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Critical factors of Small and Medium Enterprises' internationalization to developing economies

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Abstract

The purpose of this dissertation is to determine what are the critical success factors of SMEs internationalisation to developing economies. SMEs are vital business structures of the world's economies. It becomes important to develop knowledge over the profitable activities that SMEs can participate to generate wealth and create economic expansion, given the representativity they mostly have in each country business structure. With the globalisation phenomenon bringing worldwide markets evermore closer, internationalisation is regarded as one of those economic activities that can generate wealth over time, given the expansion of activities, markets and clients that the company is subjected to.

Developing economies have become increasingly active in international trade in the last years. Given the relative expansion this group of countries is normally associated with, as well as their typical importing structures, the interest in targeting them is latent.

The following dissertation seeks to answer the question: what are some of the critical factors of success of SME internationalization to developing economies?

To answer this question, a set of qualitative method of analysis, specifically semi-structured interviews, were posed to 10 interviewees that were participants in their SME's internationalisation process. Using the principles of the theory-driven data analysis, the results demonstrated that firm-wise factors, such as availability of capital, product quality and price and production, CEO and management participation, quality of staff, international ambition and planning, as well as external factors, such as event participation, institution support and partnerships, are some of the critical success factors that SMEs face when internationalizing to developing economies. Regarding strategies, SMEs commit mostly to indirect exports to enter developing countries, and factors like the active involvement of the CEO, recurring to institutional support, market prospection (and on site visiting), networking (and social networks), as well as time, are some of the strategic aspects that SME should manipulate and adjust to its internationalization plan. Regarding risks, they range from the excessive bureaucracies, corruption, cultural mismatches, lack of resources, lack of supply and uncertainty. Regarding motivations to internationalize to developing economies, they were mostly regarded as either strategic motivated or by opportunity identification.

A set of remarks targeting managers, institutions and governments are portrayed in the final chapter.

Keywords: internationalisation; SME; developing countries; success factors
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Resumo

O objetivo primordial desta dissertação foca-se na definição dos fatores críticos de sucesso, da internacionalização das PME's, para as economias em desenvolvimento.

As PME são estruturas empresariais vitais das economias a nível global. Torna-se importante desenvolver conhecimento científico sobre as atividades lucrativas em que as PME's podem participar para gerar riqueza e criar expansão económica, dada a representatividade que as mesmas significam na estrutura empresarial de cada país. Com o fenómeno da globalização a aproximar cada vez mais os mercados mundiais, a internacionalização deve ser considerada como uma atividade económica passível de gerar riqueza ao longo do tempo, dada a expansão a que a empresa está sujeita.

As economias em desenvolvimento têm-se tornado cada vez mais ativas no comércio internacional nos últimos anos. Dada a relativa expansão a que este grupo de países está normalmente associado, bem como as suas típicas estruturas importadoras, o interesse em visar estes mercados é latente.

A seguinte dissertação procura responder à questão: quais poderão ser alguns dos fatores críticos de sucesso, da internacionalização das PME's, para as economias em desenvolvimento?

Para responder a esta pergunta, um conjunto de métodos de análise qualitativa, especificamente entrevistas semiestruturadas, foram apresentadas a 10 entrevistados que participaram no processo de internacionalização das suas PME's. Utilizando os princípios da análise temática de conteúdos, os resultados demonstram que fatores internos à empresa (tais como disponibilidade de capital, qualidade e preço e produção do produto oferecido, participação do CEO e da equipa de gestão, capacidade da força de trabalho, ambição internacional e planeamento), bem como fatores externos (tais como participação em eventos, apoio institucional e parcerias), são alguns dos fatores críticos de sucesso que as PME's usam quando se internacionalizam para economias em desenvolvimento. No que diz respeito a estratégias, as PME's comprometem-se principalmente com exportações indiretas para entrar nos países em desenvolvimento, e fatores como o envolvimento ativo do CEO, o uso de apoio institucional, a prospeção de mercado (e visitas ao local), a network (e redes sociais), bem como a gestão do tempo, são alguns dos aspetos estratégicos que as PME's devem manipular e ajustar ao seu plano de internacionalização. Relativamente aos riscos, estes residem no excesso de burocracia, corrupção, desajustes culturais, falta de recursos,

falta de apoio e a incerteza. Quanto às motivações para internacionalizar para as economias em desenvolvimento, na sua maioria foram reconhecidas como motivações estratégicas ou por identificação de oportunidades.

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1. Introduction

Small and Medium Enterprises (SMEs) have a vital role in economic and social structures. Defined by the European Union as “business entities with economic activities, employing less than 250 workers and with a balance sheet of less than 43 million euros” (EC 2003), roughly 95% of worldwide business structures share this identity (Dabić et al., 2020). In the EU, roughly 84 million people work in these kinds of business structures, representing approximately 42% of all workers employed in the European Union state-members (Statista, 2022).

According to the SME outlook (OECD, 2021), Portugal saw SMEs representing about 51% of trade value as exporters, actually above the OECD mean (39%). When participation in global value chains is considered, the importance of SMEs augments considerably. The importance of SMEs in each economies exporting structure is being increasingly recognized, not only by economic literature, but as well as by the highest sovereign structures, that are aligning its objectives to embrace the promotion of SME exports. The European Commission focuses on developing their support to SME internationalization by promoting several programs, including the COSME program and support programs under the Horizon Europe program, as well as some support tools available for SMEs to internationalize, which are indicators of the interest of the EU to support SMEs internationalization activities.

Additionally, emerging economies became increasingly involved in international trade. Developing countries have been responsible for a considerable slice of world import shares, responsible for 42% of total world import of goods in 2020 (an increase of 2pp in a 10-year period) and in terms of services, developing economies where responsible for 35% of the world’s total import volume in 2020 (increasing 1pp against 2010), while these differences where actually bigger in 2019 (before COVID 19 outbreak)(UNCTAD, 2022). One OECD document about global development predicted that developing economies could reach 60% of the world’s GDP by 2030 (OECD, 2010).

Hence, there is evidence of the growing importance of both the contribution of SMEs to developed countries share of exports, as well as of the rising presence of developing countries as importing entities in the world trade context. Considering the scarce literature on the topic, this report aims to explore the determinants of success of developed countries’

SMEs in exploring outer markets through internationalization to developing economies.

1.1 Research gap and problem

SME internationalization has progressively gained the attention of the academic community in the past years as a topic. As Dabić et al. (2020) found in their systematic review of SME internationalization pathways, almost 50% of the articles in their sample (starting 1992) were published between 2015 and 2018.

Regarding geographic destinations, Dabić et al. (2020) recognizes that most of the knowledge produced on SMEs focus on developed countries and left emerging countries still somewhat un-noticed. Regarding developing country internationalization, there have been some studies approaching this topic (Chandra et al., 2020; Kaynak, 2014). However, the attention given to developing countries in these studies is as a country of origin, not as target countries. Even specific studies under critical success factors of SME internationalization recognize the interest in studying the specific factors under specific regional areas (Bose, 2016).

Hence, there is a clear lack of research of SMEs targeting developing economies, and the critical factors affecting SMEs involved in approaching these markets. Having all this in consideration, the research problem defined for this dissertation is:

What are the critical factors determining the success of SMEs internationalizing targeting developing economies?

1.2 Research objectives

The following objectives were defined for this report:

- Understand the mode of internationalization to developing countries.
- Map specifications of internationalizing to developing economies in contrast to developed economies, for SMEs;
- Specify the main barriers associated with the process of internationalization to developing countries;
- Point out recommendations for SMEs that wish to internationalize to developing countries.

1.3 Adopted methodology

Since the topic of the dissertation is somewhat unexplored, performing a qualitative investigation through interviews seems to be the best approach for gathering information, given the specificity of the subject. As such, this dissertation provides a multiple method analysis, both from performing an internship on Maria Clara Marques e Filho, Lda., but also a qualitative investigation, where 10 interviewees from multiple sectors and business structures within SMEs were invited to share their experience over their process of internationalization to developing countries. The interviews were developed having in mind the existing literature over the topic, focusing on the strategies used to enter these markets, what motivated them to search those spots, what difficulties they felt and what were some of the critical success factors over the process. Although there may be some numerical indicators that suggest the success capacity of a company in internationalizing, it is deductible that most of the factors lie with qualitative aspects of the environment of a company (such as its insertion in global value chains, adaptability to different markets, closeness to other success stories of similar firms, etc.). This dissertation takes then the assumption that more could be captured about the case in terms of information by gathering it alongside people involved in internationalization processes.

1.4 Structure of the report

The dissertation will be structured as the following:

On the first chapter, the **Introduction** is documented, where the methodology, problematic of study, objective and structure of the report will be conducted, as well as a brief contextualization of the topic;

On the second chapter, a **Literature Review**, where theories on internationalization are gathered, as well as SMEs performance, information on developing economies and critical factors on internationalization will be tackled. It aims to synthetise what is already written in literature that matter for this specific research;

On the third chapter, the **Internship Report**, in which the description of the internship at Maria Clara Marques is reported;

On the fourth chapter, the **Qualitative study**, where the procedures of the interviews to be handed are described. It contemplates the structure of the questions to be posed to the

interviewers. It is also in this chapter that conclusions from the interviews are exposed, combining with arguments extracted from the literature review.

On the fifth chapter, **Conclusions** will be drawn, having in mind all that was studied, reported and experienced. On the fifth and final chapter, there will be the bibliographic references of the articles used to elaborate this report.

2 Literature review

Internationalization is deemed as an important strategic decision for companies, either small, medium, or large firms, to achieve growth (Lu & Beamish, 2001). Internationalization of SMEs is a topic that has been diversely investigated under several fields of study (Ribau et al., 2018), with a severe advance in the last decades (Munteanu et al., 2022). Certain recent phenomenon's, such as the increasingly-faster technology progression, or the regression on international taxation, bring SMEs closer than ever before to global markets (Dabić et al., 2020).

2.1.1 Entry modes

In conducting any internationalization intention, SMEs will have to face a set of scenarios and will make choices that will ultimately influence the outcome of the process. In this of the literature review, some of those dimensions are explored.

2.1.1.1 Equity modes of entry

While being generally more expensive, committing to higher levels of Foreign Direct Investments (FDI) may lead to higher levels of profitability for the SME (Lu & Beamish, 2006). For international multinationals, pursuing several strategies of FDI may reflect differences in terms of goals, timing of internationalization, organization, structure, and value chain activities (Vanninen et al., 2022). Menzies et al. (2020) saw that social capital was described by most of its sample as the most influential factor between those observed, to decide entry mode and to identify entry mode opportunities. The choice of entry mode may be related with the specificity of the investment, becoming stronger the commitment to equity modes of entry as the asset specificity becomes higher (Laufs & Schwens, 2014). High internationalization commitment, better foreign market knowledge and high perceived benefits may lead managers risking more advanced modes of market (Game & Apfelthaler, 2016).

2.1.1.2 Non-equity modes of entry

Each entry mode will have an impact on the management of resources by the SME that wishes to internationalize. Non-equity modes of entry, may be the most predominant choice for SMEs given their limited competences and resources (Dominguez, 2018). How-

ever, this types of market entry may face liabilities from lack of informational advantages and experimental knowledge (Ripolles & Blesa, 2020). When SMEs recur to direct exports, internal resources are most used, while handling more regulatory matters, making it more dependent on institutional support (Catanzaro et al., 2019; Lindsay et al., 2017), while the profile of the CEO, firms' internal resources and the companies' environment, may determine exporting performance. (Haddoud et al., 2021). High industrial and institutional environment uncertainty, for example, may lead companies to pursue this modes of entry (Li & Xiong, 2022). Capabilities and resources, such as experience and product adaptation, may improve the performance of this types of market entry (Hollender et al., 2017).

