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INTERNATIONALISATION OF SMALL AND MEDIUM SIZED ENTERPRISES – INSIGHTS FROM THE LITERATURE

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Abstract

Given their role and importance, small and medium-sized enterprises (SMEs) are the driving force in many economies. Researching their specificities is a basis for understanding their needs and possible levers that would enable their growth and development. The internationalisation of SMEs is a different process from the internationalisation of large companies and it is necessary to understand the specificities of this process. This paper reviews the literature in order to summarise the existing knowledge on the process of internationalisation of small and medium-sized enterprises. The aim of this paper is to provide a conceptual framework that offers a comprehensive overview of various important aspects of the internationalisation process. The proposed framework explains factors, barriers and possible approaches to SME internationalisation and provides guidance for future empirical research.

Keywords: internationalisation of SMEs, internationalisation theory, factors, barriers.

1. INTRODUCTION

Internationalisation refers to the geographical expansion of business activities beyond national borders, i.e. increasing participation in international activities (Welch and Loustarinen, 1988; Ruzzier et al., 2006). The internationalisation of small and medium-sized enterprises (SMEs) has attracted growing interest in recent years and has become the focus of research, but despite this growing interest, research is still fragmented (Dabić et al., 2020). SMEs have been actively participating in international markets for some time, but they have become more prominent since the internationalisation of SMEs has been recognised as an important driver of economic growth, competition and job creation (Ščeulovs & Korsakienė, 2019). Among the various dimensions of business activity in small and open economies, international competitiveness stands out. The ability to commercialise products in the international market offers companies the opportunity to acquire new knowledge, improve financial sustainability and additionally increase market share in the domestic market (Stojčić, 2020). SMEs are playing an increasingly important role in the global economy, and there is growing interest among entrepreneurs and academics in understanding and promoting SME internationalisation (Yoon et al., 2018). SME internationalisation considers processes that are distinctly different from those in large companies and seeks to explain the approaches and success of these processes in small and medium-sized enterprises (Etemad and Wright, 2003). SMEs can benefit from partnerships, social and business networks and open innovation to increase their international performance and innovation capabilities (Jeong et al., 2019; Deltour et al., 2021). Martinčević and Kozina (2020) argue that exporting companies have increased level of absorptive capacity, meaning they are more suited to receive, assimilate, transform, and utilize external knowledge. This enables them to develop dynamic abilities, innovate, and ultimately create added value for the company, which is of utmost importance when competing in global market. Internationalisation is more than just a process of market selection (Kuivalainen et al., 2012). Many small and medium-sized enterprises are still largely dependent on the domestic market, they do not think about the possibilities of internationalising their business, and when they enter the internationalisation process, they encounter numerous obstacles in the process due to insufficient preparation (Costa et al., 2015). In the process of internationalisation, companies must decide how, when and to what extent they want to enter foreign markets, and these decisions are influenced by various internal and external factors (Olejnik, 2013) and potential challenges. The main objective of this paper is to provide a conceptual framework that gives an overview of the different approaches to internationalisation of small and medium-sized enterprises and the factors and barriers of this process. These three aspects of the internationalisation process are the focus of the paper. The conceptual framework presents current findings and synthesises relevant knowledge on this research topic.

2. THEORETICAL APPROACHES TO SME INTERNATIONALISATION

Internationalisation theories have their roots in behavioural theory, decision-making theory, organisational theory and the theory of entrepreneurship. A broad perspective is necessary for a conceptual, empirical and methodological understanding of the internationalisation of small and medium-sized enterprises, as it cannot be understood and explained by a one-sided research approach (Coviello and McAuley, 1999). Several directions can be identified in the investigation of the internationalisation of small and medium-sized enterprises, which are presented below.

2.1. Incremental internationalisation

The first approach to internationalisation refers to gradual internationalisation or internationalisation in stages. The theories it encompasses are the Uppsala model of internationalisation and the innovation model.

