ABSTRACT

Small Medium Enterprises (SMEs) has become an active role in the development of the economy for a country. It is not only giving an impact on the local market but also in the international market. The involvement of SME in the international market has brought a big contribution to economic development, employment, and a nation's total export. Despite these contributions, SMEs inevitably are lack of resources, capability and market power as compared to the large firm. In Malaysia, the total establishment of SMEs is higher, the involvement of these SME into the international market is still considering low. This conceptual paper aims to examine previous scholar research papers related to the internationalization process of the SMEs that will enhance the conceptual understanding of the study. The internationalization is a process of increasing involvement in the international operation and the process of adopting the firm's operations that consist of strategy, structure, and resources towards the international environment. This paper reviews the study and research that have been done by scholars on the internationalization process for SMEs in different economic level. Throughout the analysis, the study finds similar and different factors that play a role on the internationalization process, the classification of theory and method that have been used in the study from the finding of the previous studies. This review will give a better understanding of the field of internationalization process for the SMEs.

Key words: internationalization, small medium enterprises (SMEs), economic development

Internationalization Process of Small Medium Enterprise (Sme): A Review Paper
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Received: 12 January 2019
Accepted: 30 January 2019

Keywords: internationalization, small medium enterprises (SMEs), economic development
INTRODUCTION

Small Medium Enterprises (SMEs) has played an increasingly active role in the international markets in this recent year. The SMEs has rapidly expanded its market to penetrate the international market which is using international diversification as an important strategic decision to achieve their growth (Masum & Fernandez, 2008). Nowadays, we can see that the business has developed and become global due to globalization. In catching up with globalization, it will be more convenient for the business and firm to involve in the international market. Besides, globalization did promote more of trade openness and liberalization in trade barrier and tariff between the countries. This was supported by Nik Ab Halim Abdullah (2011), that due to progressive regional economic integration and World Trade Organization (WTO), globalization has come together with the trade openness and liberalization in trade and tariff barrier. Furthermore, he also stated that the development of information and communication technology has provided the opportunity for SMEs to expand their business into the international market. Lee (2002) has stated that about 90% of the business enterprise are SMEs and that explains the reason these SMEs have a strong role in increasing the nation employment economic and social development in East Asia. SMEs also a source of innovation, generating exporting opportunities, and as the source of the future successful large scale enterprise. For some developing countries, SMEs represent a major source of employment and generate significant revenue from their export earning (Javalgi & Todd, 2011).

To optimize the development of information and communication technology opportunities, it is important to the SMEs to adapt to the Industrial Revolution 4.0 (IR 4.0) environment to accelerate the business beyond their local boundary. SMEs advancing technology in their business seem to enter into a foreign market in positive progressive than those who are not. The Fourth Industrial Revolution is an overarching industrial transformation that covers every aspect of industries and economic activities. It also relates to every aspect of living. It is a total transformation of all sectors into the new system and changes the way we do business (Azuna Hasbullah, 2018). Significantly, the technological developments, advances in telecommunication and technologies have facilitated SMEs to become involves in the global market through reduction and cost and risk (Hashim, 2015). With a lack of financial ability, IR 4.0 seems to be irresistible support needed by SMEs to internalize.

There are many studies of internationalization and various definition was being used and it is depending on the phenomenon or the interest of the study. In general, according to Daniels (2009), internationalization is the process of increasing involvement in the international operation and, defined the internationalization as the process of adapting firms operations that include strategy, structure and resources (Calof & Beamish, 1995; Daniels, Radebaugh, & Sullivan, 2009) to international environments. The study of this paper review examined previous scholars research papers related to SMEs internationalization to enhance the conceptual understanding of the study of SMEs internationalization. Although the study focused on Malaysia, the review was not limited to individual country but analysing the study in different countries and economics level. This review will contribute and provide the information that will be needed for establish research ground and provide a literature understanding to researchers, business managers and analysis, government agencies, policymakers to understand the factors that trigger for SMEs to internationalize businesses. This review also will provide a better understanding and adding knowledge to other researchers in the field of SMEs internationalization.
Review Finding