2.1.2 Choice for developing economies

Regarding the determinant factors of success on the emerging market, Burns and Liebenberg (2011) studied US companies internationalizing through FDI, which deemed the level of economic development of the targeted country, the specifications of the purchase, the safety of shareholder, the percentage/reputation of the company bought and technology industry that will be major determinants. However, this study does not have in consideration the relative size of the company which is to internationalize.

Regarding knowledge to operate in emerging markets, Suarez-Ortega et al. (2016) proposed that the most important knowledge to entry those environments should be market-specific and institutional knowledge, opportunity recognition, and specific business knowledge. Apart from those, when the SMEs country of origin has a substantial presence of people from a developing country, but also other SMEs present in that specific target country, social ties can become a very useful source of knowledge.

Zhu et al. (2020) proposed a model in which different destinations markets would impose different strategies, panoramas, advantages, and difficulties. In their proposed model, emerging markets were characterized by lower prices and less competitive, with lower entry requirements and more propensity to free trade agreements, but also more probably an immature market. However, since this study sampled SMEs in emerging markets, some institutional and organizational factors may alter, such as institutional similarities to home country, or the reliability of existing business networks to operate in those countries. Lack of transparency and liability of foreignness may also be relevant challenges, and the portrayed image of the home country in business may turn in favour for an SME locat-

ed in a developed country.

2.2 Factors of success

2.2.1 Firm wise factors

2.2.1.1 Availability/use of organizational resources

Availability of resources, as well as the effectiveness of their use, may be critical for the success and satisfaction in SMEs internationalization processes (Wilkinson & Brouthers, 2006). In fact, both management factors, as well as factors specific for the organization, influence positively the performance of SMEs on the internationalization process (Prange & Pinho, 2017). One of those crucial organizational resources is the IT capability of the SME - specially in turbulent markets (Khan et al., 2019) - and the alignment with its information requirements, specifically in IT business integration, management, infrastructure, external linkages and business strategic thinking (Dutot et al., 2014). Marketing advantages are also deemed to be positively associated with exporting intensity and performance (Antonio Belso-Martínez, 2006).

For rapid internationalization processes such as in the case of Born Globals, success is tied with investments in human capital (Onkelinx et al., 2016a), both on personal training (Mubarik et al., 2020) and wage investment, having in mind the skills, knowledge and experience of the workers of the company (Dar & Mishra, 2021). Human capital investment will lead to higher productivity, leading to higher internationalization performance (Onkelinx et al., 2016b). Firm aging, for another hand, should not influence the internationalization process. (Moen & Servais, 2002).

The source of capital on the SME internationalization project can also be an important factor for SME internationalization (Kraus et al., 2017). Financing internationalization through own capital is perceived to be more successful than financing through debt, given the latter constitutes risks for the activity (Slusarczyk & Grondys, 2019) and at the same time may choke SMEs liquidity. However, establishing relationships with banks may increase the investment in international business activities (Eriksson et al., 2017). The importance given to bank funding also raises when exporting performance augments, and the quality of banking services, may become more important for the success in internationalization, especially when dealing with a lower set of countries (Lundberg, 2019).

2.2.1.2 Entrepreneurial profile of management

Apart from organizational resources, the profile of the management team can lead to a successful SME internationalization process (Fernández-Ortiz & Fuentes, 2009). Internationally experienced management teams are potentially more successful in internationalizing (Eriksson et al., 2017; Reuber & Fischer, 1997; Yoon et al., 2018), and may be able to achieve international sales faster (Felzensztein et al., 2022; Ruzzier et al., 2007). The international orientation of the management team is a differentiating factor (O'Cass & Weerawardena, 2009), who often recur more to international strategic partners, like political connections (Saeed & Zia-ul-haq, 2018).

The spectrum of the specific CEO's human capital, namely perception of environment, professional and specifically international experience, education (Hsu et al., 2013) and language level (Fernández-Ortiz & Fuentes, 2009), are positively related to the degree and performance of internationalization of the company managed. On the contrary, age (Santhosh, 2019) is negatively associated with international performance. Considering the wider set of characteristics of the entrepreneur should predict positive spill over effect and enhance the total benefits, since the total of its effect is bigger than the sum of each characteristic independently (Ruzzier et al., 2007).

2.2.1.3 Internationalization strategy

The strategy of internationalization, may affect the success of the SME internationalization (Knight, 2000). Combining high asset specific investments, low perceived market uncertainty and well established internal control systems, will act as drivers of success for companies to prefer equity modes of entry (Brouthers & Nakos, 2004). Strongly committing to equity and non-equity entry modes may lead to an escalation of coordination costs, affecting the overall performance of SME internationalization (Lu & Beamish, 2001).

The speed of the internationalization process also caught the attention of academic research (Øyna & Alon, 2018; Paul & Rosado-Serrano, 2019)). Sui (2014) investigated if strategizing on speed had a toll on the success of internationalization of SMEs, where there was found no significant evidence on the effect of speed on survival rates. Also, the author

found a relative importance of some factors for the success of internationalization, regarding the speed strategy of the process.

Fast internationalization may be more dependent on innovation and entrepreneurial resources (Cavusgil & Knight, 2015), since their success may be determined by the capacity of the firm to assimilate and absorb market knowledge according to market demands (Rodríguez-Serrano & Martín-Armario, 2019), being it product specific conditions or institutional/cultural plurality.

Trust in foreign partners may be positive for the success of SME internationalization (Fink & Kraus, 2007), as well as control, by influencing the satisfaction with both the transfer of technology and operational performance of the network (Pansiri, 2008)). This may be more influential determinants of success for equity-based than for non-equity market modes of entry (Holtgrave & Onay, 2017). SMEs that chose equity modes of entry may be more dependant of those success factors, since changing partners should not be an easy solution. Trust probably enhances foreign market performance for cooperative market modes of entry, and control will probably enhance market performance for both cooperative market modes of entry and wholly owned subsidiaries.

2.2.2 Third-party factors

2.2.2.1 Networks and government support

Acquisition of information and knowledge through establishment of networks is an important factor on the internationalization process (Thrassou et al., 2020). SMEs are dependent of ties with other agents to become successful and improve their performance on internationalization (Acosta et al., 2018; Lin & Lin, 2016) being its success more dependent on client and competitor networks than supplier ones, (Antonio Belso-Martínez, 2006). This positive effect becomes more relevant when reaching for more psychically distant markets, especially for knowledge based intensive companies (Ojala, 2009).

The nature of the relationship can also affect the success of internationalization for SMEs, as relying on professional (rather than personal), as well as geographically diverse ties to internationalize may result in better internationalization performance (Musteen et al., 2010). Correctly managing the entire network, in opposition to focus on single relationships, may also be crucial for the success in internationalization (Torkkeli et al., 2019). Supporting programs promoted by public institutions, as tradeshows and agent and distribution promotion can also be a promoter of exporting performance satisfaction for SMEs

(Wilkinson & Brouthers, 2006).

Government programs influence SMEs export capabilities and international risk management (Catanzaro & Teyssier, 2021). While it is acknowledged that these programs help achieve financial, stakeholder and strategic exporting goals for SMEs from emerging markets (Durmusoglu et al., 2012), financial support may lead to increase the scope of entry markets, while informational support has a positive influence on network capabilities (Catanzaro et al., 2019). There may exist an most efficient order of using governmental support, since attending trade fairs, then urging to develop the companies' export plan, followed by the participation in a ministerial visit abroad, may be the most efficient way to obtain export intensity for SMEs (Tinitis & Fey, 2022).

2.2.2.2 Country level factors

Political and Societal factors belong to the range of country level factors that may have some influence in SME internationalization (Zizah et al., 2010). The specificities of the targeted country may condition the internationalization of SMEs, existing a positive effect on marketing mix strategies adaptation regarding product, promotion, price and distribution, to the conditions of the market of destination (Fuchs & Kostner, 2016).

Cultural background of the country of origin can also be an important factor in the success of SME internationalization. Companies who may be more recognized in international markets, having in its advantage country specific factors such as specific networks or strong cultural identity, may achieve greater success in international sales, and experience SME internationalization success due to is cultural identity (Bowen, 2020).

Proximity, in terms of geographical distance, as well as language and culture, may be regarded then as positive factors augmenting the chances of success for an SME internationalization project (Caputo et al. (2016), as cited in Dabić et al. (2020)). Industry and home economic context will alter the perceived influence of external links in supporting internationalization (Child et al., 2022). Political support, favourable market conditions, favourable political and and procedural conditions for exports, as well as positive environmental characteristics of the country of internationalization are important factors for SMEs.

Table 1 Critical Success factors identified in literature

Success Factor	Author	Drawn conclusions from the articles
Availability/use of resources	Moen & Servais, 2002	Firm aging, or the time when the the company decided to export, should not influence internationalization process, in terms of market selection, global orientation and exporting intensity or distribution.
	Wilkinson & Brouthers, 2006	The availability of resources for SME may be positive for internationalization processes performance and stakeholders satisfaction.
	Antonio Belso-Martínez, 2006	Firms who can deploy high value-added activities through marketing can achieve in general higher results in terms of both export performance and intensity.
	Prange & Pinho, 2017	Personal and organizational capability drivers are positive for internationalization performance and organizational innovation, which in turn also affect internationalization performance in a positive way.
	Eriksson et al., 2017	Services provided by banks, such as support in managing liquidity, are essential to international business relationships.
	Kraus et al., 2017	equity-financed internationalization is perceived to be more successful than by subscription of debt.
	Dutot et al., 2014	IT business integration, management, infrastructure, external linkages and business strategic thinking level of alignment with information necessities may be determinant for the success of the international SME.
	Onkelinx et al., 2016	Personal investment may lead to success in SME internationalization, and more intensely in companies seeking rapid internationalization rather than gradual ones.
	Onkelinx et al., 2016	Investment in human capital will return higher productivity levels which in return will lead to higher internationalization performance, especially for rapid internationalization processes.
	Khan et al., 2019	IT capabilities are strongly related to both financial and non-financial performance of the SMEs in turbulent markets.
Lundberg, 2019	Banking funding becomes more of an important factor as the exporting performance augments, and the quality of the banking services will be important factors for SMEs targeting a small number of countries.	

	Slusarczyk & Grondys, 2019	Being the most common financial risk manifestation, the difficulty of financing business and funds for development, internationalization is deemed as one of the factors affecting a high-level risk of low income.
	Mubarik et al., 2020	Training, as well as education, are two spectrums of human capital that are particularly relevant to exporting performance.
	Dar & Mishra, 2021	Education, as well as skills and experience of workers, are the main domains of human capital.
	Hsu et al., 2013	Age and duality impact negatively, educational level and international experience influence positively..
	O'Cass & Weerawardena, 2009	International SMEs have international oriented management teams as one of the differentiating factors against non-international SMEs.
	Ruzzier et al, 2007	International orientation and risk perception are determinant CEO's "international competencies" for the success of the internationalization process..
	Reuber and Fischer, 1997	International experienced management teams use more foreign strategic partners and achieve sales faster in international sales activities.
Entrepreneurial profile of management	Yoon et al., 2018	International orientation of the entrepreneur leads to higher intrnational performance.
	Fernández-Ortiz & Lombardo, 2009	Some attributes of the entrepreneur, such as his linguistic level, may be determinants for SME profitability given the success of its internationalization diversity.
	Felzensztein et al., 2022	Experience of management team may be able to enter international markets at a faster pace.
	Saeed & Zia-ul-haq, 2018	The political connections of the top managers of SMEs are positively associated with internationalization.
	Shantosh, 2019	Lower age of the CEO, as well as its high educational background, are two moderators between internationalization performance and its earliness.
	Knight, 2000	Having a marketing strategy build upon quality of product, entrepreneurial orientation, technology acquisition and integration, may lead to positive international performance.
Strategy of entry mode	Lu & Beamish, 2001	FDI may turn internationalization more successful in terms of profitability than Exports. FDI may lower profitability levels on the beginning of the process, so some commitment for exports may be positive. Strong commitment to both may be negative for internationalization success.

