

Internationalization of SMEs: a literature review.

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Abstract

Opening up to the international market will encourage small and medium-sized businesses to develop and grow. To achieve this, small and medium-sized enterprises need to prepare themselves to compete, survive and even grow on the international market. The aim of this article is to carry out a literature review with the aim of clarifying the concept of SME internationalization, and this is thanks to the recognition that occupies the role of the SME in the economic development of the country. In this work, we will review the literature in detail on the concept of SME internationalization, and finally demonstrate the situation of Moroccan SME exporters and their importance in Morocco's economy and foreign trade.

Keywords : SME, internationalization of companies, exporting.

Introduction

In the context of market globalization, internationalization has become increasingly important and demanding, even for small and medium-sized businesses. These companies are obliged to adapt to the new standards of internationalization if they are to survive.

The internationalization of SMEs is a widely recognized phenomenon, and the subject of much research. It is, therefore, a reality that we all have to face. The topic of SME internationalization has received a great deal of attention from researchers, and has become a distinct field of study. Studies on SMEs constitute a distinct field of economics, as they have become key players in the country's international development and globalization.

To study the phenomenon of SME internationalization, it is important to evoke a set of internationalization theories that interpret SME behavior in an international environment. And to better construct a clear vision of this concept. To this end, this article aims to analyze the theories of SME internationalization, and to better understand the phenomenon of SME internationalization, by identifying the factors that encourage these companies to penetrate international markets. It also sheds light on the situation of Moroccan SME exporters and their importance in Morocco's economy and foreign trade.

1. Company internationalization : a literature review

1.1. Definitions of internationalization

Several researchers in international management have given definitions of internationalization. This concept has been the subject of numerous definitions, which change according to the perspectives and approaches opted for by the authors. The following is a summary of the evolution of the concept of internationalization. The table below shows the evolution of definitions of internationalization in historical order:

Authors	Definitions	
Johanson and	« A process through which the company gradually increases its	
Vahlne (1977)	international involvement and commitment ».	
Welch and	« Internationalization is a process of growing involvement in	
Luostarinen	international markets ».	
(1988)		
Beamish (1999)	« The process by which companies increase their vigilance of the direct	
	and indirect influence of international transactions on their future, and	
	establish and carry out transactions with companies in other countries ».	
Johanson and	« Internationalization is the process of developing networks of business	
Vahlne (1990)	relationships in other countries through extended penetration and	
	integration ».	
Calof and	Internationalization defined as « the process of adapting company	
Beamish (1995)	operations to international environments ».	
Ahokangas (1998)	« Internationalization is a process of mobilizing, accumulating and	
	developing stocks of resources for international activities ».	
Knight and	« Internationalization refers to the process through which firms expand	
Cavusgil (2004)	their operations beyond domestic borders to engage in various forms o	
	international business activities ».	
Jones (2005)	« A process by which companies grow and develop internationally,	
	establish and manage their activities abroad, increase their exposure to	
	international transactions, establish and develop relationships and	
	networks that extend beyond borders and are manifested and identified	
	through specific modes of entry, in places related to time ».	

Ruzzier and al.	These authors define internationalization as « the geographical	
(2006)	expansion of economic activities beyond a country's national borders ».	
H. Zhu, M. A. Hitt,	« For them, internationalization is defined as "a process through which	
L. Tihanyi (2006)	companies increase their vigilance of the direct and indirect influence of	
and Servais,	international transactions on their future, and establish and carry out	
Decker (2014)	transactions with companies in other countries », using the same	
	definition as Beamish (1999).	

Source: Authors

Given the existence of several definitions of internationalization, we summarize that the common point in all these definitions is: "the mobilization of all necessary resources (human, material, technological...) to go abroad".

In what follows, we'll take a look at the main approaches to explaining this phenomenon, which were developed in the late 1970s and have their roots in the management sciences (more specifically, in the currents of behavioral inspiration). These approaches will be presented in turn in the following paragraphs. These are the behaviorist approach, the resources and skills approach, the network approach, and the approach to newly-created international companies.

2. Theoretical approaches to internationalization

2.1. Behaviorist approaches (Uppsala Model and Innovation Model)

Within this abundant literature, various theoretical approaches (economic and managerial) have been developed by numerous researchers to clarify and explain the internationalization of SMEs. Firstly, we will look at behaviourist approaches, which analyze internationalization as an incremental, cumulative and sequential process, using two theoretical models:

The Uppsala model developed by Johanson and Wiedersheim P. (1975) and Johanson and Vahlne (1977), and the innovation or I-model developed by Bilkey and Tesar (1977) and Cavusgil (1981).

