

Key Success Factors of SME Internationalisation: A Cross-Country Perspective

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This book is a valuable reference document for the study of the evolution of contemporary socioeconomic life, marked by radical changes in structures, behaviours, methods of production and consumption, and rules of the social game. The current changes are of a “revolutionary” nature and thus make possible the vision of the future, which is necessary to decide on investments (material or immaterial). The uncertain dominates. Optimistic thinkers or actors believe that insofar as nothing is safe, everything is possible. But we still have to understand what is desirable, necessary or possible, because opportunities and risks are linked. The analysis of key success factors that are, or have been, actually operational is therefore of the highest interest.

This book is dedicated to understanding the dynamics of small and medium-sized enterprises (SMEs), which since the beginning of the industrial revolution have played a fundamental role in the evolution of our societies: they invent, innovate, adapt, create strong links in the regions, transmit knowledge, and distribute wealth and change. They defend human relations and are at the heart of democratic models. They have also managed to expand their business horizons. They have often become “international”. How? Why? Many answers can be found in this book, which offers a cross-country perspective. In each country there are variants, rooted in local or national cultures. SMEs are not the only ones to act, create, adapt and anticipate; other companies or organizations are doing that as well. But it seems that all the countries of the world, from the most powerful such as the United States and China, to the smallest ones, find the development of SMEs in their territory very desirable. That is to say, they are interesting.

SMEs, however, are not easy to define rigorously. Sometimes they are defined by their size, in this case the number of employees, or the importance of social capital, sometimes by the holding of social capital (family, rather than controlled by the financial markets), sometimes by the reduced number of hierarchical levels of decision-making, or control procedures. This book is not intended to create a statistical reference document delineating what does or does not exist in the SME sphere, but rather to discover how SMEs, in their current meaning, behave in order to ensure an efficient, responsive organizational system in the shortest possible time. They contribute, in their own way, to invent the future. These are lessons to ponder.

The first part of the book focuses on major drivers of SME internationalization. Lasse Torkkeli, Niina Nummela and Sami Saarenketo (Finland) show that a global mindset fosters the international expansion of and improves the international performance of SMEs. Birgit Hagen and Antonella Zucchella (Italy) highlight that entrepreneurial marketing has a positive impact on early and accelerated internationalization of young small firms. Pervez N. Ghauri (United Kingdom) and Ulf Elg (Sweden) emphasize that marketing collaborations with other companies can help SMEs to overcome their lack of resources and improve their international performance. Maria Cristina Sestu, Antonio Majocchi and Alfredo D'Angelo (Italy) compare market entry strategies followed by SMEs and large firms, and find that SMEs make different choices, namely when they face an economic crisis and diversify into other business activities. Cristina Villar García and José Pla-Barber (Spain) indicate that high-performing SMEs in traditional manufacturing sectors are more likely to use advanced operation modes that allow them to access to knowledge in host countries and to develop innovations based on organizational changes that help to create new business models.

The second part of the book deals with key success factors of SME internationalization in mature markets. Olli Kuivalainen, Jani Lindqvist, Mika Ruokonen and Sami Saarenketo (Finland) illustrate the role of support services during the different stages of internationalization followed by software companies. Noémie Dominguez and Ulrike Mayrhofer (France) describe how successful support services can help industrial SMEs to expand abroad and to establish affiliates. Stefan Schmid (Germany) examines the characteristics of internationalization strategies and processes of the German "Mittelstand". Katharina Maria Hofer and Alexandra Baba (Austria) investigate the influence of different market entry strategies on innovation and the performance of SMEs in the services sector.

The third part of the book is dedicated to key success factors of SME internationalization in emerging markets. Josée St-Pierre, Richard Lacoursière and Sophie Veilleux (Canada) demonstrate that a positive attitude towards risk-taking and the implementation of risk management mechanisms can help SMEs to export to higher-risk countries such as Asia. Noémie Dominguez and Ulrike Mayrhofer explain how industrial SMEs can successfully implement production and sales subsidiaries in China. Christiane Prange and Youzhen Zhao highlight the challenges that Chinese SMEs face when expanding into foreign markets, notably in terms of distance and entry speed. Finally, Luisa Campos, Catherine Axinn, Susan Freeman and Gabriele Suder (Australia and United States) show how the motivations of Brazilian companies from traditional manufacturing industries can influence their success in foreign markets.