	Brouthers & Nakos, 2004	When SMEs internationalizing have more developed internal control systems, make greater asset specific investments, and enter markets with low uncertainty, equity modes are most successful, and when these variables are not verified, then non-equity modes of entry are more successful.
	Fink & Kraus, 2007	Cooperation supported on trust will affect positively the success of internationalization of the partners.
	Pansiri, 2008	Being on a position of control can lead to augmented effects of the alliance formed.
	Lu & Beamish, 2006	Internalization through FDI is positive for growth, thus making the internationalization process positive.
	Sui, 2014	There was no significant evidence on the survival rate being influenced by the strategy of entry mode. However, size, innovation and productivity resources impacted more of the rate of survival for Born Globals than for gradual internationals.
	Cavuşgil & Knight, 2015	Successful born globals are usually driven by change agents that have an entrepreneurial orientation and use innovation as a driver for success.
	Holtgrave & Onay, 2017	Control and trust activity may influence more of the success of internationalization for non-equity based entry modes than for equity-based ones. Trust enhances performance for cooperative modes of market entry, and Control enhances performance for cooperative and wholly owned subsidiaries.
	Rodríguez-Serrano & Martín-Armario, 2019	For Born Globals, the ability to explore, transform and exploit knowledge will be crucial for the success of SME internationalization.
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Networks	Durmusoglu et al. , 2012	The use of Exporting Promotion Services (EPS) may lead to better financial, stakeholder and strategic goals in SME exporting activities.
	Wilkinson and Brouthers , 2006	SMEs recurring to state tradeshows and market programs could achieve better exporting performance satisfaction.
	Tinits and Fey, 2022	Strategic exports planning development, developing trade fairs and participation in ministerial visits may be positive for SME exporting performance; export planning and ministerial visits produced effects faster; planning effects last longer
	Ojala, 2009	Networks influence SMEs to internationalize to psychically closer markets; Knowledge intense SMEs use existing relationships or create new ones to achieve market entry to psychically distant markets.

	Antonio Belso-Martínez, 2006	Presence in industrial districts, networking clients, networking competitors and marketing advantages may lead to better exporting performance and speed.
	Musteen et al., 2010	Informal networks may be negative for speed and performance of internationalization; linguistic closeness of network may lead to faster internationalization; geographic diversity of the network may lead better to performance of internationalization.
	Acosta et al. 2018	SME internationalization performance is positively associated with its network capability.
	Torkkeli et al., 2019	Sustaining the network diversity is preferred to personal alliances for the success of internationalization.
	Catanzaro et al., 2019	Informational support is a driver of international performance through the influence on relational capital.
	Catanzaro & Teyssier, 2021	There is an indirect influence of government programs that motivate exports, on SMEs international performance.
	Tinits & Fey, 2022	Using multiple government mechanisms promoters of exports and in a specific order produces maximum effects of this factor on SME internationalization performance.
	<hr/>	
	Zizah et al., 2010	External influences such as societal and political factors are some explanatory factors of SME internationalization performance.
	Fuchs and Kostner, 2016	Adaptation of marketing mix strategies to the country-specific characteristics of each entry market may lead to positive results of SME internationalization.
Country level factors	Bowen, 2020	Cultural identity had an influence on SME internationalization process, awarding Brittain's food services SMEs with greater success than Welsh ones, that depended more of it's success on governmental institutions and support systems.
	Caputo et al., 2016	Geographic, linguistic and cultural proximity may be positive factors for the success of SME internationalization.
	Bowen, 2020	Cultural background may push the company to be more proactive in internationalization and enjoying more reputation may have more performance in internationalization, while making use of networks.
	Child et al., 2022	The context of the SMEs environment will affect it's perception of the influence of its network on SME internationalization.

3 Internship at Maria Clara, Marques e Filho, Lda.

Context

Maria Clara, Marques e Filho, Lda. (MCM) is a Portuguese SME that acts as a wholesaler of construction materials. The process of internationalization began through the approach of a third party, an internationalization consulting company. This company was established in a variety of countries, namely in the African continent, and was searching for a company in Portugal, where it is also established, that could supply the Nigerian market, thus forming a commercial partnership.

MCM is a somewhat experienced company inside the Portuguese market. It is a company that sells across the entire Portuguese territory, including to the islands. It is a local reference regarding its business industry. Traditionally focusing on selling B2B, that is, supplying to other companies from the same sector or directly to constructors, during the last years it has reinforced its commitment to sell directly to the final customer.

Given its continuous expansion in the last few years, the company started to develop a will to start committing on selling abroad. The current uncertain geopolitical stance of the world, added by the past pandemic crisis, led the company to commit to this internationalization project when approached by the third party, as it was thought as the solution for diversifying the risk of the business activity. As such, the company decided to reinforce its internal working force with an internee, who could participate in this internationalization process, guiding the linkage between the Nigerian potential clients and MCM. The company saw the necessity to increase the number of its staff, by betting on an internee to assist it on this project, who could complement the business with certain specific characteristics, such as to speak the same language as the international clients.

Activities and objectives

The internship was designed to give MCM support over this internationalization project, namely in commercial, planning and logistics. As such, the internship was phased by several steps:

- In a first phase, gathering specific business know-how over the range of products

and prices, while also learning how to manipulate the tools available on the company, such as its ERP system;

- On a second phase, participate in some business meetings, both with administration, and also with clients prospected by the third party, to understand their needs and reporting them to the management team;
- On a fourth phase, doing follow up of the meetings, selecting products with the sales team and inquiring on prices of suppliers, while developing additional support documentation such as custom-made portfolios and price tables matching each client needs, while at the same time investigate transshipping options on the market;
- On a fifth phase, embark on a business trip to Nigeria, lasting one week, to meet the clients personally, understand market typologies such conditions and infrastructures, visit potential target construction projects, and to absorb knowledge about country specific conditions such as culture, way of living and the economic and political stance of the country;
- On a sixth phase, performing follow-up of the business meetings with the clients that were interested in working with MCM, by presenting them our selected range of products with price proposals, define preferred payment methods and define shipping procedures;
- Lastly, the objective was to document the process until that point, developing a report that resumed the experience of internationalization to Nigeria, targeting capabilities and difficulties regarding the potential success over that market, that would be included in the dissertation.

Internship report

MCM was searching for investments that could foment financial profit or business expansion in the long term. Internationalization was discussed by the administration members as a possible alternative to diversification of the overall business risk, since increasing inflation and instability of the geopolitical stance of eastern Europe were factors that concerning management. Then, as MCM was approached by a third party presenting its project, the internationalization process started. The motivations of MCM were then reactive.

The selection of target clients was partially developed prior to the trip. From preliminary meetings, some difficulties were detected, as psychic distance could be perceived, specifically in the perception of how business was conducted. Price and quality were per-

ceived as the main concerns from clients.

The company visited potential clients in Nigeria, both to gain market knowledge, and to try to diminish the negative effects of psychic distance, by absorbing some culture specificities that could be determinant to perform business, but mostly to understand market specific conditions. As such, the company obtained knowledge about competitors and commercial routes, specificities of core products to target the market, preferred conditions of payment, and overall market conditions.

As Nigeria is mostly an importing country, MCM saw its competition being global, as some companies from EU were present, but mostly competition came from eastern asian companies, namely from India and China. One potential success factor was quickly identified, as freight costs from Portugal, which would represent a significant slice of the costs of delivering products there, were almost half of as those products sent from that part of the world, and as price is often recognized crucial, it gave hopes of becoming competitive. The fact that MCM was an European company, selling European products (mostly from Portugal and Spain), its product was also immediately associated with quality, which also had the potential to become a critical factor of success on itself. However, most businesses in Nigeria are conducted in informal markets, which lead to some difficulties to adapt to normal business procedures.

The overall process demonstrated that it would not be possible to conduct business in Nigeria without relying on partners which are present in this country, or at least it would be very risky. The psychic distance between both countries is such that it is very difficult to bypass differences on business relations and market conditions. The importance of a solid network that has a presence in the target country was something perceived as a critical success factor from this experience. Product specificities, as well as country specific factors, were also perceived as critical success factors, since costumers were very demanding on both price points and quality of the product, and the geographic location of MCM allowed it to be more competitive, but it also allowed its products to become more attractive to the costumer, as they regarded them as of superior in quality.

4 Qualitative study

4.1 Methodology

Given the rather unexplored topic that is the one this dissertation focuses on, aligning to the relativity of the concept of success for SMEs, a qualitative research method was chosen, since it allows for mapping and detailing human behaviour towards a certain context given the interviewee own beliefs (Alshenqeeti, 2014), allowing to document knowledge that is not necessarily objective or calculated. Although there may be some numerical indicators that suggest the success capacity of a company in internationalizing, many of the factors lie with qualitative aspects over the environment of a company (such as its insertion in global value chains, adaptability to different markets, closeness to other success stories of similar firms, etc.). Qualitative studies allow for a better understanding of unexplored and complex subjects, and given the complexity of this topic, this is an adequate methodologic process (Creswell & Poth, 2016).

With the intention of gathering empirical evidence over the internationalization process of SMEs targeting developing countries, with a deeper focus on the critical success factors associated to it, questions about the internationalization process were made prior to the interview, and when posted to the interviewees, follow up questions were also posed to increase in depth knowledge over some specific topic being discussed. Interviewees were all asked the questions following in the appendix, while giving additional insight, when requested by the interviewer, over specific comments made by the interviewee in its answers. Interviewees were held via online conference calls, where there were kept audio and video recordings of the responses for transcription purposes and then further destroyed. A mock up interview was held to test the adequacy of the interview.

4.1.1 Materials

The development of the semi-structured interview guide is based upon the literature review described in this dissertation, as it is a source of validation of previous knowledge (Louise Barriball & While, 1994). The questions posted to the interviewees were formulated as a tool for data collection. As SMEs targeting a developing country is still an unexplored phenomenon, a semi-structured guide was developed, based on open-ended questions previously designed, to give the respondent the ability to report their experiences in a freely manner, while targeting for the investigation objectives, but always giving

the opportunity to the interviewee to add additional data and produce new knowledge that was not previously investigated (Jamshed, 2014). Categories were translated to the questionnaire as open questions, so that the interviewee could produce data to be categorized having in consideration other responses. Regarding the main topic of investigation, that is, the critical success factors, the questionnaire was developed having in consideration the identified categories described in Appendix 1. The respondents answered in Portuguese and the responses were further translated.