Malaysia market is very small and created intense competition. To gain better profits and business growth, intense competition may trigger SMEs to engage in international activities. There was evidence that Malaysian SMEs have successfully going international and involve in a foreign market and the reason behind it is to maximize the profit (Nik Ab Halim Abdullah, 2011). Based on the survey analysis by SME Corp in 2017, it was found that about 14.7% of their SMEs respondents export their product and services to foreign markets which is mainly to ASEAN countries, China and United States in 2017. The survey has revealed that the respondent who are exporting to the international market, about 22.2% and of them being the first-time exporters. The percentage was much higher than the previous survey done in 2016, which was only 17.2%. An increase in the numbers of exporters as well as being the first-time exporters, shown a progressive involvement among SMEs in internationalizing their businesses. The finding also revealed that the respondents are much interested to widen their market access through undertaking numerous initiatives to improve their export activity such as building networking in the target market and participate in international trade promotional activities (Malaysia, 2018). This stated that today, businesses among SMEs in Malaysia intend to go global or involved in the foreign market has increased. However, there are still some challenges for the SMEs in Malaysia to going abroad such as one of it is inadequate information on the targeted market (Malaysia, 2018).

The government of Malaysia has taken serious efforts on putting the SMEs ongoing global. Government has given intensified efforts on advancing the SMEs growth particularly at international level with providing various supports in the form of financial assistance, tax incentives, business advisory assistance and training (Hashim, 2015). The survey by the SME Corporation on the 2,033 of SMEs that cuts across all economics sector, found that there are about 51.1% of the total respondents are aware of the availability of SME assistance programmes. Despite their awareness of the availability of the programme however, the participation rate from SMEs in the programmes is considered low (Malaysia, 2018). This leads to the questions, whether the availability of the programmes was not intended to fully utilize although it was available or the information about its availability was beyond reachable from SMEs? With 49% unaware of the programmes, the possibility that efforts on disseminating information were not informing properly.

There are many studies and research that have been done in SME internationalization available. However, there only a few studies focused on Malaysia SMEs (Nik Ab Halim Abdullah, 2011). In a study by Coviello (1999), a review of sixteen empirical studies between 1992 and 1998, a study has revealed that only one study was conducted in developing country (Coviello & McAuley, 1999). Whereas, there are many studies on internationalization of SMEs from emerging economies other countries such as China, India, Turkey, Taiwan and Singapore. Therefore, the findings from Malaysia are still lacking. This limitation provides opportunities and creates interest in research on the internationalization of SMEs in Malaysia. The following structured table provides review finding from the study.

Table 1 provides independent variables of factors that lead to the internationalization of SMEs. According to the study review, internal factors like entrepreneurial orientation and management commitment towards internationalization perspective seems to be the most popular among the SMEs involved in international business. This followed by the availability of knowledge and experience, technology and resources capabilities, technology and resources available that
include the business environment. Whereas, as for external factors, the government supports seems to be essential in encouraging SMEs in Malaysia to involve in international activities. Furthermore, as stated by Nik Ab Halim Abdullah (2011), that due to progressive regional economic integration and World Trade Organization (WTO), globalization has come together with the trade openness and liberalization in trade and tariff barrier. Explaining how globalization also an important external factor contributed to the involvement of SMEs in Malaysia toward SMEs internationalization. Although most of the study dependent variables was focused on internationalization, a study by Ismail and Zakaria (2018) on the firm performance by internationalization mediating showing a significant result on the relation between entrepreneurial orientation and government support towards firm performance whether with or without internationalization mediating factor.

