



## Networking, Personality and Institutional Factors on SMEs Internationalization Process: A Literature-Based View

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### **Authors' contributions**

*This work was carried out in collaboration among all authors. Author TNR wrote the first draft of the paper. Author S read corrected and structured the paper. Author IM read corrected and structured the paper. All of authors read and approved the final manuscript.*

### **Article Information**

DOI: 10.9734/AJEBA/2021/v21i730397

#### Editor(s):

(1) Dr. Fang Xiang, University of International and Business Economics, China.

#### Reviewers:

(1) Wenzhen Mai, Universiti Teknologi Malaysia, Malaysia.

(2) Joshy K. J., Christ University, India.

Complete Peer review History: <http://www.sdiarticle4.com/review-history/68877>

**Mini-review Article**

**Received 16 March 2021**

**Accepted 21 May 2021**

**Published 26 May 2021**

### **ABSTRACT**

SMEs are one of the economic entities that form the backbone of the economy in many countries. SMEs contribute substantial GDP to the country and are one of the solutions for efforts to provide employment and economic performance. However, so far SMEs have only been able to serve the domestic market, even though they have great potential to enter the international market. Not many SMEs are brave and motivated to do pivot businesses by utilizing digital technology and the era of openness to expanding overseas markets. Some many factors are suspected to be the cause. Through the literature review method, this paper seeks to identify the factors that influence SMEs to go international, primarily from the point of view of individual factors and organizational factors. From the results of previous research conducted in many countries, it was found that the individual factors and organizational factors contributed significantly to the decision making of SMEs to Go International.

**Keywords:** SMEs; internationalization process; personality; institutional; networking.

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## 1. INTRODUCTION

SMEs are an important part of accelerating economic growth in many countries, both developing and developed countries. The major contribution of SMEs to the economies of emerging countries can be divided into two categories: first, there is an increasing number of SMEs, and second, they have had positive significant effects on developing national economies [1]. Its existence in the last decade can no longer be underestimated, especially when SMEs can prove themselves as economic entities capable of surviving the economic crisis around 1998. Governments in many countries have provided support for the development and expansion of these SMEs' businesses.

During the current pandemic, SMEs have been hit hard by the decline in people's purchasing power and restrictions on community activities, including limiting time for business operations. So then, all promotional and sales activities were shifted from offline to online. The data shows a significant growth in the number of online transactions made during the social and physical distancing period.

To reduce the widespread impact of the pandemic on the business sustainability of SMEs, governments in many countries have formulated various strategies, including encouraging SMEs to do business pivots, including applying digital technology in business processes, trying to enter the international market. When it comes to internationalization, SMEs in developing countries with weak institutional frameworks face enormous challenges [2].

Internationalization of SMEs certainly requires sufficient capabilities, both individual capabilities or personal owner and organizational capabilities. The number of studies conducted in various countries with a variety of research methods was determined, resulting in mixed conclusions about the role of individual owners and organizations in the internationalization process of SMEs. There is no holistic perspective that can be used as a key factor in identifying and formulating crucial factors that play a role in the internationalization process of SMEs in the context of the role of individuals and organizations. Through a systematic review method by examining the articles of many authors, from various countries, this paper seeks to find the key factors that influence the

internationalization process in the context of individuals and organizations. It is hoped that the key factor formulation can be used as an entry point in conducting research related to the theme of SMEs internationalization.

## 2. LITERATURE REVIEW

### 2.1 Internationalization of SMEs

One of the most hotly discussed subjects of contemporary international business studies is the internationalization of SMEs. As a result, evaluating critical success factors in SME internationalization adds to the body of knowledge in this field. The International business theory emphasizes a step-by-step approach that starts with meeting domestic market demand, then moves forward by exploring global markets and finally launching international operations [3]. The most important indicator of internationalization challenges was financial availability, followed by market access and the business climate [4]. Other threats could be linked to a company's lack of internationalization expertise or a lack of awareness of business cultures. Despite the threats and difficulties, businesses continue to grow into foreign markets for several reasons and motives [5].

There are several motivations to enter the international market, many studies are identified. The Government tariffs policy of import [6], opportunities to export product or services [7], the organization may wish to counterattack the competitors in their home markets [8]. If a business discovers that some foreign markets offer higher profit margins than its domestic market, it can expand internationally [9].

[10] stated that developed countries' SMEs' export output must be boosted by their respective governments in order to build an atmosphere that will stimulate small firms' competitiveness. This emphasizes the importance of policy prescriptions and implementation. Given the importance of SMEs, the government should intervene by providing SME exporters with easy lines of credit and allowing them to benefit from customs and other duty exemptions [4]. Interaction between SMEs and governments can also be a key factor in successful internationalization, particularly for firms in emerging and developed markets [11]. Finally, the internationalization process necessitates the mobilization of resources and competencies within the company.

## 2.2 Networks in the Perspectives of SMEs

Networking is critical and a path to success, according to a number of studies. SME progress in terms of starting, facilitating, and maintaining internationalization. Network theory of internationalization emphasizes intra- and interorganizational networks as an important internationalization process. The results indicate that SMEs rely heavily on social contact with foreign business partners to learn about the consumers and institutions in the foreign market as they go through the internationalization process [12]. Networks are essential for international operations and enable businesses to resolve the risk of being new and small. [13] and [14] Determine the three forms of networks. The organization network, which represents supporting government departments, is the first. The second group is the company associates, which include local and international SMEs as well as multinational corporations. Personal networks, which involve family, mates, and coworkers, are the third type of network. Networking plays an important role for SMEs in many ways. Smaller businesses in developing economies are expected to rely heavily on problematic institutions, so networking is expected to be especially relevant [15].

