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# SCOPE framework for SMEs: A new theoretical lens for success and internationalization

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ABSTRACT

The purpose of this paper is to propose a new framework: SCOPE - to postulate strategies for Small and Medium Enterprises (SMEs) to export, compete, and succeed in the global market. SCOPE stands for Strategies to analyze the Challenges, Opportunities, and Problems to succeed in Exporting. A multiple case study method was employed based on semi-structured interviews with senior managers of different SMEs from three European countries. It was found that SMEs face internal and external challenges. This is complemented by a Pentagon model. This framework could be employed as a theoretical lens to critically examine the antecedents and outcome of SME internationalization.



## 1. Introduction

Globalization has resulted in major challenges for small firms across countries and markets (Buckley & Ghauri, 2004; Liñán, Paul, & Fayolle, 2019; Paul, 2015; Paul & Rosado-Serrano, 2019). In this era of internationalization, small and medium-sized enterprises ("SMEs") are critical for all countries (Peters & Waterman, 1982; Amini, 2004; Radam, Bmimi, & Abdullah, 2008; Pisani, Caldort & Hopma, 2017:; Gancarczyk & Gancarczyk, 2018). Current changes in the global economy contribute to challenges and opportunities for SMEs to face (Dominguez & Mayrhofer, 2017). It is widely acknowledged that small firms substantially contribute to an economy (Macpherson & Holt, 2007). Similarly, they contribute significantly to employment generation (Pavitt and Robson, 1987). By contrast, institutions play an important role in supporting SMEs (Hitt, Li, & Xu, 2016). Nevertheless, SMEs face competition from large local and foreign firms (Rialp & Rialp, 2001). Typical strengths of SMEs include entrepreneurial dynamism, flexibility, efficiency, and quick decision-making while large firms' have economies of scale, scope, marketing skills, and financial and technological resources. Large firms equipped with more resources have a competitive edge in international markets as they respond faster to trade barriers than SMEs (Beamish, 1990; Paul & Gupta, 2014; Wolf and Pett, 2000).

Researchers hold differing views concerning the strengths and weaknesses of SMEs involved in international business (Paul, Parthasarathy, & Gupta, 2017; Soriano & Dobon, 2009). Cadogan, Diamantopoulos, and Siguaw (2002) found that prior experience, export dependence, and coordinating capabilities are positively related to export market orientation, which in turn influences export performance. By contrast, highlighting the effect of firm size on export activity, Fillion and Pickerill (1990) confirmed that firm size shapes perceptions of trade barriers. Katsikeas and Morgan, (1993) reviewed the main models on the export behavior of firms, identified their structural characteristics, analyzed the key conceptual issues, and called for future research harnessing eclectic contribution grounded in theory building.

Lu and Beamish (2001) analyzed the effects of internationalization on the performance of SMEs and highlighted that to manage the challenges when entering into foreign markets, it is crucial to make an effective strategy by making alliances with local partners who have market knowledge. Typically, Multi- National Enterprises (MNEs) with ample resources and capabilities (such as export departments and knowledge), tend to successfully carry out export activities and could probably overcome difficulties to a greater extent than smaller firms (Ruzzier et al., 2006). SMEs often fail in international business operations, which, in turn, result in financial loss (Ghauri & Kumar, 1989). Taking into account the problems and challenges of SMEs, recent research has examined this issue using firm-level, national level, and international level data (Nordman & Tolstoy, 2014; Dikova, Jaklič, Burger, & Kunčič, 2016; De Araújo

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Lima, Crema, & Verbano, 2019). However, research gaps remain. First, despite the widespread recognition of the need to achieve competitiveness for SMEs (Bettiol, Di Maria, & Finotto, 2012: O'Dwyer, Gilmore, & Carson, 2009; Knight, 2001: Diamantopoulos, Schlegelmilch, & Katy Tse, 1993), prior research has not resulted in robust frameworks. Second, there is no consensus about what type of strategies are required for the successful internationalization of SMEs. Third, there are contradictory findings of research studies on the relationship between internationalization and performance of SMEs, though most indicate a positive relationship.

The motivation for developing a new framework arises for several reasons. They are: i) Although many researchers have used well-known internationalization and growth models such as Uppsala/Born Global/International New Venture for the analysis of SMEs, it is difficult to apply those models in all situations across industries and countries because of several reasons including data availability and unique features of industry context. ii) A need exists for more adequate reconceptualization of marketing strategy research, action, and practice as well as how they interrelate. Models developed decades ago are not taking into consideration the challenges brought by the forces of globalization on small firms. iii) There is need for a more robust framework as the expanding body of research in entrepreneurship creates the need for new typologies (De Bruin, Brush, & Welter, 2007). The traditional frameworks such as Strength, Weakness, Opportunity, and Threat (SWOT) or Political, Economic, Social, Technological, Environmental, and Legal (PESTEL) frameworks do not offer a set of strategies for firms to succeed, whereas in our new framework we offer 5 strategies for SMEs to compete. iv) In addition, there has been calls for strategy-based new typologies for SMEs to implement and compete in the global market (Jones, Coviello, & Tang, 2011; Paul, Parthasarathy, et al., 2017).

Available internationalization process models have not fully captured the phenomenon of accelerated international growth of firms (Freeman, Hutchings, Lazaris, & Zyngier, 2010; Dominguez & Mayrhofer, 2017), Taking into account this assertion, through this paper, an attempt has been made to fill the research gap based on the awareness of SMEs' competitiveness that can be achieved by internationalization. First, we conceptualize and propose a new framework titled Strategies to analyze the Challenges, Opportunities, and Problems to succeed in Exporting ("SCOPE") for SMEs to devise and implement strategies for survival and success. The first letter, S, in SCOPE stands for strategies that are defined in terms of a 5S Pentagon strategic model within the SCOPE framework. The SCOPE framework will provide internationalization guidelines for low-technology SMEs (as the "born global" model already aids high-tech SMEs' internationalization), which is necessary considering the globalization pressures on SMEs. Second, we shed light on the potential of the new framework for academia and industry, proposing 5 strategies to analyze the problems of SMEs and foster long-term competitiveness. Third, we critically examine the problems and challenges of SMEs based on the established theoretical models. Fourth, we extend the scope of those models to benchmark the process of growth of SMEs, responding to calls for conceptual articles (Laufs & Schwens, 2014; Yadav, 2010).

