Factors Wavering Internationalizations of SMEs: Indian Context

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Abstract: It is implicit in a research that in today's environment, small and medium-sized enterprises (SMEs) that start with a global strategy can move quickly to take advantage of cross-border activities, which provide opportunities for not only revenue growth but also the exchange of knowledge and the enhancement of capabilities, which strengthen the long-term competitiveness of the firm. Though, the changing business environment creates new opportunities and incentives for SMEs to internationalize, it also confronts domestic firms with the threat of international competition, networking issues, policy and regulation matters, financial constraints etc. Internationalization has become increasingly important to the competitiveness of enterprises of all sizes. SMEs are increasingly facing numerous obstacles in the process of internationalization of business and it is perceived that SMEs need to respond on these changes for strategic improvement. This not only implies adjusting their domestic strategy, but increasingly forces firms to go abroad. This particular research tries to explore that factors which influence the internationalization process of SMEs in India.

Key Words: *SMEs, Internationalization, Growth Opportunities*

1. Introduction and Literature Review

SMEs are usually enterprises that employ no more than 250 employees. The technical definition varies from country to country in the Asia-Pacific region but is usually based on employment, assets, or a combination of the two. Some countries have different definitions for SMEs in the manufacturing and services sector and may exempt firms from specialized industries or firms that have shareholdings by parent companies. SMEs are an important and integral part of every country's economy and have long been recognized as different from large businesses (Street and Meister, 2004). SMEs are also the fastest growing segment of most economies and are perceived to be more flexible and adaptable in terms of structure and speed of response than larger organizations (Tagliavini, et al., 2001). Small and medium sized enterprises (SMEs) play a vital role in economic development and growth (McClarty, 1999). Theoretically, there is a lack of consensus on how to define SME (Gibb, 1993; Curran and Blackburn, 2001) as each country defines SME differently. For instance, in developed countries such as the European Union (Eyre and Smallman, 1998) the SMEs are the enterprises that employ less than 500 employees.

Internationalizations: Internationalization as 'a process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries, (Beamish, 1990). This definition outlines that internationalization has both economic and behavioral component and it is a process and not an event (Pollard, 2001). Luostarinen and Welch (Gibb, 1993) define internationalization as 'the process of increasing involvement in international operations'. It is 'the change in the level of international orientation and/or activity over time' (Gibb, 1993). The process of internationalization is strategic, gradual, and incremental (Lloyd-Reason, 2003). Internationalization can be termed as a process of adaptation (Calof and Beamish, 1995).

Internationalization of SME's: In the past, internationalization was only related with the large multinational enterprises (MNE's) but nowadays SME's are progressively dealing with the globalization trend. Lu and Beamish (2001) have stated that, there is an emerging consensus that the SMEs internationalization process is an entrepreneurial activity and this is reflected by the recent approaches trying to define the concept of SME's internationalization. More importantly, the new environment's foreignness has essential influence on the process of internationalization of small and medium enterprises. Morgan and Katsikeas (1997) have argued that, Internationalization is so risky and small and medium enterprises have no adequate resources to

deal with the negative side of global expansion, thus, the barriers hindering SME's global development can be classified as, informational, operational, strategic and operation-based restrictions. Saixing et al. (2009) have said that, although the internationalization strategy can be considered as a growth source for companies' profitability, it can also bring huge of losses, as the survival of firms in the global environment is very tough. Rajesh, et al., (2008) have stated that, SME have not paid enough concern about developing the effectiveness of their strategies last time and are concerned about the functioning.

Marketing: Kevin (2006) have argued that, considerable concern is given for the high growth as well as high technology sectors' internationalization but relatively little is recognized regarding the main influence on the international marketing's success among the companies of agriculture-food sector. Shaw and Young (2000) have found evidence that, strong product concepts and product range extension are positively influence the growth of exports and these findings are concluded upon their study of the food and beverage firms of Scottish. Crick et al. (2000) had conducted a research on the exporters of British agribusiness sector found that, the better performing ones are more probably to plan and utilize marketing intelligence. Henrik and Sylvie (2007) have suggested that, as SME's lead an important turn at the economic development in some small economies like Sweden and New-Zealand, the only method for the SMEs to grow is usually establishing & expansion their sales in the global market. Kevin (2006) have argued that, considerable concern is given for the high growth as well as high technology sectors' internationalization but relatively little is recognized regarding the main influence on the international marketing's success among the companies of agriculture-food sector.

Competition: Jolanda and Madeleine (2008) have argued that, internationalization is part of business activities in an increasingly global economy and important for SMEs as well. In the past, internationalization was only related with the large multinational enterprises (MNE's) but nowadays SME's are progressively dealing with the globalization trend. Hussein (2007) has argued that, the turn of SME's have become essential as one of key tactics to confront the economical and social troubles and attain the objectives of development in most developing and industrial countries because of the increasing of their importance to the growth of production and their cogent relation to different productive sectors in the community. Rajesh et al., (2008) have argued that, tough competition in the international market realize the firms to improve the standards of their performance in many fields such as, productivity, quality of their products, cost , smooth flow of operations and the introduction time of the products. In contrast SME's have lack of resource, shortage of labor, ineffective management skills to cope with the local and international market challenges. Therefore, the focus of the SME's is to manage their resources effectively and select appropriate strategies for international expansion.