The Uppsala model was developed at the university of the same name in Sweden, and the authors Johanson and Vahlne (1977) speak of several stages in the process of company internationalisation: (1) without export activities within the company, (2) export via an independent agent, (3) opening a sales office abroad and (4) opening a production unit abroad. All decisions on activities are made after acquiring the necessary knowledge and markets are selected according to proximity/distance to the domestic market. The physical distance between the domestic and international markets is seen as an important factor hindering the flow of information between firms and markets and includes elements such as differences in language, culture, political system, educational level and institutional development (Andersen, 1993). The Uppsala model of internationalisation is a dynamic model in which the results of one cycle are the input variable for the next cycle. Johanson and Vahlne (1990) are of the opinion that internationalisation takes place in small, incremental steps because it requires a high level of knowledge, but they also mention three exceptions: (1) companies that have more resources can more easily bear the consequences of engaging in a particular market and take larger steps in the process of internationalisation; (2) if the market is stable, the required knowledge can be acquired in other ways, not only through experience (through the experience of other companies, research); (3) if the firm has extensive experience from other similar markets, it can generalise the knowledge gained from experience and transfer it to another market. In line with the above, Forsgren (2002) also questions organisational learning, but states that companies do not necessarily learn only through their own experience, but can learn in one of the following ways: (1) through partner relationships - they gather knowledge from companies that have had certain experiences, (2) through imitative learning - by observing relevant companies and taking similar steps to them, and (3) by employing people in the company who have the necessary knowledge.

Another model that must be mentioned in the context of gradual internationalisation is the innovation model. The innovation model sees the basic premise of internationalisation in the acceptance of innovation, i.e. internationalisation is seen as a kind of innovation of the firm (Andersen, 1993) and is based on the idea of a gradual internationalisation process that is linked to new needs of the firm, new opportunities or new resources. Several authors present this approach to internationalisation with similar interpretations. Bilkey and Tesar (1977) were among the first to discuss this approach. They list six stages of this process: (1) management is not interested in export activities, (2) management responds to random demand without making additional efforts to actively export, (3) management begins to actively seek export opportunities, (4) the company begins experimental exports to the nearest market, (5) the company has experience of exporting to the nearest market based on previous experience, (6) the company seeks to expand its export activities to other markets. While Czinkota (1982) interprets the phases in a very similar way, Cavusgil (1980) takes a slightly different view of the phases a company goes through: (1) selling to the domestic market, (2) pre-export phase – the company gathers information and analyses the feasibility of exporting, (3) experimental commitment – the company starts with limited exports to the local market, (4) active commitment – increasing exports, new countries, (5) committed commitment – the company continuously searches for opportunities and makes decisions about the allocation of resources between domestic and foreign markets. Reid (1981) also explains the process of internationalisation in terms of five phases: (1) export awareness, (2) export intention, (3) export attempt, (4) export evaluation, (5) export acceptance.

In summary, the incremental approach views internationalisation as a process in which companies gradually increase their international involvement and expand into markets in culturally and geographically closer countries (Paul et al., 2017; Daei et al., 2023). Both theories (the Uppsala model and the innovation model) are considered behavioural and the reasons for gradual internationalisation are as follows: lack of knowledge within the company, especially experiential knowledge and uncertainty regarding the internationalisation decision (Andersen, 1993). However, gradual internationalisation has proven to be feasible and effective for SMEs to cope with the complexity of international markets (Kraus et al., 2011).

2.2. Network theory

The second approach is an extension of the Uppsala model of internationalisation and is referred to as network theory. Internationalisation is an entrepreneurial process that is part of the institutional and social network that supports the firm in the form of access to information, human capital, finance, etc. (Bell et al., 2003). Internationalisation is also seen as a growth process realised through social and business relationships that develop over time on the basis of existing relationships, i.e. through the creation of networks (Barbosa et al., 2005). Small and medium-sized enterprises often strive to become part of business networks and relationships in order to increase their competitiveness, and they often see this as the only chance to survive in the fight against national and international competition (Battaglia et al., 2006). The network approach emphasises the importance for SMEs to build extensive networks of active partnerships before entering international markets (Daei et al., 2023). After numerous studies have proven the importance of networks in the process of internationalisation of companies, the authors Johanson and Vahlne (2009) have expanded their original model. The new attitudes relate to the creation of new knowledge resulting from the relationships in the network and the recognition of opportunities in these relationships. Furthermore, everything that happens is related to the relationships in the network in which the company is located, and success certainly depends on the company's role in that network. Companies can be insiders or outsiders in the relevant network of relationships in that market (Johanson and Vahlne, 2009). The authors introduce these terms because they believe that the position of the insider is one of the essential prerequisites for the internationalisation process. The company's knowledge (primarily knowledge and awareness of opportunities) and position in the business network affect the level of commitment to developing relationships in the network as well as learning and developing trust and strengthening relationships in the network. In this model, Johanson and Vahlne (2009) see everything as relationships in a business network. Therefore, they also believe that internationalisation is done with the aim of developing these relationships, i.e. strengthening the position in this network.