The remainder of the article is structured as follows: The review of the literature on theoretical models related to the internationalization of SMEs is given in section two. Section three describes our case study's methodology, focusing on our sample selection, data collection, and analysis. Section four describes the firm's profile, strategies, challenges faced by each of our sample firms, and develop the SCOPE model. Lastly, section five concludes the article.

## 2. Theoretical insights and literature review

### 2.1. Definition of SME, growth, and internationalization

The term "SME" may be broadly defined as a business that maintains certain revenue or a number of employees below a certain level. In the United States, one may not readily identify an SME as SMEs' qualifications are industry specific. However, in the European Union, an SME is any business with fewer than 250 employees.

The definition of "internationalization" varies in accordance with the observed phenomena (Shen, Puig & Paul, 2017). For instance, Penrose (1959) defined internationalization as a firm's core competencies and opportunities in the foreign environment. By contrast, Johansson and Vahlne (1977) and Welch and Luostarinen (1988) conceptualized internationalization as the process by which firms increase their international market commitments. Prior researchers (Paul, Parthasarathy, et al., 2017; Ribau, Moreira, & Raposo, 2016) reviewed conceptual and empirical studies on the internationalization of SMEs and found that there are significant research gaps remaining in this area.

In the next subsection, a snapshot of the theoretical models that are widely used as well as recently developed are discussed.

### 2.2. Review of theoretical models

In this section, I provide theoretical insights and perspectives on the internalization of firms from the perspective of SMEs as the basis to build the SCOPE framework proposed for the analysis of the firm and industry. The benchmarkable theories and models in SME internationalization research can be specified as the: i) Uppsala Model, ii) Network Approach, iii) Born Global Model, iv) Resource-Based View (RBV), v) Antecedents of Export Venture Performance Model, vi) Innovation Oriented Internationalization model, vii) Conservative, Predictable, and Pacemaker (CPP) model, and viii) 7-P framework. These theories, models, and frameworks can be discussed as follows:

#### 2.2.1. Uppsala model

The gradual internationalization (Uppsala) model postulates that SMEs go through a gradual internationalization process (e.g., Carlson, 1975; Johansson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Welch & Luostarinen, 1988). Johansson and Vahlne (1977) suggested that firms tend to internationalize in markets with less psychic distance (countries with a similar language, culture, and political system to the firms' home country (Johanson & Wiedersheim-Paul, 1975). As the business environment has changed, the perception has evolved and a complex network of relationships has emerged over the years (Johanson & Vahlne, 2009).

#### 2.2.2. Network approach

SME's internationalization process could be different from the established multinational enterprises because of limited resources (Coviello and Munro, 1997). Prior studies have recognized that network ties facilitate SMEs' internationalization (Chetty & Holm, 2000; Loane & Bell, 2006). As well, Mitgwe (2006) proposed the network approach, which states that firms' networks facilitate quick internationalization. SMEs use their networks to establish trust with customers, become acquainted with the partners and become familiar with regulatory and public agencies in the foreign market. Debrulle and Maes (2015) show that professional networking directly drives the start-up export intensity using data from Flemish small firms.

#### 2.2.3. International new ventures model

Firms that are referred to as international new ventures ("INVs") or "born global" internationalized soon after inception. Coviello and Munro (1992) reported that INVs result from managements' international awareness and the ability to meet international market demands. Some factors that aid such internationalization are globalized markets, technological developments, managements' entrepreneurial prowess, and international network relationships (Madsen & Servais, 1997).

Knight and Cavusgil suggested that INVs/Born Globals could be small firms striving for technology-based competitive advantages in multiple international markets since inception. However, McDougall and Oviatt found that INVs are not industry-specific and often offer innovative products and/or services, granting them a competitive advantage in foreign markets that need their offerings. If a firm goes global and makes at least 25 percent of its revenue from foreign markets in the first 3 years of its inception, it can be classified as a born global firm (Knight, Madsen, & Servais, 2004). It is worth noting that none of the sample firms in this study follow the born global model, which implies that they follow the traditional firms following the gradual internationalization model through exporting.

#### 2.2.4. Resource-Based View (RBV)

The availability of resources is important for firm performance according to RBV (e.g., Peteraf, 1993). Prior studies have examined the link between resources and export performance in different contexts with reference to the availability of raw materials, etc., (e.g., Makadok, 2001; Teece, Pisano, & Shuen, 1997).

#### 2.2.5. Antecedents of Export Venture Performance Model

The fast growth of global exports has gathered the attention of researchers on the factors associated with a firm's export performance and the success of the firm (Morgan, Kaleka and Kastikeas, 2004). Taking into consideration these developments, Morgan, Kaleka, and Kastikeas (2004) developed a comprehensive theoretical model of key antecedents of export venture performance integrating insights from the SCP model and RBV, and drawing on fieldwork and literature-based insights to specify relevant constructs. The level of competitive intensity is a key determinant of market attractiveness for the SCP model (e.g., Porter, 1980, 1985), whereas RBV theory treats competitive intensity as a less significant issue (Morgan, Kaleka, & Katsikeas, 2004). The main premise of their model (Morgan et al., 2004) is that export ventures can achieve positional advantages in foreign markets and, in turn, superior performance by allocating available resources and capabilities while pursuing appropriate competitive strategies (Morgan et al., 2004).

#### 2.2.6. Innovation-oriented internationalization model

Rippolez-Melia, Bleza-Perez, and Roig-Dobon (2010) have shown that innovation orientation accelerates the pace of globalization of SMEs. Their empirical results based on Spanish SMEs show that to help firms opt for high-control entry modes in foreign markets; there are two different models of internationalization. The initial model being gradual internationalization and the second one being innovation-oriented internationalization. Similarly, Salomon (2006) examined the relationship between export strategies and innovative products and contended that firms that export to developed countries will experience increased innovative productivity.

