

The role of context in SME internationalization - a review

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Table 1. List of Academic Journals Included in the Review.

Entrepreneurship & Small Business Management	IB & Area Studies	International Marketing	Strategy
<i>Entrepreneurship and Regional Development</i>	<i>African Affairs</i>	<i>Journal of International Marketing</i>	<i>Business Strategy and the Environment</i>
<i>Entrepreneurship, Theory and Practice</i>	<i>Asia Pacific Journal of Management</i>		<i>Global Strategy Journal</i>
<i>Family Business Review</i>	<i>International Business Review</i>		<i>Long Range Planning</i>
<i>International Small Business Journal</i>	<i>Journal of International Business Studies</i>		<i>Strategic Management Journal</i>
<i>Journal of Business Venturing</i>	<i>Journal of International Management</i>		<i>Strategic Organization</i>
<i>Journal of Small Business Management</i>	<i>Journal of World Business</i>		
<i>Small Business Economics</i>	<i>Management International Review</i>		
<i>Strategic Entrepreneurship Journal</i>	<i>Management and Organization Review</i>		

Table 2. Article Distribution across Academic Journals.

	Theoretical	Methodology			Total
		Empirical			No.
		Quantitative	Qualitative	Multiple	
<i>African Affairs</i>	0	0	0	0	0
<i>Asia Pacific Journal of Management</i>	1	4	1	1	7
<i>Business Strategy and the Environment</i>	0	1	0	1	2
<i>Entrepreneurship and Regional Development</i>	3	6	3	1	13
<i>Entrepreneurship, Theory and Practice</i>	3	6	2	0	11
<i>Family Business Review</i>	0	1	0	0	1
<i>Global Strategy Journal</i>	2	3	0	0	5
<i>International Business Review</i>	6	49	30	7	92
<i>International Small Business Journal</i>	3	31	7	1	42
<i>Journal of Business Venturing</i>	6	5	1	0	12
<i>Journal of International Business Studies</i>	3	5	1	0	9
<i>Journal of International Management</i>	1	3	1	0	5
<i>Journal of International Marketing</i>	1	5	6	1	13
<i>Journal of Small Business Management</i>	0	19	4	1	24
<i>Journal of World Business</i>	3	18	5	2	28
<i>Long Range Planning</i>	0	1	3	1	5
<i>Management International Review</i>	4	13	7	2	26
<i>Management and Organization Review</i>	0	0	2	0	2
<i>Small Business Economics</i>	3	26	1	2	32
<i>Strategic Entrepreneurship Journal</i>	1	2	0	0	3
<i>Strategic Management Journal</i>	0	1	0	0	1
<i>Strategic Organization</i>	0	0	0	0	0
Total	40	199	74	20	333

Table 3. Home Countries Most Frequently Represented in Sampled Articles.

Country	No of articles examining
China	34
Spain	29
UK	26
Italy	23
Sweden	21
US	18
Finland	14
Australia	14
India	13
New Zealand	12
Germany	11
France	10
Canada	8
Greece	8

Table 4. Countries Examined According to UN Classification*

	IB and Area Studies	Entrepreneurship	International Marketing	Strategy	TOTAL
High-income	139	103	11	9	262
Upper middle income	29	24	5	3	61**
Lower middle income	11	8	1	2	22***
Low-income	2	2	0	0	4
Multiple	13	12	0	0	25

*https://www.un.org/en/development/desa/policy/wesp/wesp_current/2014wesp_country_classification.pdf