Firms can use networks to start, activate, and maintain their internationalization efforts. Networks can be viewed as a valuable asset that aids SMEs in overcoming resource limitations, such as a lack of knowledge and business insights, while attempting to internationalize. Small businesses benefit from networks because they can share risk, grow globally faster, and secure proprietary rights. [16]. The comparison of Egypt and the UK indicates that institutional agencies may help SMEs shape business-type network links, lowering transaction costs and lowering the perceived risk of internationalization. They assist SMEs in breaking into new global markets in this way [17]. Personal networking has played a key role in the early stages of SMEs' internationalization in Thailand. Trust is said to be the most important factor in forming a long-term network partnership. In the trusted network, "friendship" is regarded as the highest degree of partnership [18].

## 2.3 Personality and Institutional Factors

Although many factors affect how SMEs internationalize, much of the research has concentrated on the impact of entrepreneurs or manager's on the internationalization process.

Early internationalization determinants can be divided into three categories: managers' or founders' entrepreneurship and business orientation, organizational factors, and contextual factors relevant to the business climate [19]. First, about the personality factors. Managerial personality characteristics, mental abilities, and social networks have a direct effect on a company's foreign behavior [20]. CEO psychological characteristics have been identified as particularly important. According to the findings of the report of the study in Ghana's SMEs, when domestic competition is fierce, the strength of a CEO's promotion focus as a driver of internationalization is amplified [21]. Managers of small international companies are more involved in networking, assign operative tasks, and devote more time to expected strategic activities related to international growth than managers of other small businesses [22].

The characteristics of decision-makers may have the greatest impact on the internationalization of SMEs in terms of entrepreneurial and strategic behaviors. The manager of a small business may have a significant influence on the company's international growth. Internationalization of SMEs is encouraged by employees' willingness to share their expertise and managers' international orientation [23]. Since decision-making power in SMEs is concentrated in the hands of one or a few people, the manager's actions affect the company's strategic direction [22]. Depending on their education level, risk mindset, and the firm's previous international success, decision-makers prefer to adopt a more realistic Strategic Decision Making Policy (SDMP). At the same time, the decision-political maker's behavior appears as a personality trait linked to their risk aversion and desire to succeed [24]. There is a connection between an entrepreneur's desire for success and SME internationalization, as well as a U-shaped relationship between risk perception and this relationship [25].

It is essential to research SMEs as a distinct entity to recognize the basic characteristics of their team management in the sense of internationalization [26]. [27] stated that in the internationalization of SMEs, the characteristics and behavior of an organizational member were found to be significant rather than the owner characteristic. It was revealed that an SME's commitment to internationalization is dependent on management team consensus.

The Institutional factors are the next determinant for early internationalization. The institutional context has an effect on the entry mode and course of SMEs. The speed of internationalization can be accelerated or slowed depending on the institutional context [28] [29], [30] focuses on external and internal factors, especially in the context of organizations and management. As a result, internal factors such as as well as skills have an effect on a company's internationalization strategy. Internally, SMEs face challenges such as a lack of product and customer knowledge, a lack of financial capital to fund investment and R&D activities, and, finally, a lack of creativity to succeed in the global market [31] Internationalization performance appears to be linked to directly unobservable owner and firm variables embedded in complex capabilities [32] firm dynamic capabilities positively influence internationalization [33]. The approach of a business is influenced by organizational skills. These dedicated organizational skills moderate the relationship between strategy approach and competitive advantage in international projects [34]

### 3. METHODS

This article is prepared using a systematic literature review approach. The articles reviewed are articles that specifically discuss networking, personality and organizational factors as variables that play a role in the internationalization process. Articles are compiled from research that is the result of a review of the internationalization process of SMEs in various countries. From this process, it is hoped that a complete perspective can be obtained on how SMEs in various countries, both willing and developing countries, carry out the internationalization process, especially about personality and organizational factors.

### 4. DISCUSSION

Going international is not easy for SMEs. Many SMEs have tried to enter the international market. Some are successful, some have failed. Many factors influence the manager's or owner's decision to enter the international market or not, the success of the internationalization process. The first is personality factors, capabilities and individual knowledge, how the owner thinks about internationalization, cultural factors, comfort, courage, which are several factors related to the individual or personality. The next

one is organizational factors, organizational perceptions, size of SMEs, sources of funding for SMEs, organizational capabilities are factors that originate from the organization. External environment, internal environment, and product-market structure are some of the categories that researchers use to classify them.

Person (entrepreneurial), internal (organizational), and contextual variables all have a positive effect on the growth of International New Ventures into new countries [35]. In developing countries, people-related obstacles to SMEs internationalization are slightly more prevalent than structural barriers [36]

The role of the government is a strengthening factor that can encourage the success of the internationalization process. Through various forms of SMEs friendly policies, for example, tax incentives, opportunities to participate in events abroad, the government can motivate SMEs to start Go International.

### 5. CONCLUSION

Many small businesses have attempted to break into the foreign market. The decision to join the international market and the progress of the internationalization process are influenced by many factors. The first are personality traits, skills, and human intelligence, as well as how the owner views internationalization and cultural influences, all of which are personality traits. The next one is organizational factors, organizational perceptions, size of SMEs, sources of funding for SMEs, organizational capabilities are factors that originate from the organization. The last is networking that critical and a path to success, according to studies. SME progress in terms of starting, facilitating, and maintaining internationalization. The network theory of internationalization emphasizes intra- and inter-organizational networks that important for the internationalization process.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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