5	6	7
Institutions in Fiji are very well developed	1	2	3	4	5	6	7
It is relatively very easy for enterprenuers to obtain business licence in Fiji	1	2	3	4	5	6	7
Bribery is a common mean to fast track the bsuiness registration process	1	2	3	4	5	6	7
It is vital to comply with the labour regulation in Fiji	1	2	3	4	5	6	7

Lower uncertainty avoidance of firms in foreign countries provides tolerance for improvisational activities that help them to adapt to and perform more effectively	1	2	3	4	5	6	7
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**Thank you for taking the time to complete this instrument. Your assistance is very much appreciated. If you have any further comments, please provide them in the space provided.**

**Please ensure that you have answered every question. Missing questions will mean all of your responses are unusable.**

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**Thank you for your participation!**