** 34 articles in this group were about China

*** 13 articles in this group were about India

Table 5. Key Findings from the Literature and Theoretical Implications

Macro-level of context	Aspect of context	Theoretical implications NB. While not listed separately, considerations raised by the RBV and resource-dependency theory (resource needs, SME capabilities), and by TCE (costs of governing SME interactions with context, including risk reduction) furnish a rationale for many of the theoretical propositions set out below regarding contextual effects on SMEI
	Institutions and Quasi-institutions	Institutional theory
	<i>Home country</i> <ul style="list-style-type: none">• Home country institutions can assist SME internationalization [SMEI] - e.g. via funding and information [Catanzaro et al., JSBM, 2019], provision of international legitimacy [Nasra and Dacin, ETP, 2010], internationally experienced industry associations [Narooz and Child, IBR, 2017; Felzensztein et al., JSBM, 2019].• Institutional network relationships have a positive effect on the internationalization process [Oparaocha, IBR, 2015].• National and international institutional pressures influence international market orientation [Williams and Spielmann, IBR, 2019]	<i>Home country institutions have both direct and indirect influence on propensity for SME internationalization [SMEI]</i> <i>Direct effects</i> <ul style="list-style-type: none">• Home country institutions support SMEI through provision of resources, information, network connections• High state involvement in business can hinder SMEI
	<ul style="list-style-type: none">• Home country institutional voids can stimulate compensatory behaviour (e.g. entrepreneurial learning [Adomako et al. JIMgmt, 2019]; and capability development [Autio et al. ETP, 2011]).• Responses to domestic institutional voids of SMEs seeking to export are culturally contingent [Narooz and Child, IBR 2017]	<i>Indirect effects:</i> <ul style="list-style-type: none">• Home country institutions can foster international market orientations• Home country institutional voids stimulate compensatory actions supporting SMEI
	<ul style="list-style-type: none">• Resourcing decisions for exporting are contingent upon entrepreneurial perceptions of the home institutional context.• Formal and informal institutional dimensions affect SMEs' export activity significantly, but differently [Manolopoulos et al. IBR, 2018; Onuklu et al. JIMkt, 2021]	<i>Interactions:</i> <ul style="list-style-type: none">• With entrepreneurial perceptions of institutional contexts• With domestic cultural norms - institutional effects are moderated by culturally informed means of developing social capital.
	<ul style="list-style-type: none">• In countries like China with high state involvement in business and preference for large SOEs, institutional barriers can hinder SMEI [Cardoza and Fornes APJM, 2011]	
	<i>Host country</i>	
	<ul style="list-style-type: none">• Attributes of the foreign institutional environment – especially the socio-cultural environment - explain managerial use of secrecy among biotech SMEs [Delerue and Lejeune, JIM, 2011]	
	<ul style="list-style-type: none">• Host county institutional environment (especially distance from home environment) influences market entry mode [Del Bosco and Bettinelli MIR, 2020]. Effect of distance also depends on type of perceived distance (economic/industrial policy or cultural) [Lo et al, MIR 2016]	

	<ul style="list-style-type: none"> • SMEs adopt different modes of coping with host country institutional and cultural distance [Puthusserry et al., MIR, 2014] • The contribution made by different SME capabilities (marketing, technological) to internationalization depends on host country institutional context (rule of law, self-expression values) [Eisend, Evanschitzky and Calantone JIMkt, 2016] 	<p>Host country institutions and modes of SMEI</p> <p><i>Direct effects:</i></p> <ul style="list-style-type: none"> • On market entry mode and coping mechanisms <p><i>Interactions:</i></p> <ul style="list-style-type: none"> • Impact of host country institutional features is a function of on the level of risk they pose to SMEs and their capabilities to cope with it. <p><i>Overall: The influence of institutions on SMEI is conditional on SME' resource dependencies/needs and on entrepreneurial interpretations of action possibilities in specific cultural contexts.</i></p>
	National culture	Cultural perspective
	<ul style="list-style-type: none"> • National culture impacts the SMEI decision-making process [Dimitratos et al. JWB, 2011] • Shared ethnicity reduces cultural friction in SMEI [Li et al., JWB, 2019] • Shared religion reduces cultural distance and (in the case of Islam) assists foreign market penetration [Richardson, JWB, 2014; Kurt et al., JWB, 2020] • Internationalization policies vary according to host country cultural context - e.g., use of secrecy to protect IP [Delerue and Lejeune, JIM, 2011]; methods of settling export disputes [Amoako and Lyon, ISBJ, 2014]; proactive use of technological knowledge and networks is greater when SMEs enter culturally non-proximate markets [Freeman et al., MIR, 2012] • Different socio-cultural factors within home country impact transnational entrepreneurship (e.g. attitudes) and transnational activities (implementation) [Urbano et al., ISBJ, 2011] • Psychic distance: PD has varying impacts [Assadinia et al. ISBJ, 2019] – PD at country and business levels has differential impact on different phases of SMEI [Safari and Chetty, IMR, 2019]; SMEs adopt different modes of coping with it, including learning and reliance on trading partners [Puthusserry et al., MIR, 2014]; its influence can be overridden by institutional factors [Yan et al., IBR, 2020] • Relational bilateral (exporter/distributor) norms help protect exporting SMEs in contexts with psychic distance and competitive intensity [Obadia, Vida, & Pla-Barber JIMark, 2017] 	<p><i>Home country culture:</i></p> <ul style="list-style-type: none"> • Influences international entrepreneurship orientation and practices <p><i>Host country culture:</i></p> <ul style="list-style-type: none"> • Influences SMEI practices, especially to reduce risk and compensate for cultural unfamiliarity <p><i>Cultural distance:</i></p> <ul style="list-style-type: none"> • Tends to create uncertainty for internationalizing SMEs but its effect can be mitigated by shared social identity, institutional safeguards, and coping modes
	Economic context	
	<ul style="list-style-type: none"> • Home country level of development influences SME internationalization business models, especially their reliance on innovation [Child et al., JWB, 2017]. • SME exporting aided by (1) high domestic employment, investment in product improvement and sourcing from abroad [Ottaviano and Martincus, SBE, 2011]; (2) investment in domestic transport infrastructure [Albarran et. al., SBE, 2013]; 	<p><i>Home country economic strength and level of development provide support for SMEI, especially for innovation-led internationalization</i></p>