2.3. Born global

The next approach to the internationalisation of SMEs is rapid internationalisation or born global. Such companies are often referred to as international new ventures (INV). This theory refers to companies that have opted for the process of internationalisation from the very beginning and have been present on the international market almost from the start (Chetty and Cambell-Hunt, 2004). One of the first comprehensive definitions of such companies states that they are companies that strive from the outset to gain a competitive advantage by deploying resources and selling in multiple countries (Oviatt and McDougall, 1994). Despite the scarce resources (financial, human, intangible) that characterise most SMEs, born global companies are involved in international business from a very early stage (Weerawardena et al., 2007) and their activities are not the result of unexpected orders or gradual activities, but are part of strategic planning from the beginning (Zuchella et al., 2016). Changes in the economic, technological and social environment have enabled companies to develop new sources of competitive advantage. The main changes associated with the internationalisation of small and medium-sized enterprises are the following: increasing speed, quality and efficiency of international communication and transport, the homogenisation of many markets, an increasing number of managers and entrepreneurs engaged in international business, increasing sources of international finance, the international mobility of human capital (Oviatt and McDougall, 1994). It can be concluded that this approach is based on three important assumptions: (1) new market conditions, (2) technological development, and (3) different knowledge and skills of people, especially the founders of companies that are born globally (Madsen and Servais, 1997). A common characteristic of such companies is that they have people in management positions who have a global focus from the outset and are committed to internationalisation. They are often companies that target small, highly specialised niches (Bell et al., 2003). Typically, their perception of uncertainty in the international market is lower because the owners and employees often have international experience before the business is established and have a more proactive approach and internationally focussed strategy from the outset, even if the business consists of only one entrepreneur and/or several employees (Madsen and Servais, 1997). In line with this, Harveston and Davis (2001) believe that such companies have people in management positions who have a different mindset, international experience and a higher risk tolerance. In addition, these companies have a higher level of technology and are more inclined to seek and exploit opportunities outside their country's borders. These companies operate in industries where they are under great pressure. They believe that the domestic and international markets have a lot in common and they do not perceive the uncertainty of the environment as strongly.

When empirically testing the incremental theory and Born Global, the authors Bell et al. (2001) observed a large number of companies that do not fit into any of the theories mentioned. These are companies that have suddenly and rapidly internationalised without having shown any prior interest in doing so and are referred to as born-again global. The characteristics of these companies and their internationalisation are identical to those of born-global companies, with the main difference that they are not young, newly founded companies, but mostly traditional companies that have been active on the market for a long time, but have changed their strategic orientation and internationalised rapidly after a certain critical event. Critical events that have caused such a change are a change of ownership in the company, the acquisition of another company or technology and/or the succession of a customer. These events can occur much later in the company's life cycle and are the trigger for an accelerated and intensive internationalisation process (Sheppard and McNaughton, 2012).

