

Dilemmas for SMEs Establishment on an International Basis

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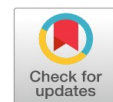
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Abstract: The study aims to give a theoretical framework for the internationalization of SMEs, and efforts are being made to identify the factors that influence the state of SMEs internationally in Pakistan. For the establishment of State Internationalization, the Evidence-Based Study is utilized to determine the suspects facing SMEs. This article uses the Systematic Literature Review (SLR) method to analyze the previous frameworks and propose a new theoretical and conceptual framework. The literature on firms' globalization is primarily based on research from all of South Asia and other countries. Study findings show that SMEs from Pakistan are focusing on traditional samples and are still unable to gain a significant share in international markets but are losing their shares in international markets. With the appearance of financial integration, SMEs are moving beyond borders and gaining market share in overseas markets. SMEs earn more profit by selling products in the international markets and contribute significantly to Pakistan's economic growth. This framework identifies potential factors which affect the performance of Pakistan-owned-family SMEs in international markets. The SMEs require to revise their processes strategies and also operations to reach the approach for the desired level of market share in the international markets.

Keywords: Globalization, SMEs, Problems and challenges, Global mindset, Organizational resources, Competitive advantage, Regulatory framework, Administrative experience

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INTRODUCTION

As globalization is maturing, it is turning into an important or major and more complex process. Nevertheless, it is also turning into a further confused and also misunderstood concepts (Turner & Robson, 2007). Globalization has gone through the "the new flavor of month" level. It integrates firmly on the institutional mission reports and statements, the policies, and also strategies, and as well as within the national policy framework (Ribau, Moreira, & Raposo, 2018). This indicates that globalization is an era of time and this is a legitimate area of the policy, the practice and also research in the higher education. However, due to the high profile of globalization, it is now utilized to state any-thing, and also each thing is connected remotely to the worldwide, the intercultural, also global & international outline. In brief, it is a sluggish phrase and is defeat its meaning and also direction (Knight & Liesch, 2016; Marito, Deden, Radi, & Rahmat, 2019).

In the 1990s with the appearance of financial integration scholars from the domain of professionals and entrepreneurs, Strategic administrations and governments looked into this the concept of globalization will promote the development of SMEs and their contribution to economic growth (Ramadani, Hisrich, & Gërguri-Rashiti, 2015). The trend of international ownership has been well explained in the literature by incorporating various independent variables, for example organizational characteristics, environmental factors, and firms' strategies (Vandekerhof, Steijvers, Hendriks, & Voordeckers, 2015). Most studies on

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international entrepreneurship have focused on relatively small high-tech industries located in developed countries or measuring global sales-based globalization (Cavusgil & Knight, 2015; Martin & Javalgi, 2016). Family-owned SMEs and limited literature on globalization have been documented in developing countries because family-owned businesses have significantly different plans than non-family businesses.

Pakistan is a major contributor to the global market, being in the most populous countries in world, by that time around 6.8 million businesses were registered in the Pakistan (World Bank, 2018). About 90% of the businesses were registered as SMEs and have been owned and operated by the families for most of the decade (Adom, 2015). With the appearance of the financial integration in foreign business after entering the international markets, the SMEs from the Pakistan also begin to participating in international markets and acquired their own shareholding. On the other hand, the existing family-owned businesses are operating internationally and also losing market shares and most family-owned SMEs are struggling to showcase the international market (Kano & Verbeke, 2018; Rahman, Uddin, & Lodorfos, 2017). Pakistan's total exports are US\$ 24.7 billion and SMEs in Pakistan contribute significantly to Pakistan's total exports. The SMEs give about 40% of the national GDP and about 80% of non-agricultural labor (SMEDA, 2018). The process of crossing borders and the need to move the beyond the market of the country is very inevitable today. Large companies or multinational enterprises (MNEs) face fewer constraints than SMEs (Etemad, 2004).

In the Pakistan, SMEs have immense potential for improvement and development in the national and in the international markets due to their geographical location, the skills and also resources (Rabellotti, 2016). Although there are multiple obstacles to the expansion of SMEs in international markets, promoting this sector can have a profound impact on Pakistan's economy (Hitt, Li, & Xu, 2016). There has not been much research on the functions of the SMEs and the forces affecting internationalization of it. There is a gap in the literature in this topic (Bose, 2016). However, in the context of the Pakistan, there have been very few studies conducted on internationalization of the SMEs. According to a recent survey, the product diversity, innovative entrepreneurial capabilities, business opportunities and market information availability these are the most important and major factors in becoming international (Zhou & Wu, 2014). On the other side, the trade barriers and constraints, as well as needless grow in the non-development budget, have also limited the ability of the small businesses to enter international markets in Pakistan (Anwar, Shah, & Khan, 2018).