Technology: With the rapid advancement of the information technology, it has become easy for SMEs to assess information about the other markets. Several traditional inhibitors for the small and medium enterprises' internationalization are decreased in the present economy. Therefore, due to the better technology and human expertise finding more info regarding the: resources, overseas customers and the global market circumstances, the internationalization of SME's has become easier. In addition, different resources like: labor and knowledge have been getting more movable and can smoothly be transferred from country to another (Sapienza et al., 2006). The Internet is an important business tool and increasing traffic levels reflect this fact. The Internet promises much for companies interested in internationalizing their business: with the Internet borders between countries are becoming less relevant and more direct interaction between business entities is made possible. The Internet is particularly appealing for SMEs, removing or reducing some of the traditional barriers they faced in doing business overseas, such as communications costs, long distances and market entry risks. Indeed, some have argued that the Internet has leveled the playing field between SMEs and global companies, giving the former a presence in all markets and ready contact with actual and potential customers, suppliers and partners abroad (Hamill & Gregory, 1997). In this way, it provides SMEs with considerable information that helps to significantly reduce the uncertainties of foreign markets, even though it does not eliminate risk (Petersen, Welch and Liesch 2002). Because the Internet provides SMEs with an opportunity to learn much faster and easier, targeting markets that offer the best chance of success should be possible. It should also be beneficial in the selection of local partners, once again because it provides SMEs with relevant information. This is particularly important when SMEs plan to internationalize through business networks rather than dealing directly with foreign

customers. In some cases, the Internet will increase the pace of SME internationalization by eliminating or lessening the need for intermediaries (Quelch and Klein, 1996.)

Networking: According to the network approach, (Johanson & Mattsson, 1988) internationalization is seen as a process in which relationships are continuously established, developed, maintained and dissolved with the aim of achieving the objectives of the firm. Johanson and Mattsson (1988) have identified four stages of internationalization: the early starter, the late starter, the lonely international and the international among others. Lettice and Jan (2004) have suggested that, network can provide small companies with the competitive advantage due to the potentiality of resource sharing and getting the knowledge from the members of the network which might make them able reduce the disadvantages. They have also suggested that, this may prove to be an excellent way for SMEs in developing countries to develop their business skills in exporting. The biggest challenge for the lonely international is the co-ordination of the international activities. The firm might also face pressure as far as the adjustment of resources is concerned. The problems faced by the late starter differ from those of the early starter and the lonely international (Ahokangas, 1998). Crick (2007) highlighted the difficulty of locating/obtaining adequate representation in target export markets while the other two studies identified finding an appropriate foreign market partner as a key impediment to the internationalization of the SMEs studied. A survey of Swedish exporters by Rundh (2007) also reported the difficulty of gaining access to a suitable distribution channel in international markets.

Finance: Goitom and Clemens (2006) argued that, to get price advantage in the market a company should have a sound financial position. Several small and medium enterprises in developing countries have been facing lack of “working capital” that does not only increase the entire costs but can interrupt the entire operation of production as well. The incapability to finance the export activity is from the most critical internal exporting barriers to SME’s. Kaleka and Katsikeas(1995) have said that, the literature review gave evidence about the significance of financial barriers to the export such as the difficulty of getting the required funds in order to finance/initiate the export sales. Hall, (2003) has said that the following factors hamper SMEs in internationalization; lack of finance, both particular trade finance (like the facilities to credit guarantee and the hedging of foreign exchange arrangements) and the reach to the general finance. Szabo (2002) research has listed 14 constraints and obstacles for the SMEs internationalization process and this study has concluded that, the most important barrier to SME’s internationalization is the difficulties to access “financial resources”. Zafar et al. (2004) have found that, most the Lebanese firms perceive that, the main obstacle to export is the insufficient capital to fund the process of expansion to the international market. Fillis (2002) has found that, the shortage of “financial resources” is considered from the principle barriers to exporting. Large firms may perform better in international market as compare to small firms because of better financial position. Freeman and Reid (2006) indicated that, lack of “financial resources” influence the internationalization process of SMEs. Saixing et al. (2009) have proposed that, high-level managers, the management expertise and the capacity of financing are crucial factors in internationalization. Bradley (2002) has stated that, small firms often face financial barriers during internationalization process. Rajesh et al., (2008) have found that, some financial assistance indirectly influence the export process. They have further proposed that, some finance and guarantee related programs such as the duty drawback scheme and income tax rebates create more profitable export trade and a competitive position for the exporting firms and the export credit guarantee schemes provides much required security against trade and political risks for SMEs in their initial international ventures”.

Culture: Adam (2001) has argued that, strength and length of cultural and the business associate between foreign countries, and the one’s own, the familiarity of firms with these countries influence the internationalization process. A little studies concerns about the significance of environment related factors in the opportunities of global success. It is concluded here that, smaller firms tend be more punished than the bigger firms through the legislative constraints, financial imposition and facing the infrastructural insufficiencies. Jesus et al., (2010) have highlighted that, the awareness of company to the other cultures reflects the competencies of an inter-cultural communication that is definitely necessary for the success negotiations within the global business. This point is very significant in food markets, and the lifestyle of a consumer must be considered in order to collect valuable info in the purpose of attitudinal segmentation in both local and international markets (Kavak and Gumusluoglu, 2007).