4.1.2 Participants

Data was collected during the month of August of 2022, and the meetings were held via conference call (Zoom platform). A set of potential participants was extracted from an online institutional database (<http://export.portugalglobal.pt/export/>), provided by AICEP (a Portuguese exporting promoter state institution) covering companies that were interested in exporting to specific markets. From there, sorting began by selecting random countries from the IMF list of developing economies (by listing them and using a randomizer software) and then contacting three companies by business sector. After 10 contacts, positive or negative, another country would be selected as a search specification. Contacts were established via phone call, were involved in the internationalization process were invited, to assure that participants possessed knowledge and experience relevant to the purpose of the investigation (Patton, 1990).

Quota sampling was then the procedure used and, according to its specifications (Robinson, 2014) to define who and how much companies were going to be covered, and the quotas defined to produce the sample was:

- Have at least 2 companies with an estimated annual revenue of at least 10 thousand euros, 2 companies with an estimated annual revenue of at least 500 thousand euros, and 2 companies with an estimated annual revenue of at least 5 million euros;
- Have at least 3 industry sectors represented in the sample;
- Have at least 9 interviewees.

As it was rather difficult to obtain participants willing to be interviewed, some quotas had to be dropped, and were not used for the sake of this investigation. Overall, the group of analysis is as of the described in table 2.

Table 2: List of selected participants

Subject	Age	Education	Function in the company	Industry sector	Estimated Annual Revenue	Dation of interview	Word count
A1	52	College graduation	Manager	Plastic derivates	1.4 million EUR	44 minutes and 50 seconds	1377
A2	45	High school	Commercial management	Agro-food	12 million EUR	46 minutes and 53 seconds	2202
A3	37	Master's degree	International management, key account manager	IT	2.63 million EUR	1 hour, 3 minutes and 37 seconds	2084
A4	36	College graduation	Sales representative/commercial manager	Retail of shoes	10 thousand EUR	33 minutes and 31 seconds	910
A5	46	College graduation and post graduation	CEO / GM	Tint and varnish	11 million EUR	33 minutes and 49 seconds	2416
A6	32	College graduation	CEO	IT	720 thousand USD	22 minutes and 28 seconds	2017
A7	49	College graduation	Manager	glasswear	3.5 to 4 million EUR	23 minutes and 57 seconds	1554
A8	35	College graduation	Operations and Financial manager	substations, transformers, and treatment of oil	3 million EUR	43 minutes and 58 seconds	1631
A9	30	Master's degree	Managing partner; Owner	artistic tapestries	100 thousand EUR	26 minutes and 33 seconds	1116
A10	43	College graduation	Manager	agricultural	75 thousand EUR	57 minutes and 44 seconds	4397

The group was mostly composed by interviewees who developed activities in Portuguese SMEs, with the exception of A8, whose company had its headquarters in Switzerland.

Interviews had a medium duration of 39 minutes and 16 seconds. The medium word count was 1970.

4.1.3 Data analysis techniques

The treatment of data of this dissertation follows the principals of a theory driven data analysis, using the content analysis method as described by Bardin (1977). Data gathered from the interview was deconstructed into certain defined codes.

Data analysis was processed recurring to NVIVO qualitative data analysis software, that allowed the categorization of information over the responses from the interviews. As such, the responses from interviews were deconstructed in several hierarchical coding, that were further constructed having as reference both topics retrieved from literature, while some other were added given the answers of the interviewees. The structure of the code was divided between four main groups, as described in appendix 2.

The further analysis over the data information is done by retrieving important information from each defined code and further performing a critical analysis over it.

4.2 Results

The interviewees focused their responses on how the process of internationalization occurred, why they committed to the project, what where the factors contributing to the outcome of the process and the difficulties they had throughout the process. This dissertation proceeds the analysis of the responses to provide evidence of what are some of the critical success factors for SMEs internationalizing to developing economies, amplifying the internationalization lens over strategies used to internationalize, motivations for choosing developing countries, but also what can be some limitations for this process.

Overall, the interviewees were positive about internationalizing to developing economies (A2, A3, A4, A6, A7, A8, A9). It is evident that the concept of success stretches to various dimensions, as the interpretation of success by the interviewees was vast.

In part, a positive presence on the developing country is success: “We are very relevant to those economies. [...] the product itself, which we export from Portugal, is very important for those developing economies [...]. It gives us great pride that our machines are needed for this type of development. For these markets, what we manufacture is essential” (A8). Financial motivations, business/network expansion and knowledge acquisition are other ways the interviewees justified success. The overall growth of the company is a metric for success: “For us it was very important (to internationalize to developing economies). For better or for worse, suffering or not, we are now more solid, more robust, and bigger, we

know that it is a very hard mission, but I evaluate it positively, “(A6).

Even for those who recognize that their success was limited (A10, A5), there is some positive outcomes from the internationalization process, namely contacts established in the external markets.

To have a broader look on SMEs internationalization to developing countries, it is important to understand the why’s, how’s of this process, this is, why do SMEs reach markets in developing countries, and what are the strategies used by them to reach those markets. Central to the dissertation is then to proceed to a categorization of the critical success factors of internationalization to developing countries, as perceived and described by the interviewees.

4.2.1 Motivations

There are some factors sparking SMEs will internationalize to developing economies identified by the interviewees. While this process may simply start by performing normal business and ending up being contacted by the client in the destination country, as reported by A9: “I’m lucky that I don’t have to go looking for my clients. [...] I’ve had a gallery interested in showing my pieces, to present my work there, and they usually order in large sums. When they order, it’s all in giant sizes. That’s why they are one of my main clients now”, for the most part, strategic motives and opportunity identification in the developing market explain the will of SMEs to develop activities with developing countries. International ambition of the CEO/management team are also pointed out as reasons to internationalize to these economies.

4.2.2 Opportunity identification

The acknowledgement of growth potential or market shortages are a common reason used by interviewees to justify internationalizing to developing economies (A3, A4, A5, A6, A7, A8). The recognition that developing countries are expanding its markets is latent, and, comparing to mature markets, economic agents in developing markets “have a high grow capacity” (A4). Interviewees regard entering developing markets as an opportunity, since they are expanding, allowing outsiders to establish in them with rather easiness, as stated by A5: “Developing countries (...) develop more opportunities for its challengers as the market gets bigger and bigger. Incumbents dominate the market (...) but the market

will grow, and their share will shrink. It makes it easier for new players to find space. When it's a growing market (...) you find a zone that nobody owns it. New businesses appear. It is easier to gain market share by targeting developing countries than developed ones."

While developing economies seem to attract SMEs by the potential of growth, these markets are also characterized by a particular scarcity of internal resources, and as interviewees describe, the dependency of the product they sell for the developing economies is of great interest: "these are the countries that had those problems with water management and access to water (...) That was one of the reasons why they became a reference."(A1). Lack of products and production, being it in infrastructures, primary resources, or technological products, makes developing economies with "lower competitive pressure" (A5) an attractive for SMEs who recognize the need of their products:

"The motivations that led us to internationalise to these countries, was the shortage of these countries, in other words, developing countries (...) bring us opportunities, because they are not crowded markets. Incredibly, there are not that many companies trying to go international in those markets, or if there are, most of them give up in the beginning. The big motivation was that, we saw the shortage of these countries, and the need for technology and good customer service in those markets.", as stated by A6.

The descriptions of the interviewees match some of the existing literature over this topic (Kubíčková et al., 2014). Foreign demand from products, originating from the shortages of internal production in developing economies are motivations of SMEs to seek developing countries. These findings add to current literature by exposing the recognition of foreign market expansion to developing economies as a possible motivation for SMEs.

4.2.3 Strategic orientation

Interviewees have also shown that choosing a developing economy is of a strategic choice on it's own (A1, A2, A3, A4, A5, A7). One consideration that is common is that developing economies are seen as an alternative internationalization destination, as compared to developed economies. For SMEs that have a reactive approach to internationalization, it makes developing economies a good target market: "The reasons for reaching that market were its lower competitive pressure, (..) but also to diversify risk so as not to depend so much on domestic demand." (A5).

The lack of competitive strength to thrive in closer more saturated markets, leave SMEs to search for solutions in other places, and this by itself seems to be a justification for SMEs to look for developing economies:

“Our industry has 2-3 KPIs. One of them is ARPU (average revenue per unit). Portugal is a cheap labour country compared to others in Europe, so our ARPU is lower. If we tried to sell our product in Europe, we would be completely atocided. (...) There is one aggravating factor: Europe is a mature market. In 2010, our technology was already relatively well-known here and in Europe. When we go to mature markets, we either take a significant technological advance, or we are just another one. (...) We had to search for other markets, and the ones we started to see that could be very interesting were the middle east and Latin America”, as stated by A3.

The geographic position and the network of clients of a certain developing country can also be a good condition to make it a target, as described by A2 when speaking of Jordan: “(...) a good country to export to, there is a very good connection with the middle east area, and there is a good connection in terms of contacts.”. This strategic orientation is augmented by the companies’ international ambition. Having the will to operate internationally, and to absorb specific knowledge of the way developing economies work: “(...) I want to get to know different cultures, different commercial approaches, different perspectives, of innovation, which is to complement what I already have from these countries. It is one more experience, one more test, one more risk to be taken, I also want to know how people in these countries do business, how companies live, what difficulties they have, I want to enrich myself in this aspect”.

The above-mentioned motivations match with existing literature (García-Cabrera et al., 2016; Kubíčková et al., 2014). For SMEs, competitive pressure of developed countries inside market do make them search for developing economies. The will to internationalize is also recognized in literature as a motivation for internationalization, while this results confirm that it also applies to targeting developing countries.

4.2.4 Strategy

Interviewees reports over the way SMEs put their products on the developing country demonstrate several options to consider in the process. In general, the interviewees

statements report the channels of distribution used to get their product on developing countries, the usage of institutional support and networks, management participation, market prospection and management of time as the strategies to consider when internationalizing to developing economies.

4.2.4.1 Mode of entry

The interviewees pronounced themselves about the form of internationalization they were conducting (A1, A3, A4, A5, A6, A7, A8, A9). Most of the interviewees had not experience in FDI. For those who did, avoiding duties, such as “some customs tariffs” (A5), and to be able to better perform activities inside the local market, such as “to charge there in the local currency” (A6), are seen as motives as to why SMEs invest in establishing inside developing economies.

However, the most reported form of internationalization is exporting, namely through direct exporting, distributors or indirectly exporting through de supply chain. While directly exporting is not frequently pointed out, it is interpreted as a “very little risk and control” operation (A5) and is regarded as a starting point in internationalization processes. Normally punctual activities, they lead to other forms of exploring developing economies, and selling trough distribution channels is the most pointed way of selling to these countries. Using internal distributors that sell abroad, distributors located in the destination country, or supplying third-party projects, is interpreted as ways to mitigate risks and reduce costs while relying on other agents’ specific knowledge about the developing country:

“we lean on those that are already established in the international market (...). We just bet on those that are stronger in the international market, to avoid overloading our company (...) Because othervise, we would be spending unnecessary resources jus to attract business in an area that perhaps (...) would not be so easy to do.”, as stated by A8.

These results somewhat match existing literature (Li & Xiong, 2022). The highly uncertain institutional environment of the country of destination, as interviewees often recognize developing economies as, leads SMEs to prefer a conservative approach to the internationalization process.