RESEARCH METHODOLOGY

In this article, we use the Systematic Literature Review (SLR) method to analyze the previous frameworks and propose a new theoretical and conceptual framework. The previous research or studies in the field of the international entrepreneurship has focused on financial results of international business activities such as the net income or the return on assets, also largely ignoring the firm's international financial results based on degree, speed and scope, the process of stream or inputs, the production processes, and also other organizational factors. The relationship between the financial performance and also the international business activity is often small and also not significant (Hilmersson & Johanson, 2016). However, these relationships go back and forth between accounting issues (such as fixed cost allocation, the asset recovery, and acquisitions vs. acquisitions, sales revenue recognition, profit and income tax concerns) as well as the timely recognition of the expenses and also sales revenue. In addition, the financial consequences of globalization tend to overlook the important planned benefits resulting from these activities, and such as overall improvement in management insights, the technology learning, also networking, and competing firms.

This study examines the idea of globalization by focusing on the non-financial factors for family-owned businesses, as family-owned businesses focus more on strategic performance than the financial performance. Prior to the this research in field of globalization, the focus was primarily on the high technology industries, whose samples are mostly drawn from the United States and also from other developed countries. This study incorporates four external concepts that have not yet been well established in business studies or research in the family-owned business: Global mindset, the organizational resources, the organizational capabilities, and also the management experience. The trivial theory of the dynamic

capabilities established that the organizational resources and also the organizational capabilities which lead to the competitive benefit, and which contributes to globalization. Furthermore, the market dynamics and also the regulatory frameworks are different in the worldwide, so the organizations require to deal with the market dynamics and also regulatory frameworks. This research framework provides the SMEs with the ability to provide strategic and the operational recommendations and to provide policy guidance to family-owned organizations, Pakistani government and organizations which is operated by these families.

INTERNATIONALIZATION AND GLOBAL MINDSET

To see the meaning of term 'global mentality or mindset', it is necessary to first understand the basic concept of the 'mentality or mindset'. The concept of mentality began with the field of academic psychology and the later organizational theory, where the researchers in these fields study how the people and the organizations understand the world with which they interact (Mendenhall, Osland, Bird, & Oddou, 2017). While simplifying the technique adopted by the Srinivas (Mendenhall et al., 2017), global mindset consistent on two sections; knowledge and the skills. The Knowledge is the existence of the differences and also skills which is the ability to put the knowledge in the form of practice. Describing the forms or shape of the knowledge which require to promote the global mind-set, which is listed into 3 specific academic bases that must be a manager:

- Mastering technology, the information or data systems, and also the telecommunications systems
- understanding of social political factors in different kind of countries in which firm operates
- The definition of the role of the culture and their (cultural) issues that influence management decisions.

The global mentality of managers has recently been emphasized as a condition of firms' early globalization (Muzychenko & Liesch, 2015). Numerous empirical studies which support this important role of the global mindset on the firm's international business activities (Knight & Liesch, 2016). Fuerst and Zetting (2015) found that the new projects led by global monitoring managers can be rapidly and successfully internationalized. Andresen and Bergdolt (2016) also reported a positive (+) link between the global mind-set and also the global performance of the SMEs in their study.

Finally, Felício, Meidutė, and Kyvik (2016) discovered that increasingly internationalized firms appear to be more globally oriented than the other companies. The global mindset involves pragmatic activity, which is related to entrepreneurship in terms of awareness and markets, which is relevant to the international context. Further, the commitment is related to the activities of the top level managers can positively or negatively affect the entire of the organization. Likewise, the international outlook relates to entire organization positioning itself as an international market that leads to globalization (Thanos, Dimitratos, & Sapouna, 2016).