**Table 1 Factors determinant of SME internationalization**

<table>
<thead>
<tr>
<th>Author / Year</th>
<th>Title /Purpose</th>
<th>Variables</th>
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<tbody>
<tr>
<td>Shankar Chelliah, Mohamed Sulaiman, Sivarumurugan Pandian (2010)</td>
<td>The determinants of Internationalization of Small and Medium Enterprise (SMEs): A case in Malaysia - Investigate the determinants of internationalization in the SME that internationalize</td>
<td>1) Competitive advantage 2) Management attitude 3) International Knowledge and experience</td>
</tr>
<tr>
<td>Zizah Che Senik, Rosmah Mat Isa, Brenda Scot-Ladd and Lanny Enttekin (2010)</td>
<td>Influential factors for SME Internationalization: Evidence from Malaysia - Investigate the influential factors and identify the most influential aspect that drove Malaysian SMEs to internationalize.</td>
<td>1) Motivational 2) Firm (Firm itself, Owner, Key manager) 3) Industrial 4) External 5) Relationship (Networking)</td>
</tr>
<tr>
<td>Rajshekhar (Raj) G. Javalgi, Patricia R. Todd (2011)</td>
<td>Entrepreneurial orientation, management commitment, and human capital: The internationalization of SME in India - Addressing the relationship surrounding the internationalization of SME in India as related to entrepreneurial behaviour, firm resources, and commitment to internationalization</td>
<td>1) Human capital 2) Management commitment to internationalization 3) Entrepreneurial orientation 4) Market turbulence, Human capital (Moderator)</td>
</tr>
<tr>
<td>Shephard Mupemhi, Richard Duve, Ronicah Mupemhi (2013)</td>
<td>Factors Affecting the Internationalization of Manufacturing SMEs in Zimbabwe - Investigate the factor affecting the internationalization of manufacturing SME in Zimbabwe</td>
<td>1) SME characteristic 2) Managerial characteristic 3) Environmental characteristic</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Title</td>
<td>Key Points</td>
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<td>Sulina Kaur, Manjit Singh Sandhu (2013)</td>
<td>Internationalization of Born Global Firms: Evidence from Malaysia</td>
<td>- Identify key factors that lead to early internationalization of young SME (born global firm) within the context of a developing country.</td>
</tr>
<tr>
<td>Akbar Afsharghasemi, Mohamed Zain, Murali Sambasivan, Serene Ng Siew Imm (2013)</td>
<td>Market Orientation, Government Regulation, Competitive Advantage and Internationalization of SMEs: A case study in Malaysia</td>
<td>Reporting the key driver influencing the internationalization process of SME.</td>
</tr>
<tr>
<td>Hector Alberto Botello (2014)</td>
<td>Condition and determinants of the Internationalization of Latin American Industrial Enterprise</td>
<td>- To explore the determinants that have allowed for the international expansion of Latin American industrial enterprise</td>
</tr>
<tr>
<td>Zizah Che Senik, Rosmah Mat Isa, Ridzuan Md Sham (2014)</td>
<td>A model for understanding SME internationalization in an emerging market.</td>
<td>To identify factors, categories and items aiming at developing a generic model of SME internationalization for emerging economies</td>
</tr>
</tbody>
</table>
Ozlem Kunday, Ece Piskinsut Senuler (2015) A study on Factors Affecting the internationalization process of Small Medium Enterprise (SMEs). - Investigate the entrepreneurial skill of the SMEs founder, a motive for starting the business, innovativeness of firm, relationship this factor to internationalization
1) Innovation 2) Business skills 3) Motive (necessity-based/ opportunity based) 4) Motive (opportunity based (Moderator))

Kang Sik-Kim (2017) Factors Affecting the Internationalization of Small Medium-sized Enterprise in South Korea: Entrepreneurial Orientation, Human Capital and Technological Capabilities - Investigate the factors affecting the degree of internationalization of SMEs in South Korea
1) International orientation of entrepreneur 2) Employee Human Capital 3) Technological capabilities 4) Technology turbulence & market similarity

1) Entrepreneurial orientation 2) Government Support 3) Internationalization (Mediator)

DISCUSSION

Table 2 summarizes the discussion from the papers review. In 2010, Zizah Che Senik did a study to investigate the most influential factors that drive the Malaysian SME to internationalize (Che Senik, Mat Isa, Scott-Ladd, & Entrekin, 2010). The factor is motivational, firm, industrial, external and relationship through networking. The study has been using a Delphi techniques approach by interviewing a panel of Malaysian-based expert which is including the academic, policymakers, supporting government agencies, chamber of commerce and research institutes. The result revealed that the most influential factor is the relationship from established networking. Followed by the firm, industrial, external and motivational, these networking consist of the institutions, personal relationships and business associates. In continuing her research in 2014, Zizah Che Senik has developed a model for understanding SMEs internationalization in emerging as discussed earlier. Once again, using Delphi techniques, the result found that 100% of the expert belief the importance of the institutions that include government and non-government institutions, as the main source of contact in seizing information and knowledge. The result supported internationalization through networking creation in creating awareness and learning the opportunities, which in turn triggered the SME to internationalize (Che Senik, Mat Isa, & Md Sham, 2014). This also has been supported by the quantitative study by Afsharghasemi (2013), Botello (2014) and Roslan (2018) where they found that there is a positive relationship between the government support and regulation toward the internationalization (Mohd Roslan Ismail, 2018), (Botello, 2014) and (Akbar Afsharghasemi, 2013). On the
other hand, Hector (2014) stated that, in the institutional factors, the firm has access to credit and ownership of bank account give companies a greater ability to conduct transaction while operating in the international market and helping them when domestic financial resources are scarce. This study specifically defining the relationship between business and financial institution’s foreign networking support as a corresponding agent to the company using their services.

