

## Chapter 105

# Towards a New Model of SMEs' Internationalization

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### ABSTRACT

*This chapter aims at exploring the internationalization of small and medium sized enterprises through the search within the referring literature for the main models challenging the internationalization process. In the light of the weaknesses and strengths as well as of the related gaps of such models, this study builds and presents a new model that is able to address the issue of both gradual and rapid growth at international level. This model, thanks to the supposed variables (roots of resources and development and direction through which these resources are valorized) and mechanisms, offers interesting theoretical and managerial insights for the analysis of the internationalization process characterized by increasing uncertainty. Finally, the model is tested through the analysis of two case studies.*

### INTRODUCTION

In today global world the internationalization of small and medium-sized enterprises occurs in a more rapid manner rather than in the past when there are strategic resources and competences that support this process. There are, in fact, some that are start-up enterprises defined as “born global.” Actually, the strategic choice of internationalization may derive either from “foreign-born” or from “born-again global” firms (Bell et al. 2001, 2003).

Although some basic mechanisms can differ, such as history, culture and sedimented knowledge, there are however essential resources and competences that must be owned, controlled or

have to be available to the firm for a successful internationalization in the situation of both fast and slow growth.

This could appear as an expected premise but the majority of the literature on SMEs internationalization has theorized gradual approaches (Cavusgil, 1980; Johanson & Vahlne, 1977) and, consequently, has developed models that take into account a process shaped by precise stages. These phases, conceived according to a theoretical perspective, are difficult to observe in a concrete process of internationalization.

This study has twofold souls: exploratory and confirmatory. In the exploratory role, this work concentrates its attention on the search of theoretic-

cal models used for the analysis of SMEs' internationalization, underlining the referring theories as well as their main variables and contents. The confirmatory role, on the other side, allows scholars and practitioners to identify the main gaps of these models and, hence, to demonstrate the not absolute validity of these frameworks.

From the exploratory and confirmatory analysis on the referring literature, the aim of the study is to provide propositions for the development of a new model. Here the focus is on the roots of resources and on the direction in which such resources are valorized.

The first one puts its seeds on the resource-based theory of the firm (Barney, 1991, 2006), that helps to understand what are the firm's strategic competences, knowledge and resources to develop in an internationalization process. These resources, in order to generate competitive advantage, must be valuable, rare, and difficult to imitate or substitute, and exploited by the organization (Barney, 2006). RBT claims how resources contribute to value creation as it conceives the firm as a "bundle of resources" (Penrose, 1959).

In some firms, the strategic resources and competences reside in the heart of the organization or/and in the person of the entrepreneur himself and can be nested within or outside the firm (network). If the entrepreneur looks for new opportunities outside firm's boundaries and outside the country where the firm is located, this facilitates the processes of international development.

Second, as regards the direction of the development, firms can grow and expand their business both in national and international markets, benefiting from a positive brand image that creates new opportunities and developments on the demand side.

Research motivations, moving the outlining of this chapter, are connected with the examination of mechanisms and determinants that drive SMEs internationalization.

Previous studies on SMEs' internationalization have developed stage models that explain the

gradual process of internationalization. From here the necessity to propose a new model comes out in order to explain both gradual and rapid growth of internationalization and to focus more on the resources and capabilities that actually push to and drive the process.

The developed model in this article is then testified through the case studies of two successful SMEs: Mosaicoon and Sebeto Group.

## **THE INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES**

In some national economies, small and medium enterprises (SMEs) have a key role for the economic growth of the nation since they represent the major incubators of employment, generating increasing of revenue also linked to export earnings (Javalgi & Todd, 2010).

Data from the European Commission (2011) confirm their strategic role. There are 23 million SMEs (European Commission, n. d. a) in all over Europe, with an influence of 59% on total added value as regards non-financial business economy for the year 2010. This typology of enterprise has, furthermore, created 80% of new jobs in the last five years.

The 2011 Communication from the Commission to the European Parliament shows quantitative information as regards the internationalization of European SMEs. According to this Communication, only 13% (European Commission, 2009) of European-based SMEs are internationally involved. The emerging percentage (13%) is an important indicator of some current gaps, both at macro and micro level, that impede the global growth of these SMEs.

On one side, indeed, there is a clear necessity to support SMEs internationalization through European policies that facilitate the expansion of their business activities in foreign markets. In this direction, the European Union (2011) has identified a strategy shaped by six lines of ac-

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