Katsikeas and Morgan,(1994) have argued that, the expensive overseas selling cost, difficulty of debt collection from overseas customers and (Barker &Kaynak, 1992) the difficulties of distribution and transportation in the overseas market are perceived from the common obstacles of exporting. Researchers have highlighted various barriers to exporting, (Katsikeas, 1994) high risk of selling to overseas market, and (Moini, 1997) difficulty to adapt the overseas market like: adjusting the products and the culture and language related problems as well. Those barriers are often being referred to as Psychics distance.

Government support: Goitom and Clemens (2006) have argued that, the lack of government support in respect of the shortage of suitable trade institutions, unstable rates of exchange currency, absence of the stimulating for the policy of national export and global agreements affect the SMEs internationalization process. Lack of government support may also include: inadequate diplomatic support, cost of transportation and transport service and infrastructure. Goitom and Clemens (2006) have indicated that shortage of export' assistance promotion' programs that are associated with the government and foreign exchange allocation also influence the SMEs internationalization process in developing countries. Hall (2003) has considered government support in another direction and argued that, factors impede SMEs in internationalization involve poor infrastructure like, telecommunications roads, ports, warehouse, highways, and excessive rules and regulations (red tape). Czinkota and Ronkainen(2002) have argued that, as an external change agent, the government assistance programs function a significant turn in regard of explaining successful global activities of the companies and motives international business movement of local companies.Goitom and Clemens (2006) have suggested that, a coordinated collaboration among the government, private sector, business society, and the promotional institutions sponsored by the government are important in order to understand the exporting problems and make effective assistance to the export. Therefore, in order to minimize the problems related to export, the developing countries' administrations need to acquire the skills of their co-ordinates in developed countries.

Knowledge: Managers plays a pivotal role in the process of the international market growth strategy, as such strategic marketing decision makers evaluate the perceived risk associated with international market growth. The psychological orientation or readiness of a manager, either having a proactive internationalization stance or having a reactive stance to the market, has an influence on whether the firm chooses to internationalize and/or whether the manager utilizes the Internet (Siegel, 2004). Henrik and Sylvie(2007) have argued that, the global orientation of the high-level managers/entrepreneur is an important that it may be useful for the managers when they newly join the organization in order to understand the company future plans as well as the international market. Furthermore, it can also help the managers to get some knowledge about the international market and help them develop better relationships with the managers /entrepreneurs in the international market.Inadequate knowledge of overseas market is emerged as a top barrier in a recent study of Australian firms (EFIC, 2008). This factor was highlighted as the most cited internationalization barrier among the responding firms, suggesting that information gaps remain a critical challenge to SMEs even in the current era of extensive information availability.Aharoni's (1966) study was one of the first studies to explore export barriers. He found, among other things, that lack of knowledge is a major barrier for entry into a foreign market. In another landmark study by Bilkeyand Tesar (1977), they found that firms starting export activity face difficulties in identifying opportunities in export markets, also Suarez-Ortega (2003) identified the following as knowledge barriers: lack of awareness of export assistance available to would be exporters, lack of awareness of economic and non-economic benefits of export markets, lack of knowledge of potential markets, lack of qualified staff for export markets, and overall lack of knowledge of how to enter the export market (Suarez-Ortega 2003). In addition, a study of Saudi Arabian exporters of non-oil products by Crick, Al Obadidi, & Chaudhry (1998) indicated that lack of information and lack of export experience as barriers that hinder export development. In a study of non-exporters, perceptions of export barriers in Cyprus, Leonidou (1995) also found that limited information to locate/analyze foreign markets and inadequate/untrained are staff are barriers to export (Leonidou, 1995).

Resource Constraint: Suarez-Ortega (2003), internal resource constraints refer to the need for a firm to possess resources in order for it to be able to commence export activity. The following factors have been recognized as internal resource barriers: lack of financial resources such as the difficulty in obtaining the necessary funds needed to start export operations (Bilkey, 1978; Keng & Juan, 1989; Suarez-Ortega 2003). Leonidou(1995)in a study found that one of the barriers facing firms who want to export is how to get the

necessary funding to finance export operations. Other factors include how to obtain and use letters of credit for international transactions, (Barker & Kaynak, 1992; Rabino, 1980); the lack of experienced personnel to devote time to export activities (Rabino, 1980), and banks willing to support firms' international activities (Groke and Kriedle, 1967). A study by Crick et al, (1998) shows that resources factors such as lack of production capacity, high costs of labor, lack of suitable personnel with export knowledge and experience hinder firm is capability to enter the export market. The stage or process theory of internationalization (Johanson and Vahlne, 1977; 1990) implicitly assumes that a firm's resource base enables firms to create goods and services that they can export (Autio, 2005). The belief that firm resources build competitive advantage is also central to the resource-based view of the firm (Barney, 1991; Penrose, 1959; Wernerfelt, 1984). The resource-based view seeks to explain how a firm's internal resources and capabilities help them to develop and maintain competitive advantage (Wernerfelt, 1984). SMEs are typically resource-constrained, in terms of both the quantity and the quality of their resource endowments (Fujita, 1995; Coviello and McAuley, 1999; Knight, 2000; Hollenstein, 2005). Previous research dealing with aspects of resource constraints and internationalization has tended to highlight the assumption that resource constraints may put off internationalization. For example, an article studying small firms (firms with less than 50 employees) located in Great Britain indicates that resource constraints are among the reasons cited for why these firms are not exporting (Westhead, Wright and Ucbasaran, 2002).