2.4. International entrepreneurship

The latest approach to the internationalisation of SMEs is called international entrepreneurship. According to Zuchella et al. (2018), the focus is on exploring and capitalising on opportunities that take place at different speeds and stages of the life cycle, but in an international environment. Although the ability to communicate and transport quickly makes the world seem small, there is a high level of risk and uncertainty that needs to be understood. Therefore, this environment is complex and requires proactive, innovative behaviour and the ability to take risks, which are explained in the concept of international entrepreneurship. Zahra and George (2002) have presented an integrative model of international entrepreneurship based on the assumption that organisational factors have a significant influence on the desire to internationalise and are presented as antecedents to the process. International entrepreneurship itself is considered to be multidimensional in terms of the degree of internationalisation (in terms of revenue generated in the international market or the number of new markets the firm enters), the speed of internationalisation and the extent of internationalisation (geographical area or scope of products). Strategic and environmental factors are seen as moderators of the relationship between organisational factors and international entrepreneurship. All these factors lead to certain (financial and non-financial) outcomes or results of this process. The greatest contribution and importance of international entrepreneurship theory lies in a better understanding of international business by emphasising the role of the entrepreneur in the internationalisation process, entrepreneurial characteristics and the importance of small firms in the overall network of international activities (Mtigwe, 2006). International entrepreneurship implies a new management mentality and a way of organising and managing business activities in a global context (Rask and Servais, 2015). International entrepreneurship is a kind of extension of previous theories and focuses on the component of entrepreneurial thinking and behaviour. It focuses on entrepreneurial behaviour with the aim of exploiting opportunities beyond national borders, and internationalisation is not seen exclusively as the export of a company, but also considers the internationalisation of other parts of the company. Although international entrepreneurship attracts the interest of many researchers, it is still considered to be under development and new research is contributing with new ideas and concepts to provide a theoretical foundation (Allen, 2016).

3. FACTORS INFLUENCING SME INTERNATIONALISATION

In order for the internationalisation process to take place at all, there are various factors that prompt the company to internationalise. Welch and Luostarinen (1988) speak of dynamic factors and situational factors that influence the internationalisation process of small and medium-sized enterprises. Dynamic factors have a continuous influence on the firm and play a key role in the firm's decision on the degree of involvement in the internationalisation process. However, the degree of their influence changes depending on the market the company is entering and the experience it has gained in previous businesses. According to same authors, the dynamic factors that stand out are the following: the availability of resources, the development of knowledge, communication networks, risk and uncertainty, control and commitment. In addition to the dynamic factors mentioned above, internationalisation is also influenced by situational factors relating to the state of the market in which the company enters and government policies, particularly in relation to aspects of international business. Etemad (2004) distinguishes between push factors, pull factors and interactive push-pull factors. Push factors are the forces that drive the company to internationalise and take advantage of opportunities in the international market and they come from within the company itself. Pull factors are usually found in the company's environment and represent all the incentives and advantages that the company has in the international market. Interactive factors refer to the forces resulting from the interaction of push and pull factors and their impact on the company. The influence of all the factors mentioned on the company's processes must be observed, taking into account the basic characteristics of the company, the attitudes of the entrepreneurs and/or managers and the circumstances in which the company finds itself. Ruzzier et al. (2006) present a conceptual model that assumes the following preconditions for internationalisation: the characteristics of the entrepreneur (such as human and social capital), the characteristics of the organisation and the characteristics of the environment as antecedents or factors that influence the process of internationalisation and ultimately the performance of the firm. The authors attribute an important role to the characteristics of the entrepreneur, as they believe that only an entrepreneur with a certain set of competencies is able to combine and leverage resources, across national borders, as a basis for the internationalisation of a firm. When analysing the characteristics of the company, the authors rely on the number of employees and turnover and divide the environment into domestic and foreign. According to Senik et al. (2010), the most important factorsare presented in five areas: Motivation, Company, Industry, Environment, Relationships (Networking). Relationships (networking) and factors related to the company itself (a combination of the company itself and the owner/manager) were identified as the most important factors. Kuivalainen et al. (2012) also propose a model based on three levels of factors that precede internationalisation: Management level, firm level and environmental level. They identify mindset, experience and entrepreneurial orientation as the most important factors at the individual level (management level). The selection of these factors is based on studies that have confirmed that approaches to internationalisation differ depending on these factors. At the company level, resources, knowledge, strategy, networks, skills and responsibilities are highlighted, emphasising the fact that some of these factors can help or hinder internationalisation. Finally, at the environment level, the state of the industry, dynamics of the environment, distance and country of origin are considered, again emphasising that some of the factors may push the company towards international markets or be barriers to international business. Lobo et al. (2020) have shown that inhibiting factors and market characteristics have a significant impact on the internationalisation of SMEs. They conclude that SMEs are very sensitive to the external environment and that they internationalise when they face institutional pressure. Other important factors are size, type of ownership, external financing, business organisations and market share.