#### 2.2.7. CPP model

Paul and Sanchez-Morcillo (2019) developed a classic theoretical typology titled- CPP model for firms to compete, internationalize, and succeed in the era of globalization. They named the firms those confine to the local market as conservatives, as they ignore the opportunities arising out of globalization. According to this model, legally integrated countries constitute the predictable market and firms generating majority of their revenue from a predictable market like European Union can be called as predictable firms. Firms generating majority of their revenue from truly global markets (beyond predictable markets) are classified as Pacemaker firms in the CPP Model.

#### 2.2.8. 7- P framework for international marketing

On the basis of the felt need for new and novel frameworks for SMEs and MNEs to carry out feasibility analysis before going international, Paul and Mas (2019) developed a 7-P framework showing that the firms can achieve performance in a foreign market only if they understand different dimensions of six 'P' constructs, such as Potential, Path, Process, Pace, Pattern and Problems. They called for using this framework in research dealing with firm level data or using 3 or more case studies as part of the growth process of a firm. It can also be used in international business/marketing plan preparation.

### 2.3. Review of studies and propositions

There are several studies highlighting the challenges faced by SMEs and identifying research gaps. Paul, Parthasarathy, and Gupta (2017) reviewed the challenges that SMEs encounter when exporting, and outlined a future research agenda with reference to theory development, methodology, and contexts. Prior studies (Martineau and Pastoriza, 2016) reviewed the state of research on SMEs and their international involvement and found that, despite significant progress in the research pertaining to SME's internationalization, the advances have been uneven. Kahiya and Dean (2016) ascertained the effect of export barriers based on a sample of 145 exporting firms from New Zealand and tested seven hypotheses on the relationship between stages of export development and export barriers. They found that resource constraints, marketing barriers, knowledge, experience, and export-procedure barriers are "export stage-dependent while no inverse relationship between export stages and the influence of export barriers were reported." Cahen, Lahiri, and Borini (2016), based on a survey of top Brazilian new technology-based firms on barriers to internationalization identified three types of barriers: i) SMEs' external institutional barrier (considered as a part of challenges in SCOPE framework), ii) internal organizational capability barrier, and iii) human resource challenges (ii and iii are considered as part of problems in the SCOPE framework). Cardoza et al. studied host destination regulations, preferences, tariff, familiarity, paperwork, socio-cultural, personal, state support, manufacture, local government, and retail to understand the determinants of the international expansion of SMEs from Latin America. They found that national regulations, economic environment, and limited information on external markets are the real barriers in Brazil, Columbia, and Peru. Similarly, Cardoza and Fornes (2011) studied the effect of internal and external barriers on the export performance of Chinese SMEs and reported that several internal and external barriers related to the product, international logistics, and finance hinder the process of internationalization of SMEs. Therefore, we posit the following propositions:

**Proposition 1a.** ($P1a$): *SMEs face internal problems such as organizational capability, financial constraints, marketing barriers, and human resource barriers.*

**Proposition 1b.** ($P1b$): *SMEs often face external barriers such as institutional barriers in many countries.*

Landau, Karna, Richter, and Uhlenbruck (2016) studied the German medium-sized firms that are market leaders and how they leveraged institutions to internationalize. They argue that firms need to be aware of the institutional support, access it, decide to adopt it, and fully exploit it in their home countries to leverage institutions for internationalization. Torres, Clegg, and Varum (2016) conducted a study of 441 Portuguese exporters that take the benefit of home country support measures toward internationalization (HCSMIs) using data on 11 types of HCSMIs and reported that firms avail incentives not to cope with deficiencies but do so to de-risk themselves. Hence,

**Proposition 2.** (*P*2): *Institutional support measures, in their home countries, significantly affect the success of SMEs as well as their ability/learning capacity to leverage them*

Oura, Zilber, and Lopes (2015) examined how innovation capacity and global experience impact the internationalization of SMEs in Brazil and showed that innovation capacity has a low impact on export performance than international experience. Manager's international experience and manager's motivation influence the decisions on initiation for exporting (Boermans & Roelfsema, 2013; Sala & Yalcin, 2015; Wood et al., 2015). Musteen, Datta, and Butts (2014), based on a sample of 169 SMEs in the Czech Republic, found that firms with chief executive officers who showed to possess a higher knowledge of foreign markets and had strong and diverse international networks. This knowledge had a positive impact on the firm's performance. Antoldi, Cerrato, and Depperu (2013) threw light on the role of intangible resources, export consortia, firm's relationships, strategy, and development for achieving export competitiveness. Similarly, Uner et al. (2013) explored if export impediments are uniform for all firms and showed that perceived barriers differ mainly between firms in the domestic marketing and pre-export stages for born global firms. Kyvik (2011) examined the effect of a global mindset of small-firm decision-makers on their firms' internationalization behavior using a conceptual model. Kyvik applied a structural equation model based on cross-sectional data from small Norwegian and Portuguese firms and found that the main driver of a firm's internationalization is a global mindset. Similarly, Felício, Caldeirinha, and Rodrigues (2012) identified the factors (entrepreneur's education level, firm's performance at home, and the potential for growth in the home market) that constitute the global mindset and resultant internationalization of small Portuguese companies. Hence,

**Proposition 3.** (*P*3): *The international experience of managers and/or owners, international networks and relationships, and a global mindset have a positive impact on the performance of SMEs.*

On the other hand, Hagen, Zucchella, Cerchiello, and De Giovanni (2012) highlighted the need for a clear and proactive strategic orientation (marketing, innovation, sales, and product) and its consistency with business strategy, which leads to improved international marketing performance of SMEs. Lee, Kelley, Lee, and Lee (2012) examined the impact of internationalization on the survival of SMEs using data from 1612 South Korean SMEs and found that sales internationalization (exports) is associated with better survival prospects and external relationships, and can help counter survival threats. Dikova et al. (2016), using a sample of SME exporters from Slovenia, found that firm performance is positively related to a diversified export strategy in terms of product, market, and export intensity, although with decreasing returns. Thus;

**Proposition 4.** (*P*4): *Internationalization, export strategy, and export intensity have positive impacts on the survival and performance of SMEs.*

I now turn to a discussion of the factors that drive SMEs into exporting and the method used in this study.