Zizah Che Senik, (2014) research model intended for understanding the SMEs internationalization in emerging economies and identified the factors for internationalization. The internal factors include the organizational capabilities, owners or key manager’s capabilities, firm-specific location and government incentives and supports programme. Second is the external factor which is industrialization programmes, government-related issue and policies, foreign market attractions, demand from others market and economic integration. The networking factor identified included the government and non-government institutions, personal relations and other business players. In this paper review, most of the factor was entrepreneurial orientation. The studies by Javalgi (2011), Kim (2017) and Kaur and Sandhu (2013) found that entrepreneurial orientation has a positive relationship towards internationalization. The entrepreneurial orientation will lead to higher entrepreneurial qualities in the operations of the firms, providing the ability to take a risk and identify the business opportunities to compete with the competitors in the market and thus the entrepreneurial orientation is an important factor that determines the success of the firm internationalization (Lan & Wu, 2010). However, a study by Ismail (2018) has found that entrepreneurial orientation did not have a significant relationship towards the internationalization of SME in Malaysia (Mohd Roslan Ismail, 2018).

The owner or key manager for the firm also found a significant relationship toward internationalization. This has proven in the study by (Kaur & Sandhu, 2013) and (Shephard Mupemhi, 2013) which has found that the background of the founder is important for early internationalization. This is including the founders’ education level and previous experience. Also, (Akbar Afsharghasemi, 2013) and (Kim, 2017) used a human capital as the determinant for internationalization for SME which including the foreign language skills and international experience. The result also found that the positive relationship toward internationalization in India and Kore. However, (Chelliah, Pandian, Sulaiman, & Munusamy, 2010) in their study has found that there is no significant relationship between international knowledge and experience with the internationalization. Although there is a high presence of international knowledge for SME in Malaysia, it is non-relevant in the dynamic environment. For example, regulations and law related to the formation of subsidiaries in other countries can be changed because of the internal political instability and non-sufficient threat regionally. It could be acquiring sufficient knowledge in accounting and finance that could influence the internationalization of these SME.

For the firm itself, it’s including the characteristic of the firm such as the size; numbers of years of the firm have been operating, amount and sources of resources and so on. According to Botello (2014), the size of the firm, numbers of years and their investment in technology are significant towards internationalization (Botello, 2014). However, Mupemhi (2013) found that the SME characteristics, that are the size and age of the company show a negative relationship and the financial show a weak positive relationship (Shephard Mupemhi, 2013). This show that
it is not consistent with the Uppsala model which suggest that SME have to go through stages before they go internationalization (Shephard Mupemhi, 2013). This seems to support the born global theory which the firm can be internationalizing from the day they are established (Chelliah, Pandian, Sulaiman, & Munusamy, 2010).

Another factor is the competitive advantage of the firm. From the review, Chelliah et al. (2010) did not found the relationship between competitive advantage and the internationalization of the SME in Malaysia (Chelliah, Pandian, Sulaiman, & Munusamy, 2010). The reason behind it, the SME in Malaysia may not focus on low-cost manufacturing since others countries like China could even produce cheaper products with lower labour cost (Chelliah, Pandian, Sulaiman, & Munusamy, 2010). On the other hand, Afsharghasemi (2013) has found a strong link between competitive advantage and the level of internationalization of SME in Malaysia (Akbar Afsharghasemi, 2013).

Like most previous investigations, the present study is limited by the fact that internationalization of SME is consistent with the ability of SMEs in adapting external factors such as good networking, entrepreneurial and commitment, and good government supports. However, there is a mixed understanding of the comparative advantage effect based on the empirical findings from previous studies. Although, firm’s characteristics which are more internally significant towards internationalization, previous studies did present cases where firm’s with advantages such as size, years of operating, number of sources own, still exposed to failure when operating in the international level. Whilst some smaller business, work diligently and better in small scale due to comparative advantage.

As a suggestion, a further study on the ability of SMEs to internationalization shall look into a study about firms and SME’s ability to optimize the comparative advantage. There is a significant potential for improvement through the adoption of a labour-centred, customer-centred, market-oriented approach that does not attempt to justify internationalization of SME based on intention but instead attempts to understand which market really required and which operating business was ideal to pursue.