4.2.4.2 Management participation

Overall, interviewees recognize that the conditions to which SMEs are subjected to, led them to depend on the participation of the CEO and management team (A4, A5, A6, A7, A8, A9, A10). In fact, being a CEO and the conception of the internationalization process are “not disconnected from the other, they are strongly linked” (A10), and, as for the most part of the interviewees “The involvement (of the CEO) is total, due to the characteristics of the company itself” (A7). This idea is even more relevant to smaller companies, as bigger companies “have a more defined structure, and managers are usually less involved” (A4), and the strategy may be more efficient if there is a delegation of this responsibility, given the lack of opportunity for CEOs to gather specific knowledge on the whole process: “The learning process is based on trial and error and there is no specialization of these people (...) both the general director and the administrator, given the amplitude of functions (...) delegate this task, having this confidence in me, as they are not directly fit for this situation.” (A2).

When SMEs perform in highly specific businesses, they must become more involved in the whole process, being it caused by the lack of specific knowledge about topics such as “political nuances behind it” (A8).

According to some interviewees, CEOs are usually leading international operations, since companies’ resources are scarce and it may not be affordable to have a strong internationalization team in some cases: “In our case, the whole internationalisation process was led by me. We had our internal team very busy. We could not free anyone from the internal team to support our adventures abroad” (A5). Other reasons pushing CEOs to become involved in the process may be the lack of planning: “As we do not have a well established and structured internationalization process, the involvement has to be total”.

There is not much literature provided over strategizing the involvement of the CEO over the internationalization project (Torres, 2012). There is the overall recognition that the CEO has an acknowledged impact over defining internationalization strategies. This results add by giving insight over the strategic commitment of the CEO over internationalisation to developing economies.

4.2.4.3 Market prospection

Making market due diligence is another of the strategies that SMEs seem to use to reach out to developing countries, as described by the interviewees (A6, A4, A3, A2, A10). In fact, starting the project with market prospection and analysis seems to be necessary to reach developing countries. Using market reports, contacting colleagues, institutional agencies or gathering other sources of information is reported as the normal first step by some interviewees. This research is reported to target either information about potential distributors, internal or external, possible interlocutors in the countries of origin, expansion of distribution network, partners, or even possible clients:

“The strategy we have used has mainly been to identify players in the markets we have chosen, making a choice considering proximity, the existence or not of other Portuguese in the country, the culture of the country, trying to choose countries that are close to Portugal and if it has a cultural connection. We have access to market studies in these countries through Portugal Foods or Aicep, and a global network has also been created that allows us to identify Portuguese throughout the world. From there, we move on to the actual identification through Aicep and other databases, by consulting, even on the Internet, the players that may interest us”, as stated by A2.

One of the strategies of market prospection mentioned by some interviewees was travelling to the destination country. It seems that this is the logical next step after trying to close the deal. However, this is a tool that may not be fit for SMEs panorama, as traveling to destinations far away is expensive, leaving some scepticism: “We have never been on a mission to Angola or Mozambique. (...) If we were to make trips, and use resources to do so, and we couldn’t attract clients, it would be the wrong strategy” (A1). While this may be accessible to bigger, more resourceful companies, it seems that SMEs are pushing for support to finance this activity, having the interviewees mentioned both partnerships “I had to be more creative, all the trips were paid by my partners” (A10) or institutional funds “there were those CREN plans that existed for internationalization (...) the company spent a lot of money on traveling. A colleague and I got to the point of having two passports.”(A3).

There was no identified literature over the specific topic of market prospection as a

strategy of internationalisation of SMEs, while being reported by several interviewees throughout the interviews.

4.2.4.4 Networking

Searching between partners and contacts is also a way of getting abroad, identified by most interviewees (A1, A2, A3, A4, A5, A7, A8, A9, A10). In fact, there is the acknowledgement that it is difficult to enter these countries if the right channels are not provided: “if we don’t have them, in countries where you have to gain a lot of trust, that’s always an obstacle (...) it is difficult to enter those economies.” (A7).

This networking process occurs in several moments as stated by interviewees. Recommendations from clients, participation in fairs and events, contacts with other companies in the country of origin or of destination, but also colleagues and friends, are the network agents frequently mentioned by the interviewees:

“Networking happens on several levels, both on a personal and professional level, as well as between companies in the same field (partner companies). Often this networking takes place at trade fairs (the industrial fair we take part in, for example, in Dubai or Germany), or through industry summits, or conferences, and this networking then takes place at all levels, whether private, personal, often ex-colleagues or friends, or professional networking, because these are contacts in which company relationships are created in this way, it is important. It is essential.”, as stated by A8.

Social networks also play some part as vehicles to get products abroad, as stated by some interviewees. These networks can guide the search of partnerships: “from there I always asked for suggestions to reach others, through social networks, (...) I reached other companies.” (A10), but it can also be used to expose the business to partners ” I started selling abroad, through contacts on social networks, more specifically on instagram”(A9).

The described results are consensual with the current literature (Johanson & Kao, 2010; Karami et al., 2020). In fact, most interviewees reported the use of its networks as a strategy to internationalise, being the literature also valid for the specific case of internationalisation to developing economies.

4.2.4.5 Institutional support

SMEs may also rely on institutions to support their internationalization projects, and for the case of developing economies, it is one of the tools that interviewees mentioned regarding the internationalization strategy (A3, A5, A7, A8).

This support is allowing SMEs to gather knowledge of the destination markets such as local contacts: “I have made contacts in Kenya, Etiopia, Nigeria, also because of my participation in the Spanish Trade Office and through AICEP in Portugal (...)” (A10), guidance on market specific events: “we do have some advice with the chamber of commerce of industry (...) and with Aicep helped us with some specificities of some markets, and helped us with a complicated situation in Morroco, namely in a collection situation(...)”, but it can also be a good instrument to finance international activities: We were extremely lucky, there were those CREN plans that existed for internationalization, an EU measure that gave a lot of funds in which there was a very high return on investment”(A3).

The common feeling demonstrated by interviewees towards institutional support is that:

“For a first phase of market projection, either the associations there or aicep remotely, there the support is sufficient for those who want to go and evaluate, study and decide(...)”, as stated by A5.

The topic of institutional as a supporting strategy of SME internationalisation is somewhat covered in existing literature (Dekel-Dachs et al., 2021; Mata et al., 2021). For the company to recur to institutional support, being informational, being financial, is in fact an aspect of the strategies used by SMEs to internationalise to developing markets.

4.2.4.6 Time

Time management in internationalization is other aspect to consider when targeting developing countries, as portrayed by some interviewees (A4, A5, A6, A10). Patience is something regarded as of most value, as the recognition that “Time ends up being a more precious asset” (A4) is recurrent to interviewees. Internationalizing to these destinations is seen as a process that may become lengthy “process that follows a series of stages (...)”

there is always a minimum time to enter” (A10). However, for SMEs that want to be international from its conception, trying to enter the international market as fast as possible is seen as a strategic move:

“As we were a growing start-up, speed was certainly significant. I think, if a company wants to internationalize, the sooner the better. (...) It is an advantage for a company to go international right from the start, as soon as possible, of course, within reality (...) if it is successful in its own country, the sooner it goes to another country, in my opinion, the better”, as stated by A6.

Time management as a strategic play has some description in existing literature (Cong et al., 2022; Hilmersson et al., 2017). Using time in advantage of the company in SME internationalization may mean being to adopt a steady movement strategy and bet on patience, or they may bet on their sense of time urgency and acknowledging that internationalisation may be better if its committed as soon as possible.

4.2.5 Internationalization risks

For the sake of this dissertation, the interviewees also gave their insight over the difficulties, risks and limitations felt when proceeded to internationalize to developing economies. Overall, almost every interviewee mentioned some factor that was limiting its potential to be successful in these types of economies. These limitations were classified (in order by the most mentioned) as such: *bureaucracies, lack of support, uncertainty, cultural mismatch, lack of resources, distribution, and corruption*.

4.2.5.1 Bureaucracies

For SMEs, dealing with the amount of bureaucracies and specific knowledge about the internationalization processes can become a burden, as reported by many interviewees (A3, A5, A6, A7, A8, A10). This stress in complying with voluptuous bureaucratic processes seems to be specific to these destinations, as issues related to legislation, import and export issues and customs, for example, “are very different in developing countries” (A10).

The amounts of documentation and certification of goods, namely in terms of licensing, is for some, actively their “main limiting factor” (A6). SMEs have to deal with an

environment far different from what they are used to, in terms of bureaucratic processes, which is often reflected in the relationship between SMEs and these international costumers:

“bureaucratic processes for developing countries (...) are much more complex than for developed countries. The relationship between supplier and client, is much more established and easier in a first world country, from the supplier’s point of view”, as stated by A8.

Sometimes these bureaucratic processes are perceived as protectionism from SMEs, and interviewees feel that this is one of the difficulties they face in outside markets. Often SMEs encounter clients that they regard as very interesting, but the interest on them becomes very limited due to protectionist motives: “Algeria was one of the first countries we entered, but it had a limitation, it can only buy 2000 units per year” (A3). Protectionism seems to harm SMEs entry, not only due to limitations on imports, but also because of money retention policies, and may require large amounts of FDI for companies to establish in those markets: “At the time, ANIP, the “Angolan AICEP” required that foreign investment, to be formal, had to be at least one million dollars.” (A5). In sum these excessive bureaucracies, aligned with protectionism and some political motives that makes interviewees alarmed, are some of the reasons that promote SMEs difficulties in entering developing markets:

“The specificities of developing countries are one of the main limiting factors, mainly due to political factors and the organization of the country, we are talking about many barriers. To open a company, it is very bureaucratic, you have to have documentation, residence there, it takes time, to open a bank account sometimes it takes a month... their organization is the main limiting factor”, as stated by A6

There is some support in economic literature over the impediments that bureaucracies are for SMEs (Okpara & Kabongo, 2010). Bureaucracy intensity is still somewhat to be covered, as the described burden by the interviewees is still not as much covered.

4.2.5.2 Lack of support

As many interviewees noted, SMEs are often left on their luck to try to be success-

ful on their internationalization projects, and feel that there is a lack of support that can make them thrive (A2,A3,A7,A8,A9, A10).

For SMEs, the economical stance of the country of origin may have negative consequences on the process of internationalization. In fact, some interviewees mentioned that there is a shortage of a healthy political and economical environment, letting sometimes the CEOs demotivated and frustrated: “Our country is not at all prepared for entrepreneurs like me, it is not. (...) we feel excluded. (...) We are quickly pushed aside” (A10). In any way, interviewees commonly recognize that the state support does exist, however it is limited “(...) it’s trying something, but it’s not enough. It’s not a well-coordinated and strong initiative” (A8). SMEs often recognize that the effort in internationalize could be in some part shared, and that state support could reach companies to promote exports, in a reciprocal relationship:

“In my opinion, the state could help with the shipping costs, because this is what makes the country rich, exports. The state should provide some support ”, as stated by A9.

The lack of institution support is somewhat covered in the existing literature (Gardo et al., 2015; Roy et al., 2016). As such, the lack of support that SMEs face, being it caused by the intangibility of governmental support systems, being by the economic and political environment of the country of origin, affect negatively the performance of SMEs in internationalizing to developing economies.

4.2.5.3 Uncertainty

As developing economies are regarded as volatile markets, rich in unpredictability, often uncertainty is one of the factors that brings fear to SMEs when internationalizing, and interviewees point as a limitation (A3, A5, A7, A10). Uncertainty can occur in various dimensions, and credit risk are certainly one of them. For SMEs, “from the point of view of credit, it’s very complicated (...) we have to be very careful with this, if the market changes a little, we are already in a very uncomfortable situation” (A10). For SMEs coming from developed countries, “there are things that we take almost from granted (...) that in those countries, there’s not that kind of accessibility (...) it’s much easier to find credible partners in Europe ”(A3). Difficulties in partnerships also arise from uncertainty, as in de-

veloped countries, business activities and relations are much more predictable and insured by law. Risk also takes the form of monetary reasons, such “exchange rate risks, currency risks” (A5).