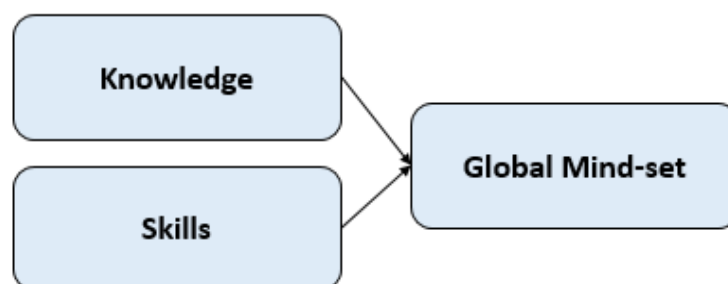


Figure 1. Global mind-set

THE COMPETITIVE ADVANTAGE AND THE ORGANIZATIONAL RESOURCES

According to the research-based view theory, the organizations with the strategic resources, which include the resources that have valuable advantages over rare, imitation-difficult, and non-alternative other competitors (Ndeisieh, 2018). Strategic resources do not include cash and solid assets. The strategic resources which include the organizational processes, the resources, also capabilities that are so rare, so it

can be difficult to take on competitors. The Strategic resources can be trademarks, the patents, and the other resources, which can be difficult to duplicate and should not be substituted.

Family-owned businesses which is operating in the Pakistan are unable to focus on the developing organizational strategic resources due to the lack of the technical and also formal education, as a result, business failure rates are also rising (Kano & Verbeke, 2018; Salanova, Agut, & Peiró, 2005). However, if these factors are underway and produce a positive product that ultimately leads to competitive advantage (Anwar et al., 2018).

THE COMPETITIVE ADVANTAGE AND THE ORGANIZATIONAL CAPABILITIES

J. D. Teece, Pisano, and Shuen (1997) described organizational capabilities in the dynamic capability view theory, such as “the firm’s ability to the unify, the build, and the re-create internal and the external capabilities to cope with a rapidly changing environment”. Similarly, Helfat and Winter (2011) the documented that, “an organization’s ability to deliberately create, the expand, and also modify its resource base”. The Underpinning Assumption is a dynamic capabilities framework to maximize a long-term competitive advantage, organizational capabilities should be used to modify the short-term competitive position. Organizational capabilities include practice, learning, and acquisition of new assets and replacement of existing assets, networking and orchestration of assets. Furthermore, D. Teece, Peteraf, and Leih (2016) point out that organizational abilities are an important factor in the terms of the organizational resources and also the competitive benefit as the organizational abilities which increase the organizational resources. However, this kind of resources will also increase the competitive benefit. Since family owned SMEs in the Pakistan are working on the traditional patterns and also lack of innovation, the processes and the lack of the technical and the vocational education unable to form systemic networking (Bose, 2016).

THE COMPETITIVE ADVANTAGE AND THE GLOBALIZATION

From 1980s to the 1990s, the researchers in this field of the strategic management turned their attention to factors related to industry consolidation and concept of the competitive advantage emerged (Barney, 1986; Wernerfelt, 1984). Term the competitive benefit is essentially an attribute which allows a company to outperform its competitors. The competitive benefits can be relay on the 3 factors. The benefits of the products that go to the consumers, the needs and demands of the consumer of the market and the competition in the competitive environment, goals and products (Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015). Organizations need to align their processes to achieve competitive benefit, learning through the innovation, and the acquisition of the new assets or also replacement of the old assets which is based on the strategy (Saebi & Foss, 2015). However, the process of family-owned SMEs in the Pakistan lacks innovation or the acquisition of the new assets and fails to provide systemic development to the networking buyers and also the suppliers in the international markets and, consequently, market share in the international markets and losing competitive advantage (Burns, 2016).

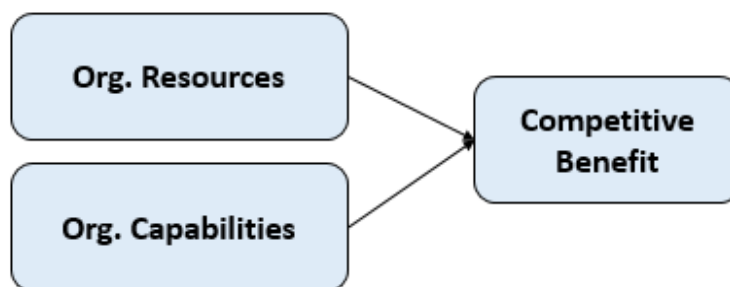


Figure 2. The competitive benefits of the organizational resources and capabilities