## 3. Method

Many researchers have studied factors influencing SMEs' internationalization (Autio, Sapienza, & Almeida, 2000; Golovko & Valentini, 2011; Harms & Schiele, 2012; Lu & Beamish, 2001; Paul, Parthasarathy, et al., 2017). Moreover, extant literature shows a long-standing assumption that most firms internationalize gradually after gaining domestic expertise and growth (Etemad & Wright, 2003). Rettab and Rao (2009) identified factors that discriminate against the three types of exporters based on the criteria of increasing growth, erratic growth, and decreasing growth, and established a contingency framework to study the demand and supply factors, to model small and medium exporters. However, as discussed previously, some theorists suggest that certain SMEs internationalize from the outset, considering the need for survival, growth, and success.

As discussed by Creswell (1997), qualitative research is a process wherein researchers explore a problem in a natural setting to build a complex and integral conceptualization. Such an approach has a place in international business (Marschan-Piekkari & Welch, 2004). Following prior research (Bonaglia, Goldstein, & Mathews, 2007; Coviello, 2006; Eisenhardt, 1989; Lamb, Sandberg, & Liesch, 2011; Yin, 1994), we employ a case study approach (three cases from three different countries) to generate findings that would be unavailable in a large quantitative study. As Shane (2000) states, case study approach allows us to know how opportunity recognition operates in different scenarios. Through this approach, I replicate logic and discern subtle similarities and differences among study cases (Brown & Eisenhardt, 1997; Coviello, 2006; Eisenhardt, 1989; Yin, 1994) and following Rettab and Rao (2009), I develop a new framework called SCOPE for analyzing SME growth and internationalization.

### 3.1. Sample selection

This study entails a series of personal interviews and site visits. The sample encompasses three SMEs (the "Study Firms") engaged in exports. We selected firms from different countries to identify common problems in SME internationalization regardless of country of origin. As recommended by Eisenhardt (1989), sample firms were selected based on an overall theoretical perspective as explained below, rather than by random sampling. Minimizing confounding factors, our selection criteria was the following: 1) firms' export intensity (at least 25 percent of revenue from exports) at the time of data collection, 2) fewer than 75 employees, 3) must not have internationalized substantially within 3 years of inception (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994, 2005) which implies that the firm is not an INV/Born global, 4) or not internationalized by accident, as defined by Hennart (2014), or 5) Firm is not a high-tech SME (non-HTSMEs). Based on these assumptions and our literature review, we identified the specific challenges of export SMEs with limited resources and international exposure, and devised our selection criteria to derive a generalizable theoretical framework while bearing in mind that laws, regulations, and customs vary by markets (Shrader, Oviatt, &

McDougall, 2000).

Turning to descriptive statistics, our study's firms had an export share of their total sales ranging from 25 to 95 percent and all three internationalized after 2005. None of them had internationalized substantially within 3 years like a born global firm.

The study firms' identities were protected by changing their names in this paper.

### 3.2. Data collection

Information was gathered from multiple sources. The main source was semi-structured interviews (See Questionnaire in the annexure) informed by the literature review. Following Huber and Power's (1985) guidelines to minimize bias, two interviews per sample firm were carried out. Each interview used the same set of questions and lasted 60–90 min (the questionnaire used for the interview is given as an annexure). Prior to each interview, we provided each interviewee with an interview guide detailing questions to be answered. As prescribed by Coviello and Jones (2004), the interviewees were the managing directors, export managers, and sales executives who possess the most in-depth awareness of the sample firms' exporting operations. As recommended by Huber and Power (1985), we interviewed two informants from each sample firm. In accordance with Yin (1994), conducting two interviews enabled us to follow up with more detailed questions in the second interview and improve validity. Following Miller, Cardinal, and Glick (1997) and Huber and Power's (1985) guidelines for retrospective studies, we first asked interviewees to provide a general overview of their business, and later to focus on their firms' export operations highlighting particular challenges.

All interviews were recorded and transcribed. We replayed each recording to ensure correspondence between the recording and the transcript. In addition, we followed up through telephone and email to clarify certain points as needed. Based on the interviews, we generated the case descriptions and shared them with interviewees, so that they could provide additional comments. As suggested by Coviello (2006), to improve validity, data were also collected and analyzed (from sources such as websites and promotion material). Based on the interviews and generated data and following prior research (Miles & Huberman, 1994; Pettigrew, 1990), we created a case profile for each sample firm highlighting common export challenges and identifying critical factors related to opportunity recognition.

I now turn to the discussion of the firms' profiles, focusing on strategies and challenges as the basis for understanding their problems, weaknesses, strengths, and opportunities. This understanding helped us to formulate the new analytical framework SCOPE.

## 4. Firm profile, strategies, and challenges

Firms studied shall be referred to as "Jay," "S & J," and "Berro," respectively. Following Coviello (2006) and Bongalia's et al. (2007) approaches, each study firm's profile is discussed in this section, focusing on export challenges and strategies. Tables 1 and 2 summarize these data.

### 4.1. Jay

*Jay* is an export firm, specializing in the transport of lubricants such as transmission fluid, brake fluid, grease, power steering fluid, and motor, turbine, compressor, and hydraulic oils manufactured by leading companies. Founded by a Russian entrepreneur in 2004, the firm ventured into the export business in 2009. Jay exports to Ukraine, European Union countries, Singapore, and Taiwan, among many other locations and imports from Japan. Having partnerships with over 100 importers, Jay's main markets are European countries and former Soviet Union countries.