Strategic Orientation: Several researchers have asserted that strategic orientation has a powerful influence on both management expectations and organizational performance (Kohli & Jaworski, 1990). Strategic orientation has been described to include a many traits including managers/owners' attitudes towards risk-taking, entrepreneurship, objectivity, assertiveness, and information use (Wood & Robertson, 1997). They argued that an emotional state of a manager's strategic orientation is believed to influence his/her strategy formulation and subsequent decisions. They argued that a manager's strategic orientation affects which specific strategies that he or she would use, value, and bring to fruition. Strategic orientation helps to determine future strategies other organizational strategies such as financial resources, product characteristics, and technological capabilities. In essence, the strategic orientation, which managers adopt, has a profound effect on what an organization can do and will do, and is associated with the ultimate level of an organization's success (Allison, 1971).

Infrastructure: Issues to be considered here include the extent and nature of the export market's physical distribution infrastructure. Reasonable logistics links should exist both between the domestic and international market and within the international market. The impact of the cost of logistics on the ability to both compete and satisfy demand also needs to be considered. Also relevant in selecting a market is whether these links are reliable and timely, - that delivery can be relied upon; that the time taken for goods to reach the destination does not adversely affect the ability to compete; and that the goods arrive in an acceptable condition (De Burca, Fletcher & Brown, 2004). Further, consideration should also be given to the geography and climatic conditions that may affect the business enterprise in the export market Wood & Robertson, 1997). The review of literature indicates the past researches on the variables selected for the study. The primary focus of this research would be on the domain of internationalization, with precise attention on the various factors that hinder the success of SME's towards their efforts of internationalization.

Rationale of the study: The traditional view of internationalization is that it is based on economies of scale and large firms. Internationalization in small firms is more often combined with threats than with opportunities. Traditionally small firms are, however, often considered home-market oriented (Lindmark, 1996). Earlier research has been concentrated on internationalization in large firms and therefore internationalization in SMEs is a relatively unexamined area (Coviello & Munro, 1997; Holmlund and Kock, 1998). In parallel, SME gained an academic recognition conferring to them the right to be essential like a whole object of research. Indeed, SME passed from an assumption of miniature of large company to particular enterprises with their own characteristics (Julian, 1997; Welsh and White, 1981). Related to this, Torrès (1999) advances three justifications explaining the interest of a field of research focused on SME: methodological: for their strategic practices; theoretical: for the theories reserved to them (entrepreneurship, interstices, etc.) and empirical: for their characteristics (dynamism, flexibility, etc. According to Miesenbock (1988), there is a particular lack of empirical studies, and the available ones tend to suffer from

inconsistencies implying that a conclusive framework for understanding small business internationalization is still lacking. Henceforth, there is a need for more research within this area.

Problem Formulation: Though the globalization and liberalization trend has opened more vistas to SMEs for the internationalization process, many past research findings report many barriers at domestic and international, especially for Small and Medium Scale firms. More importantly, the new environment's foreignness has essential influence on the process of internationalization of small and medium enterprises. Morgan and Katsikeas, (1997) have argued that, Internationalization is so risky and small and medium enterprises have no adequate resources to deal with the negative side of global expansion, thus, the barriers hindering SME's global development can be classified as, informational, operational, strategic and operation-based restrictions. Saixing et al., (2009) have said that, although the internationalization strategy can be considered as a growth source for companies' profitability, it can also bring huge of losses as the survival of firms in the global environment is very tough. Rajesh et al., (2008) have stated that, SME have not paid enough concern about developing the effectiveness of their strategies last time and are concerned about the functioning. Gurmeet et al., (2009) have argued that, the advantages that the SMEs can gain from the internationalization process are multiple but, the barriers usually hinder SMEs seeking to access international market. Therefore, because of the several barriers that SME's confront, they have drawn the attention of policy makers and various governments who have realized that, these barriers have the effect of reducing the ability of these potential high growth firms to achieve their full potential from international markets. This particular research tries to explore that factors which influence the internationalization process of SMEs, especially integrating external and internal variables.

2. Methodology

Delphi Techniques: The Delphi technique, mainly developed by Dalkey and Helmer (1963) at the Rand Corporation in the 1950s, is a widely used and accepted method for achieving convergence of opinion concerning real-world knowledge solicited from experts within certain topic areas. Predicated on the rationale that, "two heads are better than one, or...n heads are better than one" (Dalkey, 1972), the Delphi technique is designed as a group communication process that aims at conducting detailed examinations and discussions of a specific issue for the purpose of goal setting, policy investigation, or predicting the occurrence of future events (Ulschak, 1983; Turoff & Hiltz, 1996; Ludwig, 1997). It is commonly assumed that Delphi method makes better use of group interaction (Rowe et al. 1991, Häder and Häder 1995) whereby the questionnaire is the medium of interaction (Martino 1983). The Delphi method is especially useful for long-range forecasting (20-30 years), as expert opinions are the only source of information available. Meanwhile, the communication effect of Delphi studies and therefore the value of the process as such are also acknowledged. This study employed semi-structured interviews. Based on the convenient time for the resource persons interviews were arranged, during 2007 July to 2008 March. Both Video conferencing and telephonic interview are conducted to gather information from the respondents. 80 experts from the industry and academia were identified and approached by email or telephone and were invited to take part in the study. Letter indicating the purpose of the study is clearly communicated to each respondent. All the clarifications related to the objective of study were made by the researcher. However, 80 respondents were being interacted and communicated, only 40 respondents shown their willingness to participate in the discussion. Finally, 35 participants were interviewed by telephone and through email. The conversations were taped recorded, and manually analyzed. The procedural steps in adopting the Delphi technique were as follows:

Expert Panel identification: The collection of expert were made from professional having high knowledge and expertise in the field of internationalization and they are closely associated with Small and Medium Scale industries as consultants, business associates, partners, collaborators, owners of SMEs, Researchers, Academicians and Senior level managers. The members from industrial bodies like chamber of commerce, professors from universities, senior researchers from research institutes, members from governmental institutions and financial institution are identified through exploratory method. The data regarding the professors were collected from academic department of universities and professionals are through emails and direct interaction with the professional's institutions. Majority members in the expert group belong to an age group of 38 to 55 years of old. The specialized areas of these expert members include, Industries

Development, Technology Development, Entrepreneurship, Planning board, SME development, Supply Chain Management, Production and Operations management, Information Technology, International Marketing, Institutional finance, Human Resource, Research and industrial sociology. The participants comprised 30 male members (86%) and 5 female members (14%). These dynamic groups of panel of experts are experienced and conversant to give pertinent opinions and a justifiable understanding of the internationalization process of Indian SMEs.

Rounds

Round 1: In the first round, the Delphi process traditionally begins with an open-ended questionnaire. The open-ended questionnaire serves as the cornerstone of soliciting specific information about a content area from the Delphi subjects (Custer, Scarcella, & Stewart, 1999).

The questions:

- How do you define internationalization of business in relation to Small and medium scale enterprises?
- How do you relate the term with Small and medium scale enterprises considering your nature of business?
- How do you take a decision on expansion of your Small Scale business at international level?
- What are the external business environment factors influences the decision on expansion of your business at international level?
- What are the internal business environment factors influences the decision on expansion of your business at international level?
- Do you integrate these external and internal factors to analyze the decision on expansion of your business at international level?
- Contextualizing the topic to Indian scenario, which are the powerful factors that you feel more knit with the business owners decision “not to go with global operations

Round 2: In the second round, each Delphi participant receives a second questionnaire and is asked to review the items summarized by the investigators based on the information provided in the first round. Accordingly, Delphi panelists may be required to rate or rank-order items to establish preliminary priorities among items. Because of round two, areas of disagreement and agreement are identified (Ludwig, 1994). In this round, consensus begins forming and the actual outcomes can be presented among the participants' responses (Jacobs, 1996).

- Information regarding the influential factors of internationalization of business collected from the respondents
- The process identifies 224 items, which are having high and low influence on internationalization of business identified.
- Rating process further identified on the items identified.

Round 3: In the third round, each Delphi panelist receives a questionnaire that includes the items and ratings summarized by the investigators in the previous round and are asked to revise his/her judgments or “to specify the reasons for remaining outside the consensus” (Pfeiffer, 1968). This round gives Delphi panelists an opportunity to make further clarifications of both the information and their judgments of the relative importance of the items.

- Second level screening of the 224 items which were having high and low influence on internationalization of business identified
- The process further identified 199 items, which are having high and low influence on internationalization of business identified.
- Classification of the items to 55 categories was being made.
- Thematic presentation and the categorization of the items were done.

Round 4: In the fourth and often final round, the list of remaining items, their ratings, minority opinions, and items achieving consensus are distributed to the panelists. This round provides a final opportunity for

participants to revise their judgments. It should be remembered that the number of Delphi iterations depends largely on the degree of consensus sought by the investigators and can vary from three to five (Delbecq, Van de Ven, Gustafson, 1975; Ludwig, 1994).

- During third level, screening of the 182 items which were having high and moderately high influence on internationalization of subjected to repeated discussion
- Core factors, which influence the internationalization of business on SMEs, identified.
- Sought the expert opinion on the appropriateness of the core factors selected for the study.

3. Results and Analyses

This section presents an analysis of the experts' opinions, starting with the factors that influence SME to go international, followed by the identification of the most to the least influential factors. Finally, a model of the internationalization process of Indian Small and Medium Scale Industries, especially in the area of manufacturing sector was developed and discussed.

Results: The first factor considered for the study is Market Barrier. In the Indian SMEs context, the experts acknowledged 20 items as the barriers of internationalization process. The major factor Market Barrier consists of 5 sub categories. Though the experts did not point out much variation in these categories, the table shows Market Penetration (74%) and Meeting Product Quality as the major factor, which influence the business owner's decision to go global. Further the study also pointed out sub categories like capturing adequate Advertising and Sales promotion (70%), Market Share (70%) and issues related to Market Intelligence as the stumble block to take a decision to go with international operations (20 items). The second factor considered for the study is the Competition. Within the second factor, the experts identified 9 items as the barriers of internationalization process. The major factor Competition consists of 3 sub-categories. The table showed the barriers as the Presence of varied product categories (viz., products in the similar line and products with varied verticals, which give more choice to the customers) (73%), as the prominent factor which influence the decision of business owners to take decision on internationalization. Further the study further pointed out sub categories like Unavailability of Suppliers (72%) and Unavailability of the distributors (72%) as the second major sub categories which halt the decision to go with international operations (9 items). The findings indicate strong presence of domestic and foreign competitors in the market and unavailability of suppliers and distributes there to collaborate with the business operations as the significant influential factors on the firm's choice to go international.