4. BARRIERS FOR THE SME INTERNATIONALISATION

Many small and medium-sized enterprises still hesitate when deciding to enter foreign markets, and often those that decide to do so face significant challenges and barriers in their internationalisation process. Leonidou (2004) classifies barriers as (1) internal (related to the availability of organisational resources) or external (related to the environment in which the company operates) or (2) domestic (in the market from which the company comes) or foreign (in the market in which the company wants to operate). Internal barriers are categorised as information, functions and marketing, while external barriers are related to procedures, government support, foreign market conditions and the environment in general. An important point is that barriers can be viewed as perceptions or experiences as they are seen from the perspective of potential exporters, current exporters and past exporters. Baum et al. (2013) state that two types of barriers are crucial to the internationalisation process: Barriers related to the market (e.g. the perception of cultural differences) and barriers related to financing (e.g. the perception of the cost of doing business internationally). Kahiya (2013) also distinguishes between internal and external barriers. According to him, internal barriers are related to the following factors: (1) resources (production capacity, insufficient qualification of employees, short-term financing problem), (2) management (export orientation, attractiveness of exports), (3) marketing (entry into a foreign market, marketing mix), (4) knowledge (activities within the internationalisation process). External barriers refer to: (1) domestic market (geographical location, lack of financing sources, taxes), (2) foreign market (unfavourable working conditions, legal regulations and restrictions), (3) the industry (industry structure, intensity of competition). Toulova et al. (2015) cite the following as the most common obstacles to the internationalisation process: lack of language skills, lack of experience in foreign markets, high advertising costs, lack of government support and incentives, lack of information about foreign markets. Martinović and Matana (2017) provided extensive debate on export barriers and clustered them into four dimensions: (1) external environment; (2) government assistance; (3) financial factors; (4) organization and commitment. Additionally, they found that managers' experience influences all the relationships. Paul et al. (2017) speak of macro- and microeconomic challenges and barriers to internationalisation. Macro barriers are beyond the control of the company, such as the lack of appropriate trade institutions, political instability, legal and policy problems, insufficient demand, etc. Micro barriers are related to the company, e.g. finding reliable distributors, lack of knowledge about the target markets, no access to information, lack of international experience, insufficient resources. Some authors focus on innovation and technological barriers, noting that information barriers and challenges related to some digital technologies (e.g. the use of cloud computing) can affect the internationalisation process of SMEs (Hosseini et al., 2019). In line with several previous authors, Nurfarida et al. (2022) also discuss internal and external barriers to SME internationalisation in their recent study. They define human resources, product quality and financial resources as internal barriers and the business environment, governmental barriers and socio-cultural barriers as external barriers. Dedaj and Krasniqi (2023) in their study have assorted barriers as follows: (1) formal and informal institutions; (2) market information and networking; (3) skills, technical capacities, and quality standards; and (4) international branding, visa requirement and lack of government support.

5. DISCUSSION - TOWARDS BETTER UNDERSTANDING OF INTERNATIONALISATION OF SMES

Several approaches to the internationalisation process of SMEs have been described in the literature review: incremental internationalisation, network theory, born global and international entrepreneurship. All of these approaches have their own characteristics and provide different frameworks for the internationalisation process, which are explained by time, pattern and operation/market. Table 1 provides an overview of these components derived from the theories presented above.