	(3) financial support [Catanzaro et al., JSBM, 2019]; (4) exchange rate depreciation (in case of Pakistan manufacturing SMEs) [Rashid and Waqar, SBE, 2017]	
	<ul style="list-style-type: none"> • Lack of finance for FDI hinders small firms' international development [De Maeseneire and Claeys, IBR, 2012] 	
	Political Context	
	<ul style="list-style-type: none"> • Political connections can moderate impact of domestic institutional impediments on SMEI from developing economies [Adomako et al., IBR, 2020] 	Limited evidence on relevance of the political perspective, but indications that:
	<ul style="list-style-type: none"> • Higher politicization and international hostility diminish the effects of International Entrepreneurial Orientation on international performance [Thanos et al., ISBJ, 2017] 	<ul style="list-style-type: none"> • Political connections can facilitate SMEI (see also networking theory) • Political risk is an impediment to SMEI
	<ul style="list-style-type: none"> • Favourable socio-political environment supports international VC investment once effects of legal variations are controlled for [Bonini and Alkan, SBE, 2012] 	<i>The close link between institutions, politics and networking calls for an integration of these theoretical perspectives as applied to SMEI.</i>
	Industry	Industry-based view
	<ul style="list-style-type: none"> • Industry shapes SMEI business models due to the institutional (especially regulatory), technological, and social systems it denotes [Child et al., JWB, 2017]. 	Industry as an institutionalized social-technical system is a significant contextual referent for SMEI.
	<ul style="list-style-type: none"> • Industry conditions can promote SMEI - industry dynamism drives the speed of the internationalization [Qian et al., MIR, 2018]; pioneering internationalizing SMEs act as reference competitors for other firms in same industry [Odlin, JWB, 2019]. 	Informing theories are: <i>Institutional theory</i> : industry identifies markets and regulatory regimes relevant to SMEI <i>Networking theory</i> : industry identifies scope of significant socio-commercial networks relevant to SMEI <i>Technological implications theory</i> : industry identifies dominant technologies, key knowledge bases, and role of innovation
	<ul style="list-style-type: none"> • Need for IP protection is key for SMEs in knowledge-based industries like biotech – use of secrecy as protection varies by home country institutional (cultural) context, with implications for IP policies in foreign environments [Delerue and Lejeune, JIM, 2011] 	
Meso-level of context	Networks/ boundary-spanning/collaboration	Networking perspective <i>(It is important to distinguish between networking theory and theories of networks)</i>
	<p>Different forms of networking can assist exporting and SMEI. E.g. belonging to business groups [Tajeddin and Carney, ETP, 2019] and inter-organizational networks increases export intensity [Stoian et al. JSBM, 2017]. More specifically:</p> <ul style="list-style-type: none"> • Investment in business relationships can help overcome institutional impediments and improve SMEI performance [Jonsson and Lindbergh, IBR, 2010]. • Boundary-spanning through alliances by resource-poor small firms is a way of achieving innovation and internationalization [Goerzen, JIM, 2018]. • Network relationships with tourists help promote exporting by Italian wine-producing SMEs [Francioni et al., IBR, 2017]. 	<p>Networking assists SMEI through:</p> <ul style="list-style-type: none"> • Providing relevant market knowledge and other resources