There is not much literature over uncertainty limiting SME internationalisation projects. However, there is the acknowledgement that uncertainty may lead the decision maker to become overwhelmed with the decision to internationalise (Dong & Muzychenko, 2018).

4.2.5.4 Cultural mismatch

Difficulties in internationalizing often relate to cultural mismatches between SMEs in developed countries and the developing markets they are targeting (A1, A4, A5, A6). As cultural proximity is considered a success factor, the inverse is a reality for SMEs in reality it ends up being a true difficulty: “They (companies in Morocco) have a better relationship with France, just as we do with the PALOPs, so they must buy more from the French.” (A1).

As interviewees report, SMEs feel great difficulties in aligning their expectations from the counterpart with the way they use to conduct business. Some companies feel that there is a lack of trust from clients in developing economies, reporting “very intriguing, psychological things, like mistrust” (A6). This mismatch is noted in business relations, that end up absorbing hazardous particularities, that by being so difficult to adapt to, may end up leading to unsuccess in business:

“labour relations are totally different (...). There, it doesn't even exist. Attendance is unmentionable, which leads to a giant redundancy of costs.(...)We are expecting a level of compliance and respect for attendance and punctuality that doesn't exist there”, as stated by A5.

There is some literature over the impacts of cultural mismatches between the SME and the clients of the destination market (Child et al., 2009; Safari & Chetty, 2019). The cultural differences can in fact become a burden to SMEs when considering to internationalise to developing countries.

4.2.5.5 Lack of resources

Some interviewees also mentioned that a lack of resources could have drag their potential success down when internationalizing to developing economies (A5, A10). In fact, for smaller SMEs, the recent economic reception was nefarious, and this extended scarcity of resources may explain why an SME retreats from international expansion:

This was until COVID (...). That was when the strategy stopped, as far as the trips were concerned, and we developed internationalization by only providing consulting services. (...) prices are forbidden for me, they do not fit the reality of my micro company and that is a shame, I have the potential, from point of view of knowledge and capacity, but I am excluded because I do not have that means and I find it difficult to have access to that means”, as reported by A10.

The shortage of resources of SME is recognised as a barrier for internationalisation for SMEs (Fernández & Nieto, 2005; Prasanthi & Bhaskara Rao, 2019). In fact, having tight budgets on internationalisation is regarded as very difficult.

4.2.5.6 Distribution

Distribution is often a burden for SMEs that must put their products in distant parts of the world (A4, A5, A9). For smaller companies, the rise of exporting costs due to the actual economic stance may jeopardize international activities: “What’s making it more difficult for us now are the shipping costs. The cost of postage is absurd. One day it will become unviable to sell this kind of product” (A9).

The logistics process also worries SMEs and augments scepticism towards internationalization to developing countries. In fact, the timing of the operations is very different than exporting to developed countries, and this sets SMEs to strategize logistics with unfamiliar restrictions:

“If we are talking about emerging markets, these are markets that we have to take into account that the goods will take between one and two months to arrive there, if we want to have a good cost/time relation”, as stated by A4.

The subject of distribution has some cover in the internationalisation literature (Novillo Villegas & Haasis, 2017; Reim et al., 2022). Difficulties of managing distribution matters and the burden of shipping costs as a statement is a relevant conclusion.

4.2.5.7 Corruption

Corruption is something that SMEs can also face in developing economies, as reported by some interviewees (A1, A5). Performing business in some of these markets may mean that somewhere in the process SMEs are faced with bribery situations “It is normal to have situations of corruption in those countries (...). In these countries we talk more about opportunists than businesspeople, generally people who belong to the government that regulates that country” (A1). Constraints originate from the highest hierarchies, and end up influencing several business aspects, being one of them customs clearance: “The port can be full of containers and you can’t get the containers out without bribery(...)” (A5).

Corruption is somewhat recognized as a burden to SME internationalisation by the existing literature (Omer et al., 2015; Rahman et al., 2020). In fact, the reports of extensive corruption in developing economies can become a limitation for SMEs to target these markets.

4.2.6 Critical Success factors

To understand what drives success in internationalization activities to developing economies, interviewees reported about some crucial aspects that were key to the outcome of their processes. The factors identified (as stated in appendix) divides in four categories: *Firm wise factors, Market Conditions, Network leverage and Proximity*. Inside these classifications, most critical success factors relate to *CEO and Management, Planning and capacity to adapt, Product and production and also proximity*, as well as *Partnerships*. The least mentioned success factors are *Event participation, international orientation and Market conditions*.

The further analysis on the success factors will focus on describing how the factors mentioned by the interviewees fit the categories determined.

4.2.6.1 Firm resources

In general, firm resources are the category of critical success factors that is more often mentioned to explain success in internationalization to developing economies. Overall, the identified success factors in this group mostly fit in planning and capacity to adapt, product and production and CEO/management team. Other success factors identified relate to the distribution chain, international orientation of the SME and the qualities of the staff.

4.2.6.1.1 Capital

The abundance of capital resources of the SME is recognized as a success factor for some interviewees (A2, A3, A6). In fact, having access to some specific resources have leveraged the internationalization project, as stated by some. These internal capabilities exist in several dimensions of the company, being capital availability one of the most mentioned. Having operating funds to “spend money on trial and error until you get the ideal model to penetrate that market” (A6), is a particularly important factor to pursue businesses in developing countries for some interviewees. Having available cash to spend in operations is regarded as an important success factor to efficiently explore outer markets, as internationalizing may lead to operations that are not necessarily cheap: “the company blew a lot of money in traveling” (A3). Alongside monetary resources to internationalize, security in liquidity is seen as crucial for becoming successful in developing economies, given the risk of the operation. For that reason, contracting security on payments by recurring to credit insurance is also identified as a critical success factor:

ime, so we had to speed up the payment, i.e. give the customer more time. Without a doubt, having that security cushion allows us to know if the client is good or bad. In terms of internationalization, it is the most important that we have to consider.”, as stated by A2.

Overall, the results match with some literature over this topic (eg., Eriksson et al. (2017), Rodríguez-Serrano and Martín-Armario (2019), Wilkinson and Brouthers (2006), (Slusarczyk & Grondys, 2019)), who realize that financing is crucial to develop international activities, adding to the existing literature the even greater dependency on external financ-

ing services of SMEs, when dealing with businesses with developing economies.

4.2.6.1.2 CEO and Management team

The correct involvement of the CEO and the management team is perceived as crucial for the success of internationalization to developing economies by most interviewees (A1, A3, A5, A6, A8, A9, A10). There is a broad sentiment that “the involvement of the CEO is key” (A8). Described by some interviewees, this crucial involvement happens because the company is not abundant in resources and the manager handles most of its operations: “I am the managing partner, but on the other hand I am also the artist.(...) Being present in museums, which gives artistic credibility to the work, allows us to reach other values and to reach more international clients” (A9), or because he is seen as a source of motivation and knowledge: “ The involvement (of the CEO) was crucial. Apart from being very intelligent, he knew the market very well, and was very approachable. (...) He had an inspiring leadership and was always there when he needed to be there. He knew how to do his job, and he knew what the employee’s job was” (A3).

The profile of the manager should obey to some characteristics, according to some interviewees. Apart from the “personal international experience” (A5) often associated to international SME CEOs, other traits are recognized to be influent on becoming successful in developing economies, such as “the willingness, availability and dynamism of the management team” (A6), while becoming somewhat “expeditious, not getting to booged down in details”(A5), given the particularities of developing economies as destination markets:

“The management cannot be made up of people who are very serious and inflexible in negotiations, who are not very attached to the European way of being, and must have a high degree of risk-taking and boldness, capable of looking sideways at some things”, as stated by A1.

Having an international mindest positively influenciates the outcome of internationalization to developing countries, as some interviewees describe. International ambition will lead the company to “become successful in a less painfull process” (A6). To achieve this alignment with the outer market however, the company may structure itself accordingly to the challenge:

“Then, to have the company oriented towards internationalization. The company in 2009 was oriented

towards internationalization. The CEO came to live in Porto, where the internationalization team was working. We also managed to penetrate the markets better when we went there. We were all oriented towards internationalization.”, as stated by A3.

This findings go along with extent literature over the topic (Hsu et al. (2013), O'Cass and Weerawardena (2009), Ruzzier et al. (2007), Felzensztein et al. (2022), Fernández-Ortiz and Fuentes (2009)), recognizing the interviews some attributes of the CEO that turn to be critical for the success of the internationalization process. Being internationally oriented and able to take on risk is identified as critical for success of internationalization to developing economies also. These results complement the existing literature by exploiting extra characteristics of the CEO that are determinant for internationalizing for developing economies.

4.2.6.1.3 Staff

While the CEO is regarded as influential for the success of SMEs internationalization to developing economies, having a good team behind the internationalization process is also regarded as a positive factor for its outcome, as pointed out by some interviewees (A3, A6, A7). It seems crucial to have a team adapted to the international market, who is capable of “having the right mindset and culture to serve those markets” (A6). While the CEO is often regarded as the motivational force and decision maker, teams are often attributed operational and commercial success, and become regarded as a defining critical factor:

“we had very good technicians, who combined technical knowledge with business knowledge, which is a key factor. These people were fundamental for internationalization. We had a very solid technical development team. A central axis of the company was maintained, which was a very important success factor”, as stated by A3.

While this critical I factor is mentioned by all IT SMEs from the sample, it is not a critical success factor exclusively recognized by this business sector: “(one critical factor is) the adequacy of the technicians to the need of the export clients. There has also been a good commercial approach” (A7, producer of glassware).

The findings relate to some existing literature ((Onkelinx et al., 2016a, 2016b), (Mubarik et al., 2020)), as the interviewees described the importance of having a capable staff adapted to the internationalization process. They add to existing literature by describing qualities of SMEs staff that turn to be positive in internationalizing to developing economies.

4.2.6.1.4 Capacity to adapt

Planning and capacity to adapt is the category referred by most interviewees in their statements (A1, A4, A5, A6, A7, A8). The reports often state the necessity to be prepared while entering developing countries. SMEs are often encountering overwhelmingly new realities, with unfamiliar characteristics, which can harm the success of the process: “At the beginning it is quite difficult to internationalise because we are confronted with an unexpected reality. You have to be very well prepared, otherwise it's chaos” (A3).

Contrastingly, if for some part the way business proceeds in developing countries can lead to difficulties for the SME, in other occasions it might lead the SME to enjoy certain competitive advantages that can reduce the negative effects of operating under uncertainty, namely its capacity to adjust to a volatile environment: “(The expansion of developing economies) makes it easier to thrive for a company like ours, because our technology and capacity to regulate and adapt is adjusted to the demands of those markets” (A5). As such, the capacity to adapt to specific market needs and to become more agile is a characteristic that SMEs, by being typically smaller business structures, can explore to become successful in those markets: “One of the very important factors was size (...) there is much greater flexibility in a small company than in a big one (...) that helped us a lot, and was the big success factor, that we had at our disposal, the ability to quickly change the strategy that we were executing (...)” (A6).

The findings on this topic are briefly mentioned on existing literature (Prange and Pinho (2017)). Being able to successfully identify market facts, such as product requirements, legal matters, and key players, acted as a critical success factor. To have then the capacity to adjust the companies' strategy accordingly, also seems to be a critical success factor that are specifically more important for developing economies.