S/N	Factors	Categories	No. Items	No of Experts(N=40)	%of Experts
1	Market	Market Penetration	5	29	74%
		Meeting Product quality	3	26	71%
		Advertising and Sales Promotion	4	25	70%
		Market Share	4	20	70%
		Market Intelligence	4	19	69%
		Total	20		
2	Competition	Presence of varied product categories	3	22	73%
		Unavailability of Suppliers	3	21	72%
		Unavailability of Distributors	3	19	72%
		Total	9		
3	Knowledge	International marketing	3	29	79%
		Competitors	4	27	75%
		Customers	3	25	75%
		Suppliers	3	22	73%
		Distributors	3	22	73%
		Products	4	20	72%
		Geographical location	3	18	70%
		Culture	3	18	69%
		Import Export policies	4	15	60%
		Total	30		

4	Technology	Production technology	4	21	70%
		Information technology	4	20	67%
		Total	8		
5	Networking	Partnership with suppliers	3	28	75%
		Partnership with distributors	3	28	75%
		Partnership with foreign companies abroad	4	25	70%
		Total	10		
6	Finance	Working capital	4	29	80%
		Credit Guarantee	4	27	78%
		Hedging of Foreign exchange arrangement	2	25	77%
			4	24	76%
		Transport, Insurance and Warehousing cost	4	20	71%
		Collection of payments			
		Total	18		
7	Culture	Language barrier	2	26	60%
		Unfamiliar business practices	2	22	60%
		Customer preferences based on Culture	3	20	59%
			3	20	58%
		Different culture traits			
8	Government support	Total	10		
		Funding	3	28	79%
		Relaxation of rules and regulations	3	26	79%
		Support infrastructure for export	3	26	70%
		Support telecommunication facilities for export	3	23	68%
		Diplomat level support	2	22	65%
		Stability of currency exchange	2	21	65%
9	Resource Orientation	Total	16		
		Finance	4	25	81%
		Adequate Infrastructure	3	23	78%
		Technology	4	20	74%
		Experienced Manpower	3	19	70%
		Logistics and Telecommunication	4	18	70%
10	Strategy Orientation	Total	18		
		Finance management	3	29	80%
		Market identification and penetration	3	29	77%
		Supply Chain Operations	4	28	74%
		Export Oriented Infrastructure	3	27	74%
		Technological capacity	3	26	72%
		Production	4	26	72%
		Product Quality	3	25	71%
		Experience manpower	4	24	70%
		Total	27		
11.	Infrastructure	International Logistics infrastructure	4	28	74%
		International warehousing infrastructure	3	27	72%
			3	23	72%
		Export quality production infrastructure	3	23	71%
		Domestic warehousing for export quality products	3	20	71%
		Domestic logistics for export quality products			
		Total	16		

The third factor or dimension that also influenced an SME choice to be an international player was the *knowledge* factors. The experts identified 30 items as the barriers of internationalization process under 9 sub categories of the knowledge factor. Expert observes *knowledge related to International Marketing* (79%), *Competitors* (75%) and *Customers* (75%) as the prominent influential factors on internationalization decision. The result also indicates the requirement of *information related to suppliers* (73%) and *distributers* (73%) and *competitors'products* (72%) as the second influential sub category in this study. Further other factors like *knowledge of geographical location* (70%), where the business target to operate, the *culture* (69%), and information related to import and export policies (60%) of the domestic and foreign market which influence the business owners decision to go with international operations (30 items). The findings very well pointed out the information related to key components of international factors like information related to marketing, suppliers, distributers, products, location, culture and international trade policies as the significant influential factors on the firm's choice to go international. The fourth factor or dimension that also influenced an SME choice to be an international player was the *Technology* factors. The experts identified 8 items as the barriers of internationalization process under 2 sub categories of the technology factor viz., *production technology* and *information technology*. In comparison with the information technology the result indicates make use of modern *production technology* (70%) as the prominent sub category which influence the firm's choice to go international. The past results to be recalled here is the observations of experts on market barriers. There they pointed out '*meeting the product quality*' as one of the barrier to go global. In line with this result, the experts once again pointed the production technology laxity as the significant influential factors on the firm's choice to go international. Further, the result also pointed out the laxity of expert role of *information technology* (67%) in the *networking business operations*. (8 items) The findings very well pointed out the influence of production technology and information technology on business owner's decision to go global operations.

The fifth factor considered for the study is the *Networking*. The result indicates that the experts identified 10 items as the barriers of internationalization process, in the Indian SMEs context. The major factor Networking consists of 3 sub categories. The experts identified *partnership with the supplier* (75%) and *distributers* (75%) in foreign market as one of the most impediments in taking a decision to go international. The present result is once again a repetition of the result of the second factor *competition*. More over the result also shows the *unavailability of company collaborates*(70%) to organize the business operations in the *foreign market environment* (items 10). The findings indicate the experts repeated observation on the sub categories, suppliers and distributers unavailability in the foreign market, related to business owner's decision not to go global operations. The sixth factor or dimension that also influenced an SME choice to be an international player was the *Finance* factors. The experts identified 18 items as the financial barriers of internationalization process under 5 sub categories of the finance factor. The major issue identified by the experts is the *working capital* (80%), since the organization needs to manage both domestic operations and international operations. Expert observes financial upper hold over *credit guarantee* (78%), and *hedging of foreign exchange arrangement* (77%), as the second and third prominent factor related to the major domain financial constraints. The expert also pointed out the difficulties in *arranging logistics, insurance facilities and warehousing* (76%) and *collection of payments* (71%), after business operations at international level as another concern of business owner's decision whether to go global operations. The findings very well pointed out the constraints of business owners in organizing the finance and managing financial operations at international level, as influential factors on the firm's choice to go international.