	<ul style="list-style-type: none"> • [Chinese] returnees' international experience and contacts assist SMEI [Bai et al., IBR, 2017]. • Access to local network resources via industry associations predicts export propensity [Boehe, JSBM, 2013]. • Network spread: The greater the number of networks utilized the more are entrepreneurs likely to target diverse world regions [Felzensztein et al., JSBM, 2015]. • Family ownership negatively moderates relationship between networking (inter-organizational and interpersonal) and SMEs' international success [Eberhard & Craig, JWB, 2013] 	<ul style="list-style-type: none"> • Stimulating innovation by providing access to relevant technical knowledge and market outlets for innovation • Providing legitimacy – offsetting liability of smallness and of origin • Overcoming institutional and political impediments • Promoting foreign sales
	<p>Forms of networking assistance to SMEI:</p> <ul style="list-style-type: none"> • Network development increases foreign market knowledge [Tolstoy, ERD, 2010; Stoian et al. JSBM, 2017]. • Different aspects of networking can increase speed of SMEI, while network building is associated with initial entry speed and international scope speed [Musteen et al., JWB, 2010]. 	<p><i>Need to distinguish different forms of networking (intensity, durability, formality, functionality); also between networking and collaboration</i></p> <p>Collaborations can assist SMEI to exploit knowledge and other resources acquired, also to benefit from scale effects through specialization, subject to the benefit of managerial experience and firm capabilities</p>
	<ul style="list-style-type: none"> • Contribution of social capital, and of its constituent dimensions to SMEI varies at different points in the SMEI process [Lindstrand et al., IBR, 2011; Puthusserry et al., GSJ, 2020]. 	
	<ul style="list-style-type: none"> • Closed nature of foreign networks (e.g., Russia) can impede SMEI [Berger et al, MIR, 2017]. 	<p>Different network connections (forms of social capital) assist different phases of SMEI</p>
	<p>Collaboration:</p> <ul style="list-style-type: none"> • SME collaboration with external organizations, characteristics of collaboration (e.g. intensity), and social capital support can all assist SMEI and its success, subject to moderators (esp. firm level) [Zahoor et al., 2020] • Domestic collaboration helps exports [St. Pierre et al., JSBM, 2018]. Alliances with non-competitors help internationalization, but alliances with competitors impede it [Nakos et al., SEJ, 2014]. • Ties with MNEs: (1) People (interpersonal diaspora ties) within pipelines (interorganizational MNE ties) help emerging economy INVs to gain legitimacy for internationalization [Prashantham et. al., MOR, 2019]; (2) Building ties with MNEs is necessary but not sufficient for new ventures to internationalize; they require managerial action to exploit the knowledge acquired [Prashantham and Dhanaraj, APJM, 2015]. 	<p><i>Interactions affecting SMEI:</i></p> <ul style="list-style-type: none"> • Benefit of network ties increases with quality of social capital • Benefit of collaborations increases with managerial pro-activeness • Family ownership tends to negatively moderate relationship between networking and SMEs' international success
	Ownership/Family Firms	Family ownership perspective
	<p>The relationship of SME family ownership [FO] and internationalization varies from positive to negative depending on the level of family influence on strategic decisions and presence of mediating/moderating factors. Some of these factors lead FO to encourage internationalization while others lead FO to discourage internationalization</p> <p>Positive effect of FO on internationalization is facilitated/supported by:</p> <ul style="list-style-type: none"> • internal social capital of family relationships (Turkish SMEs) [Tasavori et al., ISBJ, 2018] <p>Negative effect of FO on internationalization is encouraged by:</p>	<p><i>(It is important to distinguish between family ownership and entrepreneurial ownership. The former tends to be associated with traditional SMEs while the latter is associated with INVs and BGs)</i></p> <p>Arguments regarding effects of family ownership on SMEI conflict between (1) positive – e.g. social capital and (2) negative – e.g. risk aversion</p>