Table 1

Overview of the internationalisation approaches

	Incremental internationalisation	Network theory	Born global	International entrepreneurship
Specifics	- Focus on near markets first - Focus on organizational learning	- Focus on knowledge and opportunities in the network - Insider or outsider position within the network	- Global focus - Dedication to internationalisation - Focus often on specialized niches	- Focus on entrepreneurial behaviour in the internationalisation process - Focus on all component of value chain
Time	Late internationalisation: - After establishment on domestic market - After gaining relevant knowledge about foreign markets	Late internationalisation: - After defining position in the network - After creating relationships in the network	Early/rapid internationalisation	Different speeds and stages of the life cycle
Pattern	Gradual internationalisation in small steps	Creating relationships that define internationalisation process	Quick entry into multiple foreign markets	Multidimensional
Operation/ market	Focus on sales Focus on one market at a time	Based on the relationships/partnerships	Primarily sales Multiple markets	Any part of the company's value chain Single or multiple markets

Source: author

Incremental internationalisation describes an approach characterised by focusing on the geographically and culturally closest markets. In addition, every decision is made on the basis of new knowledge. There are various authors and models of incremental internationalisation. The main differences in the models presented are the number of phases the company goes through and the initial phases. Some authors believe that the incentive to export comes from outside, while others believe that the incentives come from within, i.e. from the search for opportunities. This approach is characterised by late internationalisation in a gradual pattern, exporting one market at a time. Network theory develops the theory of gradual internationalisation further and adds the importance of the roles of the companies within the company network. The company learns about internationalisation and finds opportunities depending on how successfully it develops relationships with other companies. This approach is characterised by late internationalisation and decisions about patterns, operations and markets are based on their relationships and partnerships. Born global offers a different focus to the first two approaches and recognises that there are companies that have strategically focused on internationalisation from the outset. These companies are characterised by a global orientation and are intensively dedicated to the internationalisation process. Their internationalisation is rapid and they focus on more than one international market. They are primarily focussed on export (sales). International entrepreneurship is the latest approach to the internationalisation process of SMEs. The focus of this approach is on the entrepreneur and entrepreneurial behaviour. It is also important that one no longer thinks only of export (sales), but of every part of the company's value chain. This means that internationalisation does not only mean selling products/services on international markets, but that every other area of the company can also be internationalised. Nor is a single pattern or timetable for internationalisation defined, but rather internationalisation is viewed as a multidimensional process. Secondly, the factors that influence the internationalisation of SMEs were presented. Many authors identify and classify factors into three categories: Environmental factors, business factors and owner/manager factors that drive SMEs to start and develop their internationalisation process (Table 2). Researchers have identified a range of influences, including dynamic factors such as resource availability and situational factors such as government policy. Entrepreneurial characteristics, firm attributes and environmental conditions all play a role, as Ruzzier et al. (2006) and Kuivalainen et al. (2012) have highlighted with their multilevel models. More recent research by Lobo et al. (2020) also emphasises the impact of external pressures and market characteristics on SME internationalisation. The authors discuss similar environmental factors related to the situation in domestic and foreign markets. At the company level, the main focus is on resources (human, social, financial). Finally, the mindset, knowledge and experience of the entrepreneur have been identified as crucial factors in the internationalisation process. Understanding these factors is crucial for SMEs considering entering the global market as it enables them to develop a well thought-out internationalisation strategy.

Table 2

Overview of the internationalisation factors

Authors	Factors		
	Environment	**Company**	**Owner/manager**
Welch & Luostarinen (1988)	State of the market Government policies	Availability of resources Risk and uncertainty	Knowledge development Communication networks Communication networks
Etemad (2004)	Incentives in international market	Drive to internationalize	Drive to internationalize
Ruzzier et al. (2006)	Domestic environment Foreign environment	Number of employees Finances	Human and social capital
Senik et al. (2010)	Industry and environment	Company characteristics	Motivation Relationships
Kuivalainen et al. (2012)	State of the Industry Environmental Dynamics Distance Country of Origin	Resources Knowledge Strategy Networks Skills Responsibilities	Mindset Experience Entrepreneurial Orientation
Lobo et al. (2020)	Market characteristics Business associations	Size Type of ownership External financing Market share	