The firms' management is comprised of fewer than 10 individuals, significantly simplifying task allocation. All managers have over 10 years of experience in the export business. The firm took advantage of employee's different nationalities, using them as liaisons to efficiently work and communicate with foreign stakeholders in their native languages. Their clients are permanently given the exclusive right to distribute Jay's products in their own countries. To secure payment, Jay requests advance payment from the importer, but has experienced initial resistance due to clients' distrust of such a small firm. As he considers debt to be an anchor that eventually sinks businesses, the founder does not normally offer credit to their clients.

Although the staff members are knowledgeable about the export business, Jay sometimes depends on an agent for shipment and consulting services. After years of export experience, the firm tried to set up branches in new markets in Central Asia but could not succeed because of insufficient capital. Additionally, the firm planned to produce its own brand of oil to avoid dependence on suppliers. Even though Jay's management attempted to follow the approach outlined in the network model for internationalization, discussed in section 2, it did not always work very well for them, as the firm had inherent weaknesses.

To increase revenue, Jay aimed to increase demand from importing countries, especially former Soviet Union countries. However, Jay faced heightened competition from rivals because of a common orientation on those target markets. As a small firm in the export business, Jay faced challenges in handling strict government rules that did not encourage them to hire many employees of different nationalities.

### 4.2. S&J

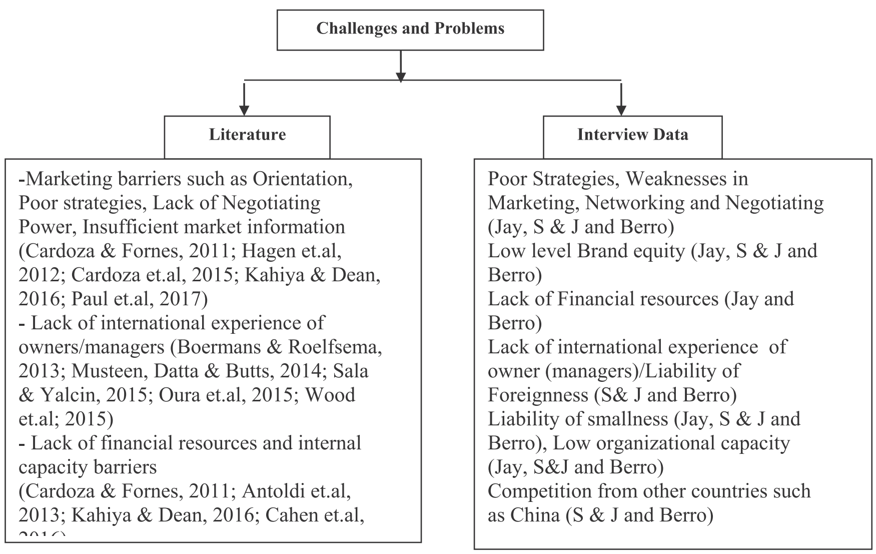
*S&J* is a relatively young firm in the tiles industry, which currently produces wall, floor, and decorative ceramic tiles. Established in Turkey in 2001, the firm started exporting in 2011. S&J garnered 30 percent of its domestic market (almost saturating this market) and considered outward foreign direct financing (production) in a foreign market. As a young firm, S&J lacks international exposure, compromising direct competition with MNEs. Another challenge was rising fuel and natural gas costs, which raise production costs. S&J believed in better synergies for marketing and set-in-order strategy for inventory management. The firm debated whether to strengthen its business in its almost-saturated domestic market, to diversify into a related sector (such as sanitation products), or to invest more to establish a foothold in foreign markets such as the European Union. In 2013, the firm prepared an export business plan focusing on export opportunities in markets with a shorter psychic distance, such as the Middle East. S&J faced external challenges from domestic as well as international competitors, from countries such as China.

Regarding payment, unlike Jay, S&J did not implement a standardized policy for negotiating advance payment; that is, the firm did not insist on a specific type of payment or credit term while negotiating with their importers. This was mainly because, being an SME, S & J did not enjoy negotiating power, as outlined in Ghauri (1986).

**Table 1**
Key information of sample (case) firms.

| | Jay | S&J | Berro |
|---|---|---|---|
| Year of Establishment | 2004 | 2001 | 1995 |
| Start of Export Operations | 2009 | 2011 | 2006 |
| Industry | Automotive, marine, and industrial lubricants, technical fluids, chemicals, paints, auto-care products, parts, and accessories. | Ceramic tiles for walls, flooring, and decorative purposes. | Manufacture of machines catering to the steel industry, main products being Roll forming machines, Cut to length Lines and Slitting lines. |
| No. of Employees | 9 | 65 | 20 |
| Export Sales (%) | Approx. 95% | Approx. 30% | Approx. 80% |
| Key Target Markets | EU countries, Ukraine, Central Asia, Singapore, and Taiwan. | Middle East countries incl. United Arab Emirates, EU countries | Middle East and Africa. |
| Exporter Category | Merchant Exporter | Manufacturer Exporter | Manufacturer Exporter |

**Table 2**
Findings based on Literature and Interview data (Challenges and Problems of SMEs).




### 4.3. Berro

Berro is an Italy-based SME established in 1995 that began exports in 2006. The firm manufactures steel production equipment, including roll forming machines, cut-to-length, and slitting lines. The firm exports to Saudi Arabia, the United Arab Emirates, Africa, Nepal, and other European countries. They are committed to expand in the capital goods industry and are aggressively seeking global market share by continuously adapting to better technologies and designs.

Since its inception, the firm has been a quality-driven organization, constantly striving to introduce innovative products and technologies. Berro's top management believes that competitive advantages can only be developed when customers are given value, which includes ensuring that shipments are made by the promised date. A team of highly qualified and experienced professionals works hard to adopt new technologies and upgrade existing ones. In 2009, Berro was granted the "Best small Award," conferred by the Italian government's export promotion agency.