	<ul style="list-style-type: none"> • family firm risk aversion [Zaefarian et al., IBR, 2016] • autocratic and paternalistic family firm culture [Eberhard & Craig, 2013] • high internal (organizational) financial slack, high home country capital availability and low host country capital availability (sample not confined to SMEs) [Xu and Hitt, 2020]. <p>International entrepreneurship is maximized when family ownership stands at moderate levels (US family firms) [Sciascia et al., SBE, 2012].</p> <p>Effects of family ownership on internationalization are mediated/moderated positively by governance capability [Tasavori et al., ISBJ, 2018]; by institutional ownership [Chen et al., JSBM, 2014]; presence of non-family managers [Alayo et al., IBR, 2019], and negatively by paternalistic family firm culture [Eberhard & Craig, JWB, 2013].</p> <p>Family ownership impacts entry mode decisions [Pongelli et al. SBE, 2016].</p>	<p>Moderating factors include:</p> <ul style="list-style-type: none"> • governance and strategic capability – this can be enhanced by presence of non-family managers • negative effect of paternalistic family firm culture
	Size of Firm	
	<ul style="list-style-type: none"> • As SME size increases, so formal interpersonal network links (e.g. with accountants) become more important for assisting internationalization than informal ones (e.g. family) [Idris and Saridakis, IBR, 2018]. 	<p>Despite the argument that internationalization of SMEs differs from that of larger MNEs, there is insufficient evidence to show clear scale effects within the size range of SMEs.</p>
	<ul style="list-style-type: none"> • Globally integrated small firms do not differ markedly from larger firms in the nature of their international relationships [Kalantaridis and Vassilev, JSBM, 2011]. 	
	<ul style="list-style-type: none"> • Firm size affects innovation in internationalization, larger firms are more inclined to pursue product rather than process innovations [Golovko and Valentini, GSJ, 2014]. 	
	Temporal Context (Organizational learning and phases of internationalization)	Organizational learning theory
	<p>Relevance of phase of internationalization:</p> <ul style="list-style-type: none"> • Progression of SMEI is a learning process, including learning about context. Learning comes from (1) experience including success and failure and (2) from and with network partners [Lee et al., 2020] • Higher firm mortality at early period of internationalization [Puig et al., ISBJ, 2018] • Perceived barriers to exporting vary at different points in their internationalization [Uner et al., IBR, 2013] • Early internationalization may offset liability of ethnicity of immigrant-started new ventures [Jiang et al., IBR, 2016]. • Psychic Distance at country and business levels has differential impact at different periods of SMEI [Safari and Chetty, IMR, 2019] • Contribution of social capital, and of its constituent dimensions, to SMEI varies at different points in the SMEI process [Lindstrand et al., IBR, 2011; Puthusserry et al., GSJ, 2020]. 	<p>The SMEI process is one of learning and knowledge accumulation</p> <p>The firm's ability to learn has implications for external support required at different phases of SMEI</p>
	Technological Context	Technological implications theory
	<p>Positive effects of (new) technology on SMEI:</p> <ul style="list-style-type: none"> • Platform and web capabilities enhance SME export marketing and performance [Gabrielsson and Gabrielsson, IBR, 2011; Jean & Kim, JIM, 2020] • Digital technology helps internationalization of women owned SMEs [Pergelova et al., JSBM, 2019] • Shared technological knowledge allows rapid transfer and development of new knowledge and the drive to commercialize a product before a competitor; this speeds internationalization [Freeman et al., IBR, 2010] 	<p>Technological capabilities facilitate SMEI - via innovation and via ICT assistance for new market access</p>

	But: Digital platform risk reduces scope of SMEI because it increases transaction costs [Jean et al., JWB, 2020]	
	Home-host country distance/similarity (see also entries under “institutions: host country” and “national culture”)	For relevance also see entries under other sections
	<p>Distance and ownership mode:</p> <ul style="list-style-type: none"> • Cultural, geographic, and institutional distance affect the choice of ownership mode of SME foreign subsidiaries in different ways, and family control moderates the relationship between distance and foreign ownership mode [Del Bosco & Bettinelli, MIR, 2020] • Perceived differences in the macro-economic and industrial-policy environment of a host country encourage new market entry via wholly-owned subsidiaries; perceived socio-cultural difference in a host country encourages entry via JVs [Lo et al., MIR, 2016] 	<p>TCE perspective: Home-host country distance/dissonance effects on SMEI imply greater need for control and hence higher transaction costs</p>
	<p>Distance, strategy & international performance:</p> <ul style="list-style-type: none"> • Host-home country similarity has a positive impact on an SME's international performance when the firm adopts an exploitation strategy. Conversely, host-home country similarity has a negative impact on an SME's international performance when it adopts an exploration strategy [Cui, Walsh, & Zou JIMark, 2014] 	