The seventh factor or dimension that also influenced an SME choice to be an international player was the *Culture* factors. The experts identified 10 items as the culture barriers of internationalization process under 4 sub categories of the culture factor. Though the experts did not point out much variation in the categories, the table shows *language barrier* (60%) and *unfamiliar business practices* (60%) as the major factor which influence the business owner's decision to go global. Further the study also pointed out sub categories like *customer preferences based on culture preference* (59%) and *different culture traits* (58%) as issues related to culture of foreign marketing country, which intern act as stumble blocks to take a decision to go with international operations (10 items). The findings very well pointed out the constraints of business owners on cultural factors at international level as the significant influential dynamics on the firm's choice to go international. In the eighth factor or dimension that also influenced the internationalization of SME was the *Government Support* factor. The experts mentioned 16 items influenced internationalization in relation to the

government support factor. These can also be grouped into six categories of the government support factor. Out of these 6 categories, the panel identified government support in funding (79%) and relaxation of rules and regulations (79%) related to export policies as the major issues related to internationalization process of SME's. Further the result also pointed out sub categories like *Support infrastructure* for export (70%), *support telecommunication* facilities for export (68%), *diplomat level support* (65%) and *stability of currency exchange*, (65%) as another concern of business owner's decision whether to go global operations. The findings very well pointed out the constraints of business owners related at domestic level from government to do business at international level which significantly influence the firm's choice to go international (16 items).

The ninth factor or dimension that also influenced an SME choice to be an international player was the *Resource Orientation*. The experts identified 18 items as the resource barriers of internationalization process under 5 sub categories of the resource factor. The table shows *finance* (81%) and *infrastructure* (78%) as the major factors, which influence the business owner's decision to go international operations. Further the study also pointed out sub categories like *technology availability* (74%), *experienced manpower* and (70%), *logistics and tele-communication facilities* (70%) as issues related to resource orientation, which intern act as barrier to take a decision to go with international operations (10 items). The findings very well pointed out the constraints of business owners on resource orientation at international level as the significant influential dynamics on the firm's choice to go international. The tenth factor considered for the study is Strategic Orientation. The result indicates that the experts identified 27 items as the barriers of internationalization process, in the Indian SMEs context. The major factor Strategic Orientation consists of 8 sub categories. The table shows *finance* (80%) and *market identification and penetration* (77%) as the major factors, which influence the business owner's decision to go international operations.

Figure 1: Factor Based International Wavering Model

Further the study also pointed out sub categories like supply chain operations (74%) production (70%), technological capacity (72%), production, (72%), product quality (71%), and experience manpower (70%) as issues related to strategic orientation, which intern act as stumble blocks to take a decision to go with

international operations (27 items). The findings very well pointed out the constraints of business owners on strategic orientation at international level as the significant influential dynamics on the firm's choice to go international. The last factor considered for the study is Infrastructure. The result indicates that the experts identified 16 items as the barriers of internationalization process, in the Indian SMEs context. The major factor Infrastructure consists of 5 sub categories. Though the experts did not point out much variation in the categories, the table shows International Logistics infrastructure (74%) and International warehousing infrastructure (74%) as the major factor, which influence the business owner's decision to go global. Further the study also pointed out sub categories like capturing adequate Advertising and Export quality production infrastructure (70%), Domestic warehousing for export quality products(70%) and issues related to domestic logistics for export quality products (71%) as the stumble block to take a decision to go with international operations (16 items). The findings very well pointed out the difficulties of business owners on resource orientation at international level as the significant influential dynamics on the firm's choice to go international.

Discussion: The expert opinion regarding factors on internationalization, in Indian SME's scenario indicates some unique factors closely knit with business operations. Among many factors which is spotted and given due priority by the experts, the *financial factor* is emerged as the major influential factor or the barrier on SME owners decision to go global. Repeatedly, the experts identified financial constraints of the SME business owners related to *strategic orientation, resource orientation, and knowledge on how to organize and make use of the available finance on various resources*, which facilitate better business operation at international level. It is well pointed out by Goitom and Clemens (2006) in this context that, to get price advantage in the market a company should have a sound financial position. Several small and medium enterprises in developing countries have been facing lack of "working capital" that does not only increase the entire costs but can interrupt the entire operation of production as well. The incapability to finance the export activity is from the most critical internal exporting barriers to SME's. The experts expect a proper awareness and orientation for SME business owners before they take ahead a decision to expand their business operations are the international level.

Another major domain identified by the experts includes the marketing. The products of SMEs should meet the *quality prescribed by the international standards*. The SMEs should be able to catch up *best suppliers, distributors, partners and warehousing facility* at the international level so that the business operations can be controlled smoothly. It is well pointed by the experts in relation to many sub categories the importance of suppliers, distributors and warehousing facility for proper internationalization process. *Proper sales promotion* will be made possible through identification of best supply-chain, which minimizes the business risk at international level. A good marketing and sales required the presence of *effective networking*. The business owners are lacking strength of networking at international level to expand their business operations with the support of business collaborators and partners. Lettice and Jan, (2004) have rightly discussed in this context that , network can provide small companies with the competitive advantage due to the potentiality of resource sharing and getting the knowledge from the members of the network which might make them able reduce the disadvantages. They have also suggested that, this may prove to be an excellent way for SMEs in developing countries to develop their business skills in exporting. The experts expect a proper networking and marketing orientation among SME business owners prior to they go with a decision on expansion of their business operations are the international level.