Management focused on just-in-time inventory management to align with the set-in-order strategy. The firm experienced lots of problems, challenges, and limitations. The most critical internal challenge was insufficient capital to fund its export operations. In the absence of conscientious cash flow management and the ability to raise more capital, the firm is often constrained by capital, as they did not have negotiation power to get the export payment in advance or sight basis. Generally, profit per operating cycle is insufficient to provide the additional working capital required for the following operating cycle.

The export payment terms for their clients are 10 percent advance payment, 35 percent after dispatching the bill of lading, and the remaining balance at the time of delivery of goods as sight bill. However, this standard is not strictly enforced for the following reasons. Being a small firm, Berro lacks the negotiation power to ask clients either for advance payment or a letter of credit. Similarly, Berro faced external challenges from two types of competitors: 1) overseas firms (mainly Chinese SMEs) in the engineering sector with comparatively lower cost advantage and 2) large domestic players.

The next subsection discusses the barriers to the internationalization of SMEs.

### 4.4. Challenges and problems

Table 2 summarizes the major challenges and problems of SMEs based on the literature review as well as the interview data internationalization barriers as extracted from this study, based on the literature review and cases of the three firms Jay, S&J, and Berro.

## 5. A new framework for SMEs

Even though there are some models such as Uppsala, International New Venture model, Network approach, RBV, Dynamic Capability theory, and institutional theory, researchers have widely used them in different ways in their research. Therefore, a lot of studies published appear to be recycled. To avoid replete research, subject areas such as entrepreneurship, international business, and marketing need new and novel frameworks. Otherwise, researchers would tend to use the same old model or theory as their platform for research (Keupp & Gassmann, 2009; Paul & Shrivastava, 2016; Paul, Parthasarathy, et al., 2017). There are some recent efforts to develop new theoretical lenses such as 7-P Framework (Paul & Mas, 2019) for international marketing based on the relationship Performance = f (Potential, Path, Process, Pace, Pattern & Problems) and the CPP Model (CPP markets and firms) by Paul & Sacheze-Morcillo (2018), there is still need for robust frameworks from practitioners' as well as researchers' point of view. Considering the afore-discussed challenges and problems, a new typology called "SCOPE" framework is proposed to i) facilitate SME growth, ii) carry out industry analysis for intelligent decision-making, regarding market entry, expansion, and diversification, and iii) formulate strategies to compete in the global market. This framework suggests that SMEs must undertake an interim impact/feasibility study of further internationalization to assess whether they will succeed in specific foreign markets. Table 3 provides all case data used to support the building of the SCOPE framework.

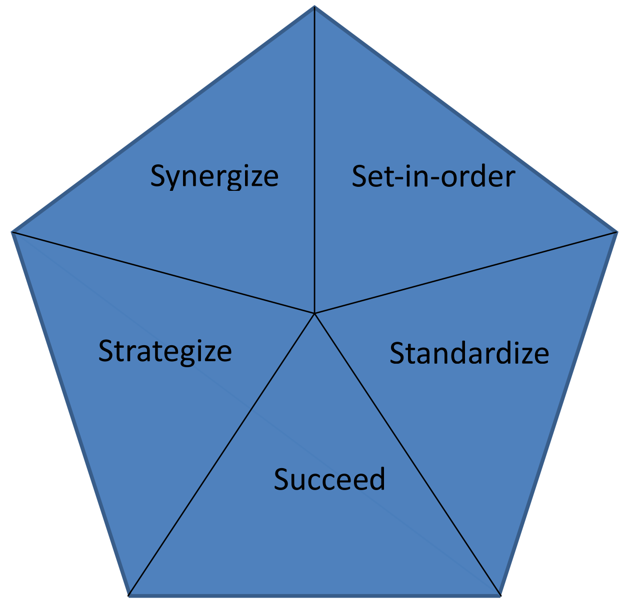



**Fig. 1.** 5S Pentagon model for small firms to follow and compete ——

### 5.1. Strategies (S)

Some studies dealing with exporting SMEs showed an increasing focus on intangible resources to develop strategies (Armstrong & Shimizu, 2007; Chrisholm & Nielsen, 2009; Galbreath, 2005). The following framework provides guidelines for SMEs to succeed while exporting. Fig. 1 summarizes 5 strategies, in a pentagon format, which can be called −5S Pentagon − strategies. The following figure and section describe the Pentagon model in detail.

#### 5.1.1. Synergize

Situated on the verge of a boundless market where market forces would ultimately decide the winners, SMEs must synergize their businesses, focusing on their strength and core businesses, rather than diversifying into unrelated sectors in the first decade from inception. For instance, S&J had planned to diversify into

**Table 3**
FIRM-Level Data in support of developing SCOPE Framework.

| SCOPE | Jay | S & J | Berro |
|---|---|---|---|
| Strategies (S) | Standardized Strategy (Advance payment)<br>Internationalization to countries with less psychic distance.<br>Hiring people with different nationalities | Expanding into markets with less cultural and geographic distance (Middle East) | Standardize<br>Expanding into countries with less geographic distance<br>Value for Money to clients |
| Challenges (C) | Relying upon Quality perception about Japanese products<br>Relying upon ex. USSR & Europe | Competition from Domestic & International rivals | Competition from domestic as well as Chinese firms |
| Opportunities (O) | Prior Experience in Exporting | Opportunities from foreign markets as they had reached saturation point in the domestic market. | External Opportunities Outside India<br>Focus on Quality & Technology |
| Problems (P) | Lack of Capital | Lack of international exposure<br>Increasing production cost due to the higher cost of fuel | Lack of capital<br>Lack of Negotiating Power to ask for either advance payment or Letter of Credit |
| Exporting (E) | They took 5 years for exporting | 10 years for exporting after the establishment of the firm. | 10 years for exporting after the establishment of the firm. |

another sector. However, the firm ultimately focused on export markets instead of investing to diversify in its domestic market. Both Jay and S&J synergized their strategies by expanding into foreign markets with shorter psychic distance to their respective home countries, while psychic distance was not a concern for Berro.