4.2.6.1.5 Product and production

Most of the interviews also mentioned that the characteristics of its product, or the way they manufacture it, can become key to thrive in developing countries (A1, A2, A3, A5, A7, A9). SMEs do not enjoy the same productive capacity as larger companies, however, that may be useful when considering developing economies, since SMEs may be able to produce their products in quantities adjusted to the capacities of its clients in the country of destination: “Internally, we have an advantage in the quantity produced. (...) We differentiate our product by the low quantity produced. If there is a company in Angola that has started to bottle water, it will not immediately start buying an exorbitant quantity of raw materials.” (A1).

Production management is then considered a critical success factor, and it does not limit itself to simply producing less to differentiate. In fact, the opposite can occur, and instead of having low production as a critical success factor, it is the excessive production capacity that can become the critical success factor: “W’ didn't have to make any tradeoff, ’ didn't stop making products for the internal market (...). An excess capacity, which allowed us to work with a marginal cost logic.” (A5).

Even more mentioned than production, it's the specs of the product itself that seem to be more mentioned regarding this category of critical success factors. As such, the quality of the product is important to thrive on the market, and having “a good product, is halfway to internationalization” (A3). The quality of the product is then identified as a critical success factor, as well as it being differentiated, makes the product “easier to reach to a greater number of people” (A9), as well as the price, which can also become a critical success factor, given the fierce competition of the “more globalized, smaller world” (A1). In sum, interviewees recognize that the alignment of product to the market of destination will allow them to push their probabilities of becoming successful:

“To be successful, the product is the main weapon. A quality product, with adequacy to the destination country, either in the language, packaging format or grammage (...) is a competitive product, necessary to be successful in those countries. To be successful we have to work on the product and the service that we have and not the price, (...) we have to be competitive to offer a product (...) adapted to the opposite country”, as stated by A2.

Product specification is a topic covered in literature (Gerschewski et al. (2015), Falahat et al. (2020), Falahat et al. (2020), Knight et al. (2020)). The interviewees also mentioned the effects on betting on differentiation, and mentioned production management as a source of it, thus being a success factor on its own.

4.2.6.2 External factors

Some factors that do not originate from the inside of the SME also have an explanatory part of success for internationalization to developing countries, as identified by interviewees. Being by participating in events, using institutional support or relying on partnerships, interviewees recognize that using their contacts is crucial, and in some part, “success comes from networking” (A6).

4.2.6.2.1 Proximity

Sometimes the factors that are leading to success for SMEs originate from some particularities that reduce psychic distance, which some interviewees consider as crucial (A1, A2, A5, A6, A10). SMEs enjoy advantages in searching for countries with historical relationships: “If we talk about the PALOP countries, since we are from Portugal, there is a historical relationship, it is a competitive advantage we have” (A1). Having the “cultural connection”(A2) is seen a success factor, and specifically sharing language or even regulatory affinity are critical success factor of its own. If the destination country does not share the same language, then searching for nacional agents established in those countries is also a success factor: “In Angola, the customer for our product was dominated by national companies (...) we went after them for that target market” (A5).

Being recognized as a developed country can also play in favour of the SME targeting developing countries, as they are positively remarked in these kinds of markets:” There is one very good thing: Portugal is in the EU. In developing countries, this is a positive factor” (A6).

Psychic distance influences the outcome of internationalization as reported, and actively diminishing its effect is a source of internationalization to developing economies, as also mentioned in literature (Child et al. (2022), Bowen (2020), Caputo et al. (2016), Zizah et al. (2010)). Targeting people from the same nationality in the target market, betting on

historically and culturally closer countries, as well as coming from a well-recognized national industry in the global panorama, are some of the critical success factors reported by interviewees.

4.2.6.2.2 Event participation

To attend industry fairs, international events or even art galleries, are some of the success factors identified by some interviewees (A2, A3, A9). These are places designed to facilitate business, which can help SMEs to get their products known in the outside markets, even if they are not directly attending them: “Another very important factor is that they are developing some art fairs in China, where the products are promoted.” (A9, uses distributors to sell its products on China).

Overall, these are spots that can endow business, for those who visit and those who as they supply the opportunity to reach both distributors and clients that are present in the target market.

“I think networking is crucial. While performing our functions and participating in events, as we take part in the events, we get to know both the visitors and the exhibitors.”, as stated by A2.

These results are similar to some existent literature ((Tinitis & Fey, 2022), as interviewees recognize the importance of attending events, such as industrial fairs or other types of trade fairs, allow SMEs to expand its network, becoming a vehicle for contacts and business opportunities for internationalization to developing markets: *“We had distributors in Chile, who create“ the "Inosat"Chile" event, where they invited Chilean companies with fleets, and we presented our case studies and made our presentation, and there were always some who were interested in our products.”*, as stated by A3.

4.2.6.2.3 Institutional support

Although interviewees have ambiguous opinions on institutional support, the statements often report critical success factors that arrive from some sort of external support (A2, A3, A5, A10). Interviewees often think of institutional support as financial sup-

porting programs, and when SMEs have access to them, they regard it as positive: “All the companies that took advantage of the CREN program, that I know of, are better off. At the time, it was good” (A3).

This institutional support however extends in other ways as to becoming a critical success factor for SMEs. In this case, the share of knowledge these institutions provide help SMEs to understanding better the markets they target and to gather contacts of potential distributors and buyers:

“(institutional support) from some companies such as LAPMEI and AICEP has been positive, as they helped us to make some contacts, supplying some information and it is free of charge, there is a manager, a helper with information, and this of added value”, as stated by A10.

As interviewees describe, using institutional support to internationalize can be key when targeting developing economies, which goes in line with some literature (Durmusoglu et al. (2012), Catanzaro et al. (2019)). There is governmental support to finance international activities and to provide knowledge source about the target market, are some of the critical success factors identified in this dissertation.

4.2.6.2.4 Partnerships

Using partners along the process of internationalization is the most recognized critical success factor regarding networks (A1, A3, A4, A8, A10).

Establishing partnerships allow SMEs to reduce the impact of some constraints of working with developing countries. Difficulties that arrive, mainly due to cultural differences or legal aspects, are reduced when finding a partner to help developing business in the destination markets.

“Having formal or informal contacts is an asset for this to happen successfully. They help you to fine tune your strategy, to reduce risks, to get around some difficulties. Without them it is extremely difficult to succeed.”

Correctly and actively managing the distribution chain of products is also pointed out as a critical success factor for SMEs targeting developing countries. This becomes more relevant for SMEs who are dependent on third parties to deliver the product to the final

customer. Managing logistics and “having a competent distribution chain” (A1) are some of the success factors pointed out fitting this category, which seems to be extra important when targeting developing countries, as distribution matters are perceived as a limitation of those countries:

“Almost everything is imported, so the supply chain has to be thought through. Where everything fails, where there is no planning, is where planning is most needed”, as stated by A5.

The results match with some of the existing literature (Acosta et al. (2018), Antonio Belso-Martínez (2006)). Creating partnerships, actively managing the relationship with them, are critical success factors, as they allow the gathering of knowledge, facilitating business in the developing economy and lead to a reduction of operation costs.

5 Conclusion

Overall, the interviewees have described several nuances of their internationalization process, focussing on developing economies. Through the answers, it was possible to take on a descriptive analysis over several dimensions of the internationalization process, namely why do SMEs target and commit to these countries, how do they do it, what are the relevant factors to achieve success, and what limits these internationalization projects.

5.1 Main findings

This dissertation focused on interviewees answers to understand what motivates them to internationalise. It found evidence that strategic motivations, as well as identifying several distinct opportunities, are relevant motivations for SMEs to target developing economies, which is congruent with existing literature (Daszkiewicz & Wach, 2012) .

Developing economies have typically markets in expansion, which give room for SMEs to establish, not having the fierce competition faced in mature markets (Sakarya et al., 2007). These countries normally have critical shortages in some products, which SMEs seek to cover, especially in highly specific and niche markets. This leads SMEs to seek the opportunity to grow operations and expand to a market that is expected to grow, where they have more opportunity to secure a bigger market share.

To reach these markets, SMEs utilize a series of resources, tools, and information, in a strategic way which require making choices over how to reach those markets. It seems that, in general, FDI is not a common way of internationalization for these economies (Dominguez, 2018). SMEs prefer to take on low risk and control activities, given the uncertainty about the destination country, and rather rely on distributors and partners, export by themselves or through the value chain, or even through social networks.

If by one hand, there are opportunities arising from these markets that allow SMEs to easily find their space, on the other it is a process that needs contacts in the interior of the destination market, specific knowledge about the local specificities such as taxation and customs services, and people that know the culture, and for that reason, relying on third parties, such as partners, distributors, or selling to clients that resell in those countries seem to be good ways to reach developing countries (Acosta et al., 2018). Either way, doing market prospection, searching for information about the destination market, such as key players, market conditions or triage of target market (and in some cases, for those who have

greater abundance of capital, travel to the target market) is a commonly step made and reinforced when the destination is developing economies.

This third-party dependency can also be gathered from institutions, who SMEs rely on to either deliver some specific knowledge and intermediate business with the target market. Even lower control international activities do not exclude the participation of the CEO, as SMEs are often guided by him in the internationalization process for these developing economies. In some cases, he is a source of specific knowledge about the market and business, and the company may not have the resource freedom to have many more people inside the company who have that knowledge.

As much as these types of markets are destinations that are attractive by various reasons, targeting them also has its limitations, and there are several factors that make SMEs to be sceptical about the whole process. As SMEs are not typically abundant firms, the lack of resources they are usually associated with may limit their chances of success in developing economies. They rely on third parties so that these risks are mitigated and that it becomes not their responsibility. However, it is not easy to secure a good distribution chain in those countries, and in some cases to directly approach distributors and clients might become a difficult task due to cultural mismatches, which in turn leads to mistrust from both parts. SMEs are faced with a lot of uncertainty throughout the process, and to aggravate, these economies are regarded as protectionist, with painfully excessive bureaucratic processes and where sometimes corruption is well noticed.

The fundamental question to be answered by the dissertation was what some of the critical success factors for SMEs are internationalizing to developing economies. Going through the responses of the interviews and organizing the information accordingly to what exists in some of the literature, the critical success factors can be separated in two groups: firm wise factors, and external factors.