<table>
<thead>
<tr>
<th>Author / Year</th>
<th>Finding</th>
<th>Theory applied</th>
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<tbody>
<tr>
<td>Shankar Chelliah, Mohamed Sulaiman, Sivarumurugan Pandian (2010)</td>
<td>Competitive advantage, management attitude and international knowledge do not show significant relationship toward internationalization in Malaysian SME.</td>
<td>-Uppsala Model&lt;br&gt;-Innovation Related Model</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Summary</td>
<td>Theories and Models</td>
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</tbody>
</table>
| Shephard Mupemhi, Richard Duve, Ronicah Mupemhi (2013) | Managerial characteristic and Environment characteristic has a positive relationship with internationalization. However, for SME characteristic, age and size of the firm show a negative relationship and financial show a weak positive relationship. | - Uppsala Model  
- Stage approach theory  
- Network approach theory  
- Theory ‘Born Global’ |
| Sulina Kaur, Manjit Singh Sandhu (2013) | Background of founders and entrepreneurial orientation is important for early internationalization. Unique firm resource and networking are a significant factor of early internationalization. Globalization forces (Internet) enables the firm to gain market knowledge, but government support has been less than effective. | - Theory of Entrepreneurship  
- Resource-Based View of the Firm  
- Network Theory  
- Institutional Theory |
| Akbar Afshargasemi, Mohamed Zain, Murali Sambasivan, Serene Ng Siew Imm (2013) | Market orientation, Government regulation and Competitive advantage have a positive relationship toward the level of internationalization of SME. Competitive advantage mediates the relationship between market orientation and government regulation towards internationalization. | - The Resource-based View  
- Uppsala Model  
- Network Model  
- OLI framework |
| Hector Alberto Botello (2014) | **Internal characteristic** (Size company, Number of years, Investment in technology) and **External condition** (Institutional factors, Level of internationalization and the economic factor) are correlated and significant toward internationalization. | - David Ricardo  
- Dunning  
- Uppsala Model |
| Zizah Che Senik, Rosmah Mat Isa, Ridzuan Md Sham (2014) | Factor by the highest percentage by the expert:  
1. **Triggering factors** - Domestic condition, Globalization force  
2. **Internal factors** - Broad experience  
3. **External factors** - Industrialization linkage programs  
4. **Networking** - Government and non-government institution. | - Process and stage model  
- Born Global  
- International New Venture  
- Resource-Based View  
- International Entrepreneurship |
| Ozlem Kunday, Ece Piskinsut Senuler (2015) | Innovation, Business skills and motive (necessity-based/opportunity based) are significant toward internationalization. Motive (opportunity-based) has a moderating effect on innovation and business skill. | - Traditional Internationalization Theory (Uppsala and Innovation-related Theory)  
- Network Theory  
- Modern Approach Theory (Born Global Theory) |
| Kang Sik-Kim (2017) | International orientation (IO) of entrepreneur, employee human capital (HC) and technological capabilities (TC) has a positive relationship toward internationalization. Technology turbulence and market similarity modify the relationship between IO and TC. | - The stage model theory  
- Resource-based View  
- Network-Based View  
- International entrepreneurship theory |
| Mohd Roslan Ismail, Zukarnain Zakaria (2018) | Entrepreneurial orientation and government support have a significant relationship with firm performance. Government support has a significant relationship with internationalization, but not the entrepreneurial orientation. | |
CONCLUSION

As a conclusion, SMEs have a strong role in increasing the nation employment economic and social development in East Asia. SMEs also a source of innovation, generating exporting opportunities, and as the source of the future successful large scale enterprise. Many studies of internationalization and various definition were being used but the definition was depending on the phenomenon or the interest of the study. Businesses among SMEs in Malaysia intend to go global or involved in the foreign market has increased. However, there are still some challenges for the SMEs in Malaysia to going abroad such as one of it is inadequate information on the targeted market despite efforts by the government to enhance SMEs ability in penetrating the potential international market.

The Malaysian market is very small and it is needed for the SME to expand their market to survive in the competitive business environment. Scholar and researchers found that the major reason for the SME in Malaysia going to the international market is to gain more profit. In this era of globalization, there are no single theories that can explain the internationalization of SMEs. Government efforts such as highlighting the importance of foreign investors as well as a local investor for growth of SMEs; develop links between local SMEs and larger companies through vendor development programs; financing facilities and effective assistance programs for the SME seems to be no end. Although studies have revealed significant factors and key issues on the internationalization process, the facts that there are still low involvements of the SME in the international market as compared to other developing countries. A further study on the ability of SMEs to internationalization shall look into a study about firms and SME's ability to optimize the comparative advantage. There is a significant potential for improvement through the adoption of a labour-centred, customer-centred and market-oriented approaches that do not attempt to justify internationalization of SME based on intention but instead attempts to understand which market really required and which operating business was ideal to pursue.

REFERENCES