#### *5.1.2. Set-in-order*

To compete, firms must set in order their in-house systems and priorities, ensuring that the entirety of their activities has a sequence. It is possible to blend entrepreneurial intentions and orientation with this idea (Paul, Hermel & Shrivastava, 2017). This strategy helps eliminate unnecessary items, reduces inventory, and provides order and cleanliness. Inventory reduction improves the working cash flow, which always constrains SMEs.

Berro's case best highlights the need for this strategy. Jay did not have to implement it, as the firm primarily operated as merchant exporters.

#### *5.1.3. Standardize*

SMEs usually abide by unstandardized guidelines and rules, causing uncertainty in the market. Avoiding ambiguity and building brand awareness, SMEs should standardize their rules and management practices, so that business partners know what to expect. Role and process clarity leads to better output per workman and fewer delays. Regarding sample firms, Jay and Berro tried to standardize their guidelines and rules but failed as they lacked negotiating power in the international market. Because of a lack of international exposure, S&J did not standardize its rules but homogenized certain terms and conditions of business.

#### *5.1.4. Strategize*

Competition continuously intensifies in all industries, forcing SMEs to strategize. Firms possessing a superior position in technological resources or capabilities can achieve a better outcome of sustainable competitive advantage (Huang, Tan, & Ding, 2015). Firms generally conduct strategic planning, competition monitoring, and internationalizing. This process includes strategic alliances, exporting, and sourcing at competitive prices and quality (Gancarczyk & Gancarczyk, 2018). This idea is also based on the notion that business success is a function of interdependence based on strategic partnerships and alliances with the best possible partners, rather than looking at business as an independent activity. This strategy is exemplified in Jay's attempt to launch a cobranded oil. Besides, Arranz et al. show that the alliance-building process could be an inhibiting factor for SME international alliances.

#### *5.1.5. Succeed*

Success depends on the balance of the above-mentioned strategies. Based on the semi-structured interviews and comprehensive literature review, it is inferred that SMEs need to formulate specific set of strategies to implement – to survive, sustain, and succeed. SMEs need to focus on implementing strategies such as – synergize, set-in-order, standardize, and strategize to achieve growth, competitiveness, performance, and success. They could formulate business plans using typologies such as 7-P framework (Paul & Mas, 2019) aiming for greater performance. 7-P framework is a novel theoretical lens that helps firms to set performance as their goal and is grounded in the constructs such as potential, path, process, pace, pattern, and problems. Performance is considered as an outcome variable of other six P constructs (Paul & Mas, 2019).

### *5.2. Challenges (C)*

Firms, particularly SMEs, face multiple challenges while internationalizing (Leonidou, 2000; Leonidou, 2004; Dikova et al., 2016; Paul, Hermel & Shrivastava, 2017; Paul, Parthasarathy, et al., 2017). Some of the challenges include the liability of foreignness, cognitive bias, and resource constraints. They must formulate strategies to overcome those challenges. Each of the three firms we studied reported challenges, which arose from the competition, as well as other challenges. It is important for SMEs to anticipate such challenges when they step forward with international marketing initiatives.

### *5.3. Opportunities (O)*

Globalization has opened markets throughout the world, and the internet has revolutionized business. SMEs willing to compete must be open to opportunities for exporting to foreign markets, even if they do not succeed in their home markets. Ideally, their business plan should be prepared based on the 5S strategies we outlined in the Pentagon model, which will help them to take advantage of opportunities.

### *5.4. Problems (P)*

Unlike MNEs, SMEs encounter many problems including insufficient financial resources, internal marketing problems (such as poor marketing strategies and lack of foreign market knowledge), choice of entry mode, and low brand value. SMEs are inherently weak in negotiating power and market orientation. Most firms also face organizational capability barriers (Sharkey et al., 1989; Lall, 1991; Musteen et al., 2014; Laufs & Schwens, 2014; Paul, Parthasarathy, et al., 2017). For this reason, SMEs must invest in marketing and human resource development to compete and succeed in this dynamic, competitive environment. It may be wise for SMEs to analyze their business with a simple framework such as What, When, Why, Where, and How when it comes to their expansion into foreign markets. For instance, it is important for SMEs to analyze the market potential and other related factors in different markets to decide when to enter and where to internationalize. A detailed analysis of Why and How with reference to the rationale for foreign market expansion, scope, and modes of entry can be very useful as part of their international marketing strategy formulation.

### *5.5. Exporting (E) and internationalization*

Internationalization helps SMEs increase their chance of survival (Paul & Mas, 2016). Acknowledging the lack of capital to fund their export operations, in line with Johansson and Vahlne (1977), some experts believe that traditional manufacturing SMEs need not internationalize from inception, as doing so would consume all financial resources. Once they internationalize, SMEs should focus on exports unless they are HTSMEs. In these cases, they could engage in accelerated internationalization, as suggested by researchers (Bonaglia et al., 2007; Knight & Cavusgil, 2004; Moen, 2002). Non-HTSME could minimize the risk by focusing on exporting, instead of foreign direct investment (FDI).

### *5.6. SCOPE framework in comparison to other models*

In continuation to the discussion in section 2, it is worth noting that there are hundreds of research studies using the same old models such as International New Venture, Network approach, Uppsala, RBV etc. However, a careful review of literature indicates that they have been used widely in academic research, not in corporate research. The scope of most of those models is limited because of two reasons i) they are not fully useable in a real company setting. ii) The age-old models are no longer considered as novel in the academic field. Therefore, there is a felt need to develop a framework, which is useful in the corporate sector as well as academia. SCOPE framework is an answer to this dilemma as it can be used in different settings and contexts in various industries and countries both in academia and industry.