Figure 1 Critical success factors of internationalization to developing economies

Critical success factors			
Firmwise factors		External factors	
<p>Capital</p> <p>having credit insurance money from CREN projects availability of money to spend on trial and error</p>	<p>Capacity to adapt</p> <p>capacity to adapt to quantities and specificities of the product Size as source of flexibility</p> <p>To be fast to adapt to things, be it software, company or team is also very important having a cross-border team</p>	<p>Proximity</p> <p>Knowing how to respect the way of being of the target country</p> <p>Try to meet technicians or local people who can have an interesting set of information</p> <p>Try to meet technicians or local people who can have an interesting set of information</p> <p>linguistic influence</p> <p>cultural connection</p> <p>language and regulatory affinity</p> <p>brand recognition through national companies in the external market</p> <p>Portugal being in the EU</p> <p>Geographical location of host country</p>	<p>Partnerships</p> <p>go with people who are already in those countries</p> <p>having formal or informal contacts is an asset for this to happen successfully</p> <p>ability and the security, both personal and technical, to develop good partnerships</p> <p>Having a partner, who is someone who moves very well in the market, trying to make relationships work</p> <p>bring together partners who have the resources to develop projects in developing economies.</p> <p>the use of social networks.</p>
<p>Product and production</p> <p>Advantage in producing smaller quantities</p> <p>Price of the product</p> <p>quality of the product</p> <p>the adequacy to the destination country, either in the language, packaging format or grammage, and competitive product</p> <p>Excess production capacity</p> <p>a different product, differentiated from what already exists</p>	<p>CEO and management</p> <p>Constantly updating knowledge and informing itself, believing on its capacities</p> <p>Involvement of the CEO, with inspiring leadership</p> <p>Personal international experience of the management team</p> <p>not being very serious, inflexible, risk taking and boldness</p> <p>Knowledge of the management team of the destination market</p> <p>Being present in museums</p>	<p>Institutional support</p> <p>Usage of free information provided by some institutions</p> <p>exploitation of CREN project</p> <p>crucial to have in the beginning of the process</p>	<p>Event participation</p> <p>get to know visitors and exhibitors in events</p> <p>development of art fairs in China</p>
<p>Staff</p> <p>a very agile technical department, and then a commercial team that did a great job</p> <p>a team that has a mindset and culture to serve those markets</p> <p>adequacy of the technicians to the need of the export clients</p>			

Firm wise factors are mentioned the most. These are characteristics that the enterprise can manipulate. Among these, the profile and actions of the CEO appear to be of most relevancy. This is not surprising, given the relatively small size of SMEs and its scarcity of resources, thus having normally the CEO a present action in the internationalization process to developing countries. Having a product that is well fit for the target market, being on price and quality, being on the differentiation of the product, are also some highly mentioned critical success factors. For the company to plan its market movements and adapting the business to the market needs accordingly is the next most mentioned critical success factor, followed by the quality and technical skills of the staff, and lastly having available capital to finance extensive internationalization activities.

Regarding external success factors, it seems that being capable to diminish the psychic distance from the target market is the most relevant external success factor for internationalization to developing countries. Contacting same nationality people established on

those markets, talk to local people to gather knowledge, targeting countries with connecting cultural backgrounds, or countries that have good remarks over the national market of the foreign SME, are some of the critical success factors identified. Establishing partnerships seems to be as mentioned as proximity as a key success factor. SMEs really can take advantages of using their network of connects to penetrate the market in a far more efficient way. Although there is an ambiguous view over institutional support, there are some cases where they may make the difference in making the SME become successful in developing economies, either by bey a source knowledge and contacts from the target destination, but also by institutions who, through the implementation of financial packages, support SMEs in internationalize. Lastly, attending any type of events about the industry of the SME is also a critical success factor, given the contacts and visibility for the company that these kinds of events provide.

This dissertation described success factors that were relevant for SME internationalization, while also mapping additional dimensions of the process, such as limitations, strategies used and the motivations to commit to the process. Although some of the critical success factors where previously described in other studies, this study provides insight over those o is specifically important when targeting developing markets. Most SME internationalization studies focus on developed economies, or SMEs from emerging economies targeting developed markets, and this dissertation provides evidence over the opposite relation.

5.2 Remarks over the internship

Performing an internship is a practical way of combining both acquisition of knowledge through scientific methods, and at the same time obtain specific tacit knowledge over the business world. To have had the opportunity to participate in the internationalisation process of a company, actively taking part and making real world decisions was a great complement to obtain specific knowledge over this subject. Particularly, it was of an extreme added value to have had the opportunity to travel to Nigeria to understand the background of the country. In terms of value added to the planning of this dissertation, to the academic experience, but also as on a personal level, it was a truly unique experience.

5.3 Implications for managers

Interviewees gave their testimonial about their experience and their companies' internationalization process. They were also invited to weave some advises for SMEs that are willing to target these specific markets. The following advises are developed having in consideration the answers from the interview, aligned with the existing literature and the internship experience.

To become successful in developing economies, knowledge about the market is key. SMEs should be aware of the market conditions and climate. Developing market due diligence is necessary and knowing certain trivial aspects such as the existence of distributors, location, and contacts of clients, but also prices, quantities and qualities demanded is key. This "first step" seems to be somewhat banal, however it is specifically crucial when dealing with developing economies, since these are markets characterized by a lot of uncertainty, and this research helps to filter some of that risk that may multiply in further commitment to the project.

It's necessary to define a strategy, to know how to enter the market, and understand what the advantages and disadvantages of each mode of entry are. For instance, while FDI allows to retain some critical knowledge over the market destination, it is a rather expensive way of entering the market, which requires some level of financial freedom. In uncertain markets such as developing economies, it is a burden SMEs are not very often willing to make. On another hand, while exporting and recurring to distributors allow for low risk, it also means lower control on the activity, which means that the company becomes dependent of third parties to develop its activities.

It is important to target and filter potential partners, and recurring to networks, business events and institutions that supply information and contacts are some successful tactics to pursue. To correctly manage the distribution channel, from the inception to the final customer, it is crucial. If the company wants to find partners in those countries, without any referral, it can become a difficult to perform. Either way, these are projects that normally take time to develop, so be persistent but agile on timings is necessary.

SMEs who want to internationalize should also understand where their capabilities lie within. Since internationalization to these countries is an iterative process, it takes time and resources to establish an efficient business model to attack those markets. To keep track on what works and what does not for the specific context the business inserts itself, should help the SME to understand where it can bet on to be successful in the long term.

For institutions that wish to support these kinds of projects, it is crucial to get awareness in the market and promote the services that they provide. Most SMEs who resorted to this support, regarded as positive their knowledge support. For those who didn't, they often reckon that these are financial mechanisms and that aren't at their reach, becoming unaware of the multidimensionality of support some of these institutions give, as well as its importance in supporting the internationalization project.

For legislators, it may also be important to restructure some financing and supporting mechanisms that are being set available for fomenting business activities. As in the case of this report, covering mainly Portuguese SMEs, many of the interviewees demonstrated a negative sentiment towards business fitting into this category. Often internal bureaucracies, taxation and lack of support from the Portuguese government is regarded as a setback for internationalization projects. Legislators should be aware of the weight that SMEs have in the business structure and recognize its importance, and the importance of them to grow, to foment entrepreneurial mindset with fruitful measures that allow, above all, more financial freedom for SMEs to be capable of finance their international activities. If exploring developing economies can be a source of wealth for SMEs, then they should be encouraged with actively.

5.4 Limitations and further research

There are some limitations to the results drafted in this dissertation. First, being the sample constituted mainly by Portuguese SMEs, some success factors may become biased, as there are some country level factors influencing the capacity of the SME on the internationalization. Secondly, by targeting businesses from different structures, business activities and sizes, it becomes rather difficult to associate specific patterns. Also, the framework proposed is merely descriptive, as there was no correlation identification between the factors identified in this dissertation.

As this is a rather unexplored subject, there are many pathways to go from this subject. Complementing this dissertation with quantitative studies, that allow for pattern identification, can reveal specific and crucial information about this phenomenon. Changing the specificities of this subject, to test for instance the validity of the success factors for different sectors of activity, or even to analyse correlations between the dimensions identified in the proposed framework of this study.

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Appendix.1 Semi-structured interview guide

1. Could you give me, in general terms, a briefing on the internationalization process?
 - a. Can you give me an insight over the chronological development of the external market's penetration?
2. Focusing specifically on the internationalization to developing economies, could you tell me the motivations behind it?
 - a. Can you make an analysis of this internationalization process, contrasting to what it is to internationalize to developed countries?
3. Can you describe the strategy used to internationalize to these countries?

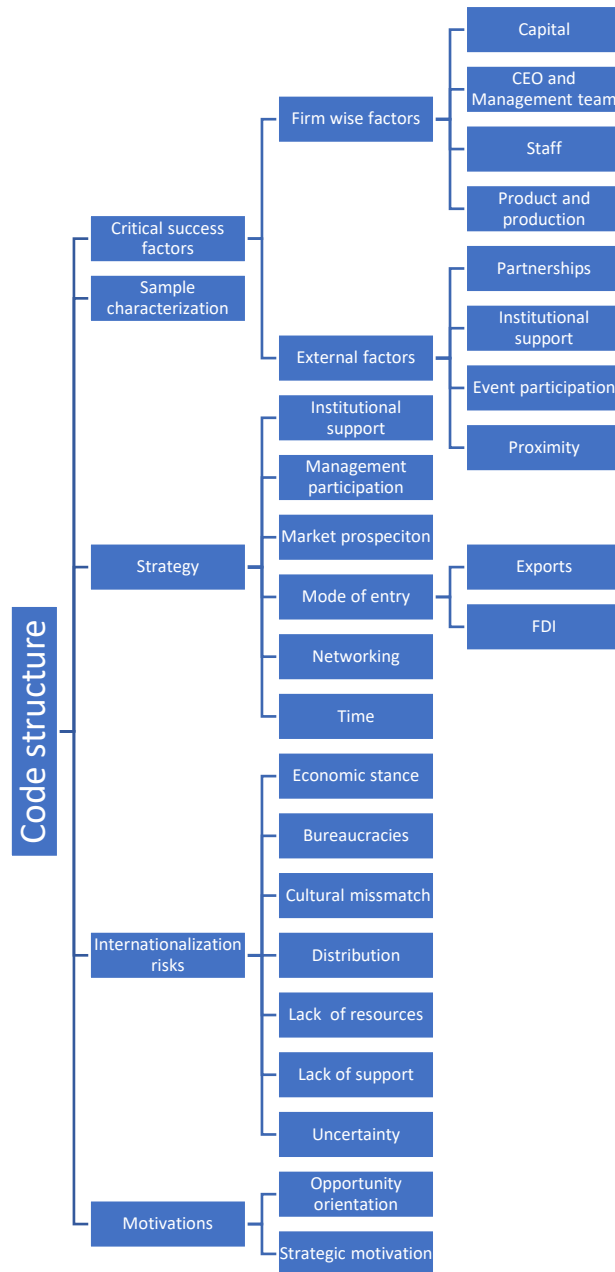
Regarding the specific factors at the disposal of your company could you point out the ones that you consider important to internationalize to developin

4. g countries?

Can you make an evaluation of the involvement of the manager in the internationalization process to these countries?

 - a. Can you make a judgement of the alignment of his profile, with the necessities of a business who develops international activities to developing countries?
5. Can you do an evaluation over the influence of the companies' network over the internationalization process to developing countries?
 - a. Can you do a judgement about the institutional support over the process of internationalization of your company to developing economies?
6. Can you describe some factors, related to your count60nfluentiale influential over the internationalization process to developing economies?
 - a. By the other hand, can you state some factors related to the developing country your company targe60nfluentiale influential to the process?
7. Is there any other factor that you wish to mention that can have been significant over the internationalization process?
8. Can you give me a feedback over your satisfaction about internationalizing to developig economies?
 - a. State, from the most to the least important, what were the critical success factor for your internationalization process.
9. To conclude, what recommendations would you give to a SME that wishes to internationalize to developing economies?

Appendix.2 Structure of codes used in data analysis



Appendix.3 Critical success factor identification

			Interviewees										
			A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	
Critical success factors	Firm wise factors	Capital			X	X			X				
		Human Capital	CEO and Management team	X		X		X	X		X	X	X
			Staff			X			X	X			
		capacity to adapt		X			X	X	X	X	X		
		Product and production		X	X	X		X		X		X	
	External factors	Proximity		X	X			X	X				X
		Event participation			X	X						X	
		Institutional support			X	X		X				X	
		Partnerships		X			X	X			X		X

Appendix.4 Descriptive framework of the investigation~

