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Exporting challenges of SMEs: A review and future research agenda

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ABSTRACT

This study seeks to review the literature on the exporting challenges and problems of small and medium scale enterprises (SMEs) in this era of globalization. Besides, we identify gaps in the literature and provide directions for future research. This review would serve as a basis to understand the research gaps, opportunities, and undertake new research projects based on the propositions and the future research agenda outlined. We synthesize the findings and analyze different dimensions, which in turn would facilitate further research as well as the growth of small firms in the long run.

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1. Introduction

In this dynamic era of globalization, small and medium enterprises (SMEs) play a pivotal role in the development of a country. However, they face many challenges while competing internationally with large firms and multinational organizations. SMEs are considered as the backbone of a national economy (Amini, 2004; Peters & Waterman, 1982). SMEs, despite their small-scale output and relatively lower scale economies, are known to be significant contributors to employment growth and innovation (Pavitt, Robson, & Townsend, 1987). As compared to the large firms, SMEs have an edge in terms of quick and flexible decision-making processes. However, their relative strengths are mostly behavioral, for example, entrepreneurial dynamism, flexibility, and motivation, among others. On the other hand, some of the relative strengths of large firms include economies of scale and scope, financial and technological resources, etc.

The strengths and weaknesses of small firms involved in internationalization through exports have been widely researched. For instance, firm size determines how trade barriers are perceived (Kahiya & Dean, 2016; Kahiya, Dean, & Heyle, 2014). Larger firms, being well endowed, can respond better than SMEs in dealing with these trade barriers, and are likely to have a competitive advantage in international markets (Beamish, 1990; Piercy, Kaleka, & Katsikeas, 1999; Paul & Gupta, 2014; Wolff & Pett, 2000). The argument states that large firms that have developed their resources and capabilities over time, such as managerial know-how and export departments to conduct export activities with a well-developed base. It is known that SMEs lack such resources and capabilities, and therefore larger firms are more likely to overcome the challenges of exporting than smaller firms.

Griffith, Cavusgil, and Xu (2008) identified primary, secondary and tertiary themes for future research and related research questions in the field of international business. They found “SME experiences in internationalization” to be a primary theme, with the following research questions: “What unique strategies do small and medium-sized firms employ in going international?” “How successful are they?” (p. 1227). Thus, when it comes to exporting, small firms are more challenged than larger firms. The available literature makes a clear distinction between export barriers and other problems faced by the firms (Leonidou, 2000; Morgan & Katsikeas, 1997). The former refers to factors that prevent non-exporters from exporting, while the latter covers the stumbling blocks encountered by existing exporters. Falbe and Welsh (1998), while explaining exporters’ problems, found that the global mindset or familiarity with conditions generates more opportunities than otherwise. There have been widespread difficulties in applying comprehensive theories to decisions and processes involved with the internationalization of small firms. These have resulted in calls for a return to exploratory research, and for a series of connected sub-models covering different dimensions of internationalization (Jones, 2001).

The scope of our review article is three-fold. First, considering the need for and the importance of SMEs, we seek to analyze the literature, on the exporting challenges of SMEs, critically examining the theoretical approaches and highlight the findings and list out the challenges. Second, drawing upon the assertion (Jones & Gatrell, 2014), that literature reviews are essential for making sense of existing scholarship, we identify new directions for future research. Third, despite several comprehensive reviews that help

the field of international entrepreneurship (Keupp & Gassmann, 2009; Jones, Coviello, & Tang, 2011; Servantie, Cabrol, Guieu, & Boissin, 2016), we found that none of those reviews have focused on exporting challenges and barriers of SMEs. As such, there is no exclusive review article on exporting challenges of SMEs, while prior reviews on international entrepreneurship have covered several dimensions of international entrepreneurship in general. Moreover, this review will motivate the researchers to carry out future research and help the SMEs directly or indirectly to compete, survive, sustain, and succeed in exporting and resultant international business in this challenging era of globalization.

The remainder of the article is structured as follows. Our methodology is discussed in the next section. Subsequently, a synthesis of theories, models, and perspectives on factors influencing the internationalization of SMEs are presented. Section four deals with the exporting challenges of SMEs. The discussions based on the findings are given in section five and directions for future research are outlined in section six. Our conclusions are reported in the last section.

2. Methodology

Following the systematic search methods found in the review articles (Canabal & White, 2008; Keupp & Gassmann, 2009; Terjesen, Hessels, & Li, 2013), we searched for relevant literature in online databases such as EBSCO, Google Scholar, Scopus and in the reference lists of the articles we read. Our search methodology helped us to identify various articles published in the area of SME internationalization over a period of more than three decades (1980–2016). This search strategy of using multiple sources helped us to make sure that we have included all the important studies in our review. Notably, the search on Google Scholar provided us data on most cited articles in this area. We selected articles published from the journals included in the official list of Association of Business Schools (ABS), United Kingdom. Our focus area is *exporting challenges of SMEs*. However, we thought, first, it is necessary to review the important theories that have emerged in the realm of small firm’s internationalization. Therefore we used the keywords *SME internationalization* and *internationalization of small firms* to identify the most important works that represent the key theories in extant literature. Our search yielded a total of 251 possibly relevant articles. Following prior review studies (Keupp & Gassmann, 2009; Terjesen et al., 2013), we read the initial collection of 251 articles and exchanged notes among three co-authors to reach a consensus on the articles to be excluded from our final sample. We then fine-tuned search towards our focus area using the keywords *exporting challenges of small firms* and *export barriers*. Further selection; based on the criteria that the articles should have the focus theme- *exporting challenges of SMEs*; left us with 211 articles to be included in the final list. Besides; we synthesized and highlighted the findings of recent studies (2011–2016) in an annexure table (Table A; in Appendix A). Our literature search was mainly towards furthering the studies on exporting challenges of SMEs. As such; our attempt is to look at possible areas of future research that are not falling within the realms of born global firms. Nevertheless; we have discussed some highly cited papers on born global phenomenon and included it in our review of theoretical models. These studies may have valuable strands of knowledge that could be tested or applied to conventional SMEs.

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