Source: author

The third focus was on the barriers that hinder the internationalisation of SMEs. Obstacles can significantly affect the ability of SMEs to expand into international markets. Examining and understanding the most common and important barriers can help SMEs enormously in their internationalisation efforts. Many authors categorise the barriers as internal or external. However, similar to the factors from the previous chapter, the barriers could also be classified as environmental barriers, – which are external barriers, as well as internal company barriers and owner/manager barriers, which are challenges when a company decides to internationalise, as shown in table 3. From the articles analysed and the table, it can be concluded that many authors see the barriers to the internationalisation of SMEs in a similar way. Environmental barriers are mostly related to a lack of government support, the political situation or socio-cultural differences (Leonidou, 2004; Baum et al. 2013; Toulova et al., 2015, Martinović&Matana, 2017; Paul et al., 2017, Nurfarida et al., 2022). According to all the authors analysed, the obstacles at company level are related to resources and marketing issues. Barriers at the individual level are related to the knowledge and experience of the owner. It is important to distinguish the barriers related to the owner from the barriers at the company level, because in SMEs the role of the owner is very important and can be the driving force of internationalisation or the biggest obstacle. Despite these challenges, SMEs that understand these barriers can develop strategies to overcome them and make their internationalisation successful.

Table 3

Overview of the internationalisation barriers

Authors	Barriers		
	Environment	**Company**	**Owner/manager**
Leonidou (2004)	Procedures Government	Information Functions Marketing	Functions
Baum et al. (2013)	Perceptions of cultural differences	Financing	
Kahiya (2013)	Domestic market Foreign market Industry	Resources Marketing	Management Knowledge
Toulova et al. (2015)	Lack of government support and incentives	Advertising costs	Lack of language skills Experience
Martinović&Matana (2017)	External environment Government assistance	Financial factors Organization and commitment	Managers' experience
Paul et al. (2017)	Lack of trade institutions Political questions Legal questions Demand	Distribution issues Access to information Resources	Lacking international experience
Hosseini et al. (2019)		Innovation Technology	
Nurfarida et al. (2022)	Business environment Government barriers Socio-cultural barriers	Human resources Product quality Financial resources	Human resources
Dedaj&Krasniqi (2023)	Formal and informal institutions Market information and network International branding, visa requirement and lack of government support	Skills, technical capacities, and quality standards	

Source: author

A conceptual framework was created on the basis of the literature review. This conceptual framework shows the interconnectedness of various components that are of great importance for the internationalisation process of small and medium-sized enterprises. The logic of this conceptual framework is based on the assumption that the entire process is shaped by two key sets of influences:

1. Environmental, company and owner/manager factors
2. Environmental, company and owner/manager barriers.

SMEs choose their internationalisation approach based on the interplay of these factors. This approach is explained by three dimensions: time (the speed and sequence of internationalisation; early or late internationalisation), pattern (the chosen mode of internationalisation; from gradual internationalisation in small steps to rapid internationalisation) and operation/market (which specific aspects of the business are internationalised; focus on one part of the value chain or multiple; focus on one foreign market or multiple). The internationalisation process leads to certain outcomes in terms of performance, acquisition of new knowledge and networking.

In this framework, international entrepreneurship is seen as the core of the whole process. It emphasises international entrepreneurship as the driving force of internationalisation as it focuses on exploiting international opportunities through proactive, innovative behaviour and risk-taking.

The framework recognises the dynamic nature of the internationalisation process of SMEs. All experiences, both positive and negative, successes and challenges, have a feedback loop to factors and challenges and have a potentially transformative effect. In other words, the learning and knowledge acquired during the process, as well as all the experiences the company has had, influence how the company perceives and addresses the factors and challenges in the future. This continuous learning has the potential to change the company and shape its approach to internationalisation.