2.1.1. The Uppsala model

The Uppsala model is based on Cyert and March's behavioral theory of the firm (1963) and Penrose's theory of firm growth (1959). This model was developed in the 1970s, based on an analysis of the internationalization process of four major Swedish companies (Volvo, Atlas Copco, Sandvik and Facit). The explanation of this model is essentially based on two concepts, which can be considered the main contribution of this school: the learning process and psychological distance.

For the analysis of internationalization as a learning process, we can say that the Uppsala model is explained as an incremental process of engagement in foreign markets, at the same time as

the company gathers knowledge and experience of export markets Johanson and Wiedersheim P. (1975) and Johanson and Vahlne (1977), enabling it to progressively reduce the risk associated with international activities (Perrault and St-Pierre, 2008). Underpinning this process, researchers (Colovic, 2014) propose four necessary and successive stages for SMEs to export and create production subsidiaries abroad: namely (irregular and opportunistic exporting, exporting via an independent agent, setting up a branch or sales subsidiary in the destination country, and finally creating production subsidiaries abroad). The transition from one stage to the next will depend on the success of the previous stage (Johanson and Vahlne, 1977).

The second contribution is based on the concept of "psychological distance", defined as the differences in language, culture and political systems that affect a company's international activity (information flow and decision-making) with its market. Johanson and Vahlne (1977) use this concept to explain that, as international experience increases, the psychological distance separating SMEs from new foreign territories diminishes. The reduction in psychological distance by the different countries served.

In this conception, it is assumed that SMEs must first have experience in their domestic markets before expanding into international markets (Aspelund et al. 2011). Indeed, they will be hostile to international expansion from the outset, and will only consider exporting when there is some foreign demand (Johanson and Vahlne, 1990). This reflects the reactive, unplanned and opportunistic attitude that the Uppsala model gives them towards international engagement (Mitchell and Bradley, 1986 cited by Aspelund et al. 2011).

2.1.2. The innovation model or I-Model

The innovation model is essentially inspired by innovation diffusion theory, and conceptualizes internationalization as a sequential growth process, in which each stage of cross-internationalization is equated with innovation (Bilkey and Tesar, 1977; Reid, 1981; Cavusgil, 1984). This model was first developed by Bilkey and Tesar (1977) based on observations of 423 small and medium-sized manufacturing companies in Wisconsin (Perrault and St-Pierre, 2008), and on a series of decision-making processes for thinking about export development. Innovation depends on the choice and orientation of the SME manager (Bilkey et al. 1977). In numerous works, several models attempt to explain the SME export process through this innovation perspective, the best known of which are the models of Bilkey and Tesar (1977), Cavusgil (1984) and Reid (1981).

2.1.3. The resources and skills approach

Based on the work of Penrose (1959), the resources and skills approach focuses on the specific capabilities of SMEs as a source of competitive advantage, and breaks with the development of concepts based solely on environmental analysis (Penrose, 1959; Teece et al. 1997). Based on two postulates: that companies in the same sector are heterogeneous in terms of the resources they control, and that these resources cannot be perfectly transferred from one company to another (Knight, 2001).

This approach defends the heterogeneity of resources between companies. It tends to exist on a permanent basis, showing that the expansion of small and medium-sized companies and their international success depend not only on their external position and restrictions, but above all on their resources (Hourmat Allah, 2009; Mercier-Suissa and Bouveret-Rivat, 2010). This approach focuses on the company and its internal functions (in particular its management processes) as a catalyst for international expansion (Pantin, 2006), and maintains that, despite limited resources, some SMEs have succeeded in entering the international market and gaining a competitive advantage abroad (depending on the specificity of their resources and skills), enabling them to expand along this path (Billet, 2012).

Generally speaking, this approach takes into account all the types of resources available to SMEs (physical and technical assets, capabilities, skills, information, knowledge, etc.), and thus deploys them in the design and implementation of strategies likely to improve their effectiveness and efficiency, and thus their competitive advantages on foreign markets (Collis, 1994; Porter, 1991; Knight, 2001).

2.1.4. The network approach

In the same context as the work of the Swedish school (Johanson and Vahlne, 1990), network theory aims to gain a better understanding of the reality of SMEs that are internationalizing, and all these measures aim to make up for the lack of resources and behavioral approaches, which do not fully reflect the specific situations encountered by most SMEs on the international scene (Levratto and Ramadan, 2009). This approach seeks to address the main problems hampering SME internationalization (St-Pierre and Perrault, 2009), treating them as both intra-organizational and inter-organizational processes (Al Abdulsalam and Paturel, 2008). By advocating networks and alliances with other partners, as an inevitable means of overcoming SMEs' insufficient resources and capabilities to improve their chances of international success. (Lu and Beamish, 2001). So, SME internationalization within the network approach can be understood as a cumulative process in which relationships are established, developed, nurtured

and eliminated in order to achieve the company's goal of internationalization (Johanson and Mattsson, 2015).