THE MANAGEMENT EXPERIENCE AND THE GLOBALIZATION

Traditionally, the process of globalization has both long-term financial resources and the intangible assets, such as the management skills and attitude, human capital, also innovation and technical

capabilities, and the information about the foreign markets and the business opportunities has been stopped by the shortage (Dominguez & Mayrhofer, 2017). The International work experience is force asset which fosters a source of the comparative benefit that leads to the developing countries becoming automatically the international. The international education is relay on the certain conditions which is related to being international, for example, the international education, border education, and also cross-border education (Knight & Liesch, 2016). Role of the international education in the terms of the globalization is too clear and is leading to the success of the developing countries. Attending conferences/exhibitions helps firms achieve the status of the being international by increasing networking based on participation in exhibitions organized by international as well as the domestic conferences, the regulatory authorities and also associations. The Managers and owners require to attend exhibitions and the conferences to increase the level of the networking to reach the status of the globalization (Anwar et al., 2018).

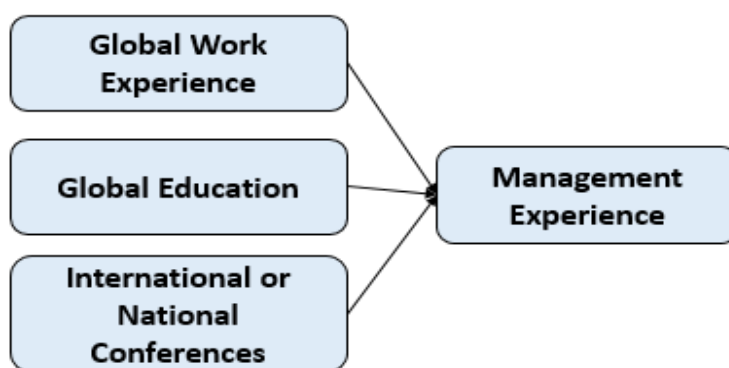


Figure 3. Management experience and globalization

THE GLOBALIZATION AND MARKET DYNAMICS

Increasing the levels of the globalization among the businesses and international competitiveness have led to require for the governance in international market (Dunning, 1997). Furthermore, the firms require to consider the dynamics of the market in order to remain in international markets. The market dynamics and the international markets are the interdependent and also periodic interdependencies indicate the upward trends (Surugiu & Surugiu, 2015). For example, the entry of a firm into the international markets that may be smaller or larger than that of existing market firms reorganization and the interdependence between them need to be established. Level of mutual dependence rises when firms and the markets reach the highest levels (Parida & Ortqvist, 2015). The SMEs require to consider the dynamics of the firm as well as the market dynamics to achieve the state of the globalization, firms considering market dynamics cannot effectively achieve status of globalization.

THE GLOBALIZATION AND THE REGULATORY FRAMEWORK

Regulatory framework of the overseas markets is a very main and important part and it is very important for domestic companies to understand the required for globalization. Further important factor as of the some international markets locations in the relation to the domestic one are selected as the simplest markets due to the regulatory framework (Hong, Wang, & Kafouros, 2014). However, there is a gap in regulatory framework in relation to developing and the developing economies, and the firms require to consider regulatory framework while the focusing on state of the internationalization.

Furthermore, the assumption regarding disciplinary pressure assumes that the pressure forces firms to innovate with a win-win situation and also to gain sustainable competitive advantage in the international markets. Despite the increasing literature on intersection among the family-owned SMEs and the globalization, this research article area is also still searching for the ultimate knowledge that matches the contradictory results obtained (Merino, MonrealPerez, & SanchezMarin, 2015). So far, only 2 recent reviews of our knowledge have been published by Kontinen and Ojala (2010) and Calabrò, Torchia,

Pukall, and Mussolino (2013), family firms are not banned or export activity is facilitated. For example, where some studies, for example, Roberts, Zhuge, Monga, Gareau, and Laperle (2017) found that smaller size, and the flexibility of the management groups in the family firms enable them to react quickly to the new global opportunities.