## 6. Limitations and directions for future research

The framework proposed in this article is based on three firms. It would have been better if we had developed this framework based on five or six firms. However, considering that researchers have published widely cited papers based on case studies of three firms in premier journals such as the Journal of World Business (Bonaglia et al., 2007), this cannot be considered a serious limitation, though it could be seen as a constraint. For example, Bonaglia et al. (2007) used information and data from three firms in White goods industry for their study and generalized the findings based on those firms. Since SCOPE framework is developed based on firms from three different countries, it captures similar problems and challenges of firms in general. Such generalization helps to overcome this limitation. Another limitation is that the SCOPE framework does not have explanatory power, but rather serves as an analytical tool. Nevertheless, it is easy to use the SCOPE framework to examine the determinants or factors empirically contributing to the survival and success of a small firm. However, the scope of using the SCOPE framework is immense. The SCOPE is an analytical framework that can be applied in academic research as well as in practitioner-oriented research. It can be used as a benchmark and robust tool, compared to SWOT analysis, both in qualitative and quantitative research studies. It will also serve as a standard framework that could be used in industry analysis as well as in consulting studies. Graduate school students would also find it very useful to use the SCOPE framework to analyze SMEs in their research projects and dissertations. As outlined in prior review articles (Coviello & Jones, 2004; Keupp & Gassmann, 2009; Jones et al., 2011; Paul, Hermel & Shrivastava, 2017; Paul, Parthasarathy, et al., 2017), there is a need for developing new methods and frameworks for future research in this area, which will also be useful for SMEs and their industries. We urge researchers to use our propositions as their hypotheses in their future studies as they can be tested in a wide variety of contexts (countries, industries, etc.).

To provide practical solutions to the challenges of SMEs aspiring for internationalization, we need typologies and useful frameworks that help decision-makers to better understand the antecedents and consequences of their internationalization (cultural, legal, political, and other issues). Besides, there is potential for carrying out research studies that address one of the questions given below.

i. What drives the internationalization of SMEs from developing versus developed economies, and what are the factors that determine their survival?
ii. How do the business environments in the home and host countries influence the success or failure of SMEs and shape their strategies?
iii. What strategies are implemented by small firms while entering and marketing to the populous and large countries with mass-market?
iv. What are the dimensions of internationalization (Potential, Path, Pattern, Process, Pace, and Problems) of SMEs while expanding into emerging countries, particularly in the fastest-growing markets such as China, India, and Brazil?

## 7. Conclusion

It was found that the major barriers for internationalization of small firms include: lack of capital, insufficient information, selection of reliable partners and distributors, lack of negotiating power, insufficient resources, lack of knowledge of foreign markets, little international experience, lack of protection from the government, and demand insufficiency for the products of small firms. These findings corroborate the results of prior research (Kaynak, Ghauri, & Olofsson-Bredenlöw, 1987; Ghauri & Kumar, 1989). The proposed SCOPE framework will allow managers and researchers to analyze and explain the SMEs' growth and conduct industry analysis.

This framework is generalizable regardless of the industry or country of origin. It can be used in the context of developing as well as developed countries. SMEs could follow the 5S pentagon strategies to compete in the foreign market in this era of globalization. As an alternative framework to traditional tools such as SWOT and PESTEL frameworks, management students may also employ SCOPE as a framework for carrying out industry analyses. Researchers can use the SCOPE framework like other widely cited frameworks such as the CAGE (Cultural, Administrative, Geographic, and Economic) distance framework or LLL (Linkage, Learning, and Leverage). Managers would find SCOPE to be an improved and better tool when compared to frameworks such as SWOT and PESTEL. This is particularly true in the context of small and medium enterprises. There are also opportunities to use this framework to carry out analysis of a firm and industry to decide the direction and pace at which the firm should expand in the short term and long term.

SMEs serve as backbone of most of the European countries. Their survival and success are critical for generating employment in Europe, particularly in countries with smaller size economies and countries facing recession. In this context, SCOPE framework will be very useful for research and analysis dealing with firms in European countries as there are hundreds of SMEs in those countries.

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## ANNEXURE

Semi-structured Questionnaire used for conducting interviews for developing SCOPE Framework for Small Firms.

*Key Information*

| |
|---|
| Company Name |
| Year of Establishment |
| Are you into Imports/Exports/both? |
| Industry |
| No of Employees |
| Export Sales as % of Total Sales |
| Is your firm a small one/Medium size/multinational? |
| Which are the countries where you have done business? |

*Questions on Strategies*

| | | | |
|---|---|---|---|
| Do you have Standardized rules for doing business? | Yes | No | Somewhat (Not Sure) |
| Do you believe in Strategic Planning? | | | |
| Have you ever prepared a Business plan for Importing/Exporting? | | | |
| Do you Set-in-Order the work? | | | |

*Questions on Challenges (Threat) - External*

| | | | |
|---|---|---|---|
| Do you face challenges in international business? | Yes | No | Not sure |
| Do you feel threat from multinational firms? | Yes | No | Not sure |
| Do you have competition from small firms | Yes | No | Not sure |
| Is there any other external challenge? | | | |

*Questions on Opportunities*

| | | | |
|---|---|---|---|
| Do you think that international business brings more opportunities than domestic business? | Yes | Yes | Not sure |
| Is Inter Business more rewarding? | Yes | No | Not sure |
| Do you get tax benefits when you do Exporting? | Yes | No | Not sure |
| Does International business help you to build a better brand? | Yes | No | Somewhat |
| Do you think the field of Export-Import is amazing? | Yes | No | Somewhat |

*Questions on Problems*

| | | | |
|---|---|---|---|
| Is your firm financially viable? | Yes | No | Somewhat |
| Do you rely upon Import Finance (In the case of importer) | | | |
| Do you avail preshipment or postshipment finance (in the case of exporter) | | | |
| Do you foresee a problem arising out of poor marketing strategy? | | | |

*Questions on Internationalization (Exporting/Importing, etc.)*

| | | |
|---|---|---|
| Do you manufacture your product? | Yes | No |
| Do you plan to license your product in a foreign country | | |
| Do you think it is feasible to start production in a foreign country? | | |
| Does exporting/going global help you to grow? | | |

*Questions on Mode of Payment*

| |
|---|
| Do you like Full Payment in Advance? |
| Do you believe in Sight Payment |
| Do you like the idea of Usance Bill to Importers? |
| Do you believe in an Open account? |
| Do you hedge foreign exchange risk? |

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