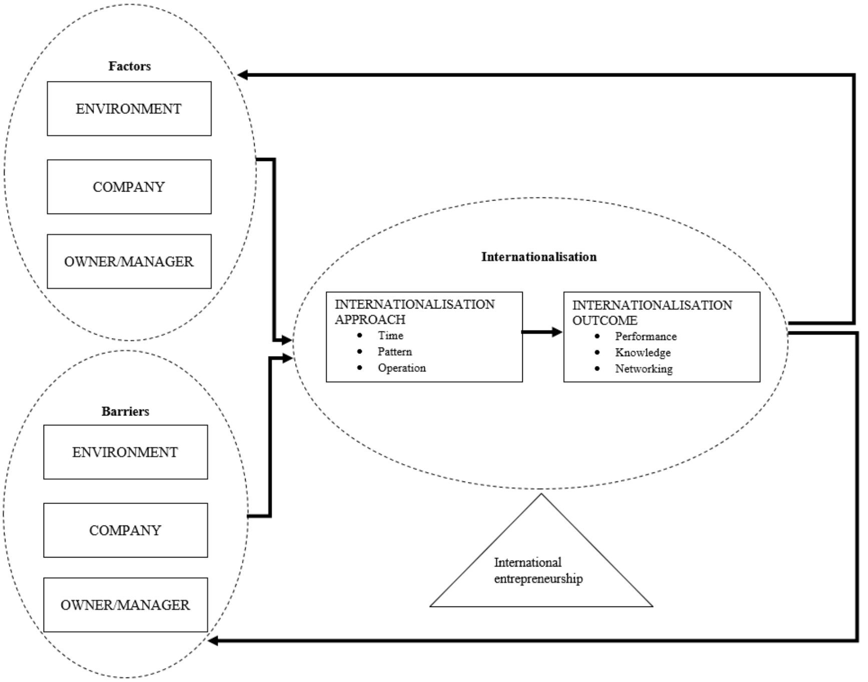

Figure 1 Conceptual framework of SME internationalisation
Source: author

6. CONCLUSION

Companies that expand their activities to the international market are companies that grow, create jobs, strengthen competitiveness and ultimately influence the state of the country's entire economy. For this very reason, understanding their business and needs is an important area of research. The internationalisation of SMEs has been researched using various theories, such as incremental internationalisation, network theory, born global and international entrepreneurship. However, none of these theories can explain all elements of SME internationalisation, but they contribute significantly to a better understanding of this process. They explain different patterns of SME internationalisation and provide insight into how companies can start and develop this process. The successful internationalisation of SMEs depends on a complex interplay of factors related to the entrepreneur, the company, the environment and their dynamic interactions. Understanding these factors is crucial for informed decision-making and effective management of the internationalisation process. When analysing the research on the challenges and barriers in the internationalisation of small and medium-sized enterprises, it can be seen that the importance of a particular challenge or obstacle depends on various factors, such as the characteristics of the entrepreneur, the company, the environment or the stage of the internationalisation process it is in. Furthermore, the perception of the same challenge changes depending on these characteristics. When deciding on the internationalisation of a company, but also when managing the entire internationalisation process, it is important to be aware of all potential and existing barriers and to understand which and how much impact they can have on the company. Recognising and understanding these barriers is crucial for SMEs considering internationalisation. The conceptual framework presented focuses on three key areas of the SME internationalisation process: factors influencing internationalisation, barriers impacting internationalisation and approaches to internationalisation.

The limitations of this paper lie in access to certain academic databases or unpublished research, which prevents a truly comprehensive review. Conclusions have been drawn on the basis of selected papers, which may have limited depth of analysis. Nonetheless, this paper offers a contribution to a conceptual framework that could serve as a starting point for more in-depth analysis or empirical research.

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INTERNACIONALIZACIJA MALIH I SREDNJIH PODUZEĆA – SPOZNAJE IZ LITERATURE

Sažetak

Mala i srednja poduzeća pokretači su mnogih gospodarstava s obzirom na njihovu ulogu i važnost koju imaju u mnogim državama. Istraživanja o njihovim specifičnostima predstavljaju podlogu za razumijevanje njihovih potreba i eventualnih poluga kojima bi im se omogućio rast i razvoj. Internacionalizacija malih i srednjih poduzeća predstavlja drugačiji proces od internacionalizacije velikih poduzeća te je potrebno razumjeti različitosti tog procesa. Ovaj rad pruža pregled literature radi sinteze postojećeg znanja o procesu internacionalizacije malih i srednjih poduzeća. Cilj je ovog rada kreirati teorijski okvir koji može pružiti cjeloviti pregled važnih aspekata procesa internacionalizacije. Predloženi okvir objašnjava čimbenike, prepreke i pristupe internacionalizaciji te pruža smjernice za buduća empirijska istraživanja.

Ključne riječi: internacionalizacija MSP, teorije internacionalizacije, čimbenici, prepreke.

JEL klasifikacija: F23, L21, L26, L53.