With the emergence of the theory of financial integration and direct foreign investment, SMEs are beginning to push across borders and emphasize resource-driven vision and dynamic capabilities on strategic development that provide internal strength to the organization that could have a competitive advantage facilitate SMEs in international markets. A number of factors were observed when comparing domestic and international projects; The Business team knowledge, experience, technical and the market knowledge and potential role of a proactive movement toward the international vision, commitment and the globalization (Park, 2017). Getting competitive benefit is an important factor that is provide a foundation for SMEs to work in international market. The based on organizational resources and the capabilities SMEs recognize and the process unique capabilities that provide competitive edge in the international markets (Kim & Hemmert, 2016).

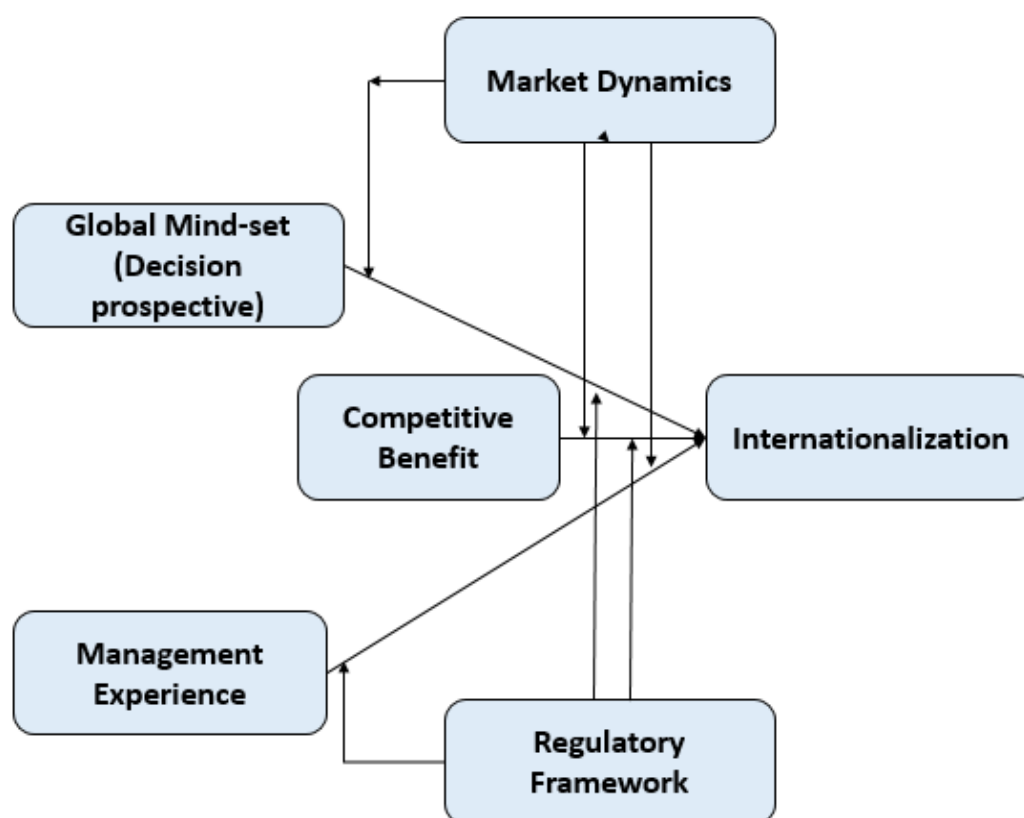


Figure 4. Market dynamics and regulatory framework for globalization

In this competitive environment, organizations limit the emission of information and use copyrights or patents to address short-term competitive advantage, and firms using long-term sustainable competitive advantage organizational resources, capabilities and management experience develop their own strategies for management (Martinez-Conesa, Soto-Acosta, & Carayannis, 2017).

The insight and the high management experience, directly and also indirectly, play a vital role in globalization of firms (Hernano & Martín-Cruz, 2016). The literature has documented that SMEs in the Pakistan have a great potential and the opportunities in the international markets (Shah, Javed, & Syed, 2012). There are significant obstacles to achieving globalization status through SMEs; Global capabilities of management, and the management experience, the competitive positioning management of the organization resources & the capabilities or also substantial capital (Gardó, García, & Descals, 2015). The Government of the Pakistan introduced policies and the reforms to ensure the availability of

the financial resources to SMEs on easy terms (Khan & Abasyn, 2017). Focusing on the condition of SMEs in the Pakistan, the SMEs require to address some of the contradictions to achieve the status of globalization (Bilal, Khan, & Akoorie, 2016).