It is well pointed out by the experts in line with the results on networking and marketing that the crux of any business at international level is the design and strength of the *supply-chain*. The results of present study observed importance of supply chain links and social ties in stimulating SME internationalization in relation to many sub categories. One significant factor here in this context is the business owner's *knowledge on supply chain at international level*. Inappropriate awareness and orientation on supply-chain especially on getting right suppliers, distributors, partners, facilities like reasonably good warehousing etc. can lead the international business a failure. The *information gap* on such major operational factors needs to be tackled at the initial level itself. It is reported in a recent study of Australian firms (EFIC, 2008) that inadequate knowledge of overseas market is emerged as a top barrier for internationalization business among SMEs. This factor was highlighted as the most cited internationalization barrier among the responding firms, suggesting that information gaps remain a critical challenge to SMEs even in the current era of extensive information

availability. The experts expect a proper supply-chain management in order to have better internationalization operations among SMEs at international level.

Another major factor well considered by the expert here in this study is the SME infrastructure that needs to meet the international standards of production, product and technology. The requirement of resource to handle the international business operation is already sighted by the experts elsewhere in this study. To meet the international quality the SMEs need to install appropriate *machineries and technology* that distribute best of the quality products at the international market and build reputation among the customers. Issues to be considered here in this context include the extent and *nature of the export market's physical distribution infrastructure, information technology, facilities for transport, warehousing and distribution of goods linking at domestic and international business operations*. Especially regarding the establishment of information technology infrastructure in SMEs, may contributes to better networking at international level. It contributes to firm's ability to have strategic collaboration and channel distribution. While elucidating the benefits of good information technology infrastructure benefit, Quelch and Klein (1996), indicates that the "internet" provides SMEs with an opportunity to learn much faster and easier, targeting markets that offer the best chance of success should be possible. It should also be beneficial in the selection of local partners, once again because it provides SMEs with relevant information. This is particularly important when SMEs plan to internationalize through business networks rather than dealing directly with foreign customers. In some cases, the Internet will increase the pace of SME internationalization by eliminating or lessening the need for intermediaries. The experts expect a high quality technology and infrastructure to have healthier internationalization operations among SMEs at international level. Last but not the least, in order to coordinate all these processes experienced labor also identified by the experts. Professionals who are having experience in the international arena should be there in the firm to coordinate and control the activities of the business operations.

Implications: The research findings on entrepreneurial orientation and internationalization are having a number of theoretical, managerial and business oriented implications. The present research tries to correlate the barriers of internationalization factors with the firm's decision to expand their operations at global level. This study has provided some very interesting insights into the internationalization process of SME in Indian context. The findings of this research clearly indicates the influence of 'finance' sub factor of internationalization as the key issue which influence the decision making process of internationalization among business owners of SMEs. The SME owners are lacking information related to how to pool the finance and how to make effective investment on the key variables of internationalization. They are expecting clarification on many aspects like "how to do international marketing, how to develop or make use of existing network for better business operations, how to find out best supply chain and how to establish and make use of modern technology and infrastructure, how to cross across the barriers of culture, how to organize the resource, how to seek government support, how to pool the resource, how to get experienced manpower etc. The SME business owners are lacking strategic orientation to go global. In Order to empower the SMEs multi-faceted backing is required. The study envisage the support from government agencies, consultants, and business partners at local or foreign to extend their knowledge and information to pave better awareness to the SME business owners to go global and reap benefits of internationalization process. One of the major implications of this particular study is that it is oriented on manufacturing industrial establishments in a particular locale integrating the internationalization process. Such studies are very fewer and the finding needs to be generalized with the incorporation of wider industries sectors. The present findings are very much beneficial to many small and medium scale industrial concerns in order to assess the importance of entrepreneurial orientation on their business ventures. All the expert opinion identified through the research findings needs to be better evaluated by the SME entrepreneurs and business owners, to have business development and growth.

Limitations: This particular study influential factors of internationalization only utilized panel experts from one industrial location of India. This particular industrial estate consists of only 144 small and medium scale industries and it is less sufficient to point out the right influential factors. Therefore, future research should include more industrial units from different locations from India and incorporating industrialists, entrepreneurs and academicians and researchers to include and exclude the factors related to internationalization. Further application of quantitative analysis can produce more valid and reliable result.

4. Conclusion

The present study on Factors Influencing Internationalization of SMEs is based on qualitative research and the opinions of the experts. The experts of this study identified 11 internationalization influencing factors and all of them having the elements of influence well established with interrelationship. The experts arrived at *finance* as the major influential factor, which influences the SME business owner's decision to go global. The factors identified by the experts are from both *external and internal* together, since both of them collectively influence the internationalization process. The Owners of SMEs have many concerns due to lack of information regarding various international influential factors. Based on the concern of owners of SMEs, the paper envisage, *policy makers, consultants and business partners* at local and international level to look at the influential factors in combination with option for strategic and resource intervention for empowerment of SMEs. Further research is also needed to recognize more inferential factors incorporating SMEs experts from academic and corporate arena, by collecting data from various locations from India and with the application of quantitative research, which may best be supported.

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