The cross-country perspective offered by this book illustrates the diversity of internationalization paths followed by SMEs. Their approach to enter foreign markets presents important differences in terms of entry modes, allocation of resources and

strategies – even if they share the same need for control. The case studies and surveys show how SMEs attempt to participate in the “global game”. Their agility and their global and entrepreneurial mindsets appear to be important competitive advantages, since they can more easily adapt to new situations and changing market conditions. To face global competition, SMEs need to carefully choose their entry mode strategies, but they also have to dedicate specific attention to managerial issues that determine, to a large extent, their international performance. The support and advice provided by public institutions and the development of interfirm collaboration appear to be useful when SMEs decide to develop in new markets. It clearly appears that SMEs should build strong networks with actors across the world, especially if they invest abroad by establishing joint ventures and wholly owned affiliates. In this case, they need to adapt managerial practices to take into consideration the cultural, economic and institutional characteristics of the host countries. The authors of this book have analysed the concepts and tools which can help SMEs to better succeed in their expansion into foreign markets.

In this book, the reader will have the opportunity to take a look at a significant part of the recent international socio-economic reality. It is actually a discovery process in many countries, very informative and welcome; it illuminates the past in its diversity, while challenging the future.

Questions concerning the future arise, first of all as the international framework is changing. The major European nations (France, the Netherlands, Portugal, Spain, the United Kingdom) have demonstrated their will to power from the end of the fifteenth century; they go on to conquer the world (America, Africa, Far East), enlarge their power and enrich themselves while imposing their business game rules, for a relatively long time. But this time is over: the “internationalized” world has become “global” everywhere. Adaptation to change in a fully interconnected globalized economy has become extremely complex to assess and to manage. SMEs and large companies must review their development strategies and their operational decisions, their organization and their *modus operandi* in all areas: knowledge creation, communication, learning, production, geographical locations, markets, creation of cooperation networks and so forth. The requirements for competitiveness are evolving to the point of having to be reinvented in depth. Are SMEs favoured or penalized in this new “game”? The answer to this crucial question requires in-depth and new research. Does the economic policy of states, supranational organizations (such as the European Union), influential institutions such as the BIS (Bank for International Settlements), based in Basel, pay attention to the future of SMEs, or would it rather serve powerful lobbies of other interests? What can be the sources of competitive differentiation of SMEs in the new political and technological context? Innovation, responsiveness and entrepreneurial dynamics will probably continue to be the pillars of the economic success of SMEs, but they must be supported in this way.

Another line of research is attracting increasing interest as it goes beyond the ever-dominant questioning of techno-economic and financial rationality in business management. This classic conception of competitiveness is based on the comparison of figures and quantitative measures (we compare prices, monetary gains, production volumes and employment rates); but until recently, human development, which is essentially qualitative, has been neglected. Fortunately, things have started to change, and even to impose themselves: corporate social responsibility – a concept rather born in SMEs – now takes shape in large companies; they want to develop “in society” (“a company for society”) that is to say, by respecting the requirements of human dignity and by sharing innovative initiatives aimed at conquering a desirable future. The cooperation between start-ups and companies producing goods and services is often an illustration of this trend. Will big industrial groups and SMEs finally combine their vision and impose it on everyone? How?

A third problem for the future is that of mastering new technologies. It may be thought that large companies are better able than small companies to provide the necessary financial and human resources, but this needs to be verified. National governments have a role to play in this matter, for example through the taxation of productive family-owned capital, the transmission of family-owned businesses, apprenticeship and training provisions, the simplification of procedures applicable to SMEs (time is money), attentive listening to the specific and even structural needs of SMEs, while large companies obviously have a clear advantage of bargaining power and influence. The two groups of companies are characterized by unequal forces, but it is desirable that the two groups can develop in respect of their particular interests, which together become common interests and thus sources of competitive advantages for the “Nation” in the context of social peace. Finland, to name just one country, is a convincing example of this state of mind.

These are not the only paths to explore in order to achieve a desirable and sustainable future, on the global scale that governs the world today. There are many others that the imagination of the attentive readers of this rich book will be able to propose and study.

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