Small and medium-sized businesses that have established (trading) relationships with other partners, particularly abroad, can learn from others and at the same time create new knowledge through their interactions (Mercier-Suissa and Bouveret-Rivat, 2010). They benefit from the transfer of experience, and the performance of their export activities largely depends on their ability to establish and maintain a solid and reliable network of relationships in their home country ('Banjo' Roxas and Chadee, 2011). As Johanson and Mattsson (2015) have pointed out, it develops a network of relationships through expansion, penetration and integration, with a positive logic (Basly, 2007).

2.1.5. The theory of new international companies

Oviatt and McDougall (2005) in their article "Toward a theory of international new ventures" by choosing and proposing a dynamic approach that transcends the temporal and spatial scope of behavioral theory, the Uppsala model. In fact, Oviatt and McDougall (2005) report on a new phenomenon observed in North America, Europe and Asia. More and more companies are beginning to internationalize at the outset or shortly after their creation. These authors developed a model that marked the main characteristics of existing companies, which had to start their international activities by allocating significant resources from the outset, without taking into account certain stages of internationalization. New international companies are defined as small, mainly technology-based firms that have the capacity to internationalize very early and quickly, sometimes even from the very beginning of their creation.

In other words, this theory holds that newly-formed international companies can create value based on their unique resources (knowledge) and the alternative governance structures (networks) in which they participate. This gives them a competitive advantage abroad (Oviatt and McDougall, 2005).

The theory of new international firms pays more attention to the role of entrepreneurs (McDougall et al, 1994), who see themselves as a fundamental factor in their internationalization (Marchesnay, 1993; Le Cerf, 2012). This theory has described the decision to internationalize as an entrepreneurial and aggressive attitude, and believes that newly internationalized companies seek growth opportunities abroad (Aspelund et al, 2011; Sapienza et al, 2006). By way of conclusion, we can propose on the basis of the elements developed in this sub-section that the respective contributions of the various theories of internationalization of small and medium-sized enterprises are still partial, and each approach helps to shed an original but incomplete light on the process of internationalization of SMEs.

3. The importance of SMEs in Morocco and their contribution to international business

SMEs are considered essential components of the country's economy. In Morocco, SMEs account for the vast majority of all businesses, representing 97% of all companies (according to HCP statistics for 2019) with sales of less than 75 DH million and fewer than 200 employees. As regards the contribution of SMEs to international trade, the following statistics from the HCP show the breakdown of exporting SMEs by sector of activity.

Sectors	SMEs
Industry	43.9%
Construction	8.1%
Trade	25%
Services	23.1%

Table N°2: Breakdown of SME exporters by business sector

Source: Annual report of the Haut Commissariat au Compte HCP (2019)

Small and medium-sized enterprises (SMEs) generate 31% of exports from the Kingdom of Morocco (according to AMCE, 2019). According to the Direction Générale des Impôts, 289,773 active legal entities generated export sales of 294.5 billion dirhams in fiscal 2020, with SMEs accounting for 26% of this total.

So, we can conclude that Moroccan exports by SMEs will make up a significant share of the national Gross Domestic Product, attesting to the importance of international openness.

4. Research methodology

Our methodological choice mainly concerns a mixture between positivism and interpretativism, called post-positivism, which offers the possibility of validating knowledge based on the representations of the actors, without excluding the need for a certain objectivity at the methodological level. In reasoning our research, we adopt a hypothetico-deductive approach that aims to test the hypotheses arising from the models and theories mobilized to respond to the problem set at the outset.

Conclusion

We can conclude that the SME is a key component in the country's economic development, playing a primordial role in the economic fabric, helping to develop the country, produce jobs and create wealth.

As such, internationalization is essential not only for survival, but also for the development of productivity and innovation. This internationalization can be synonymous with many advantages, but it can also bring challenges. On the one hand, internationalization enables SMEs to generate innovations, increase their productivity, and gain access to new markets and technologies. On the other hand, it can expose them to increased competition from large foreign companies, and result in the loss of local markets.

Despite their potential in terms of job creation, productivity enhancement and economic growth, SMEs remain underrepresented in global trade with 31% of exports (AMCE, 2019).

This work is a component of our research that focuses on the choice of our sector of activity, which presents Moroccan exporting SMEs, or we have addressed this literature that concerns the concept of internationalization, its theories as well as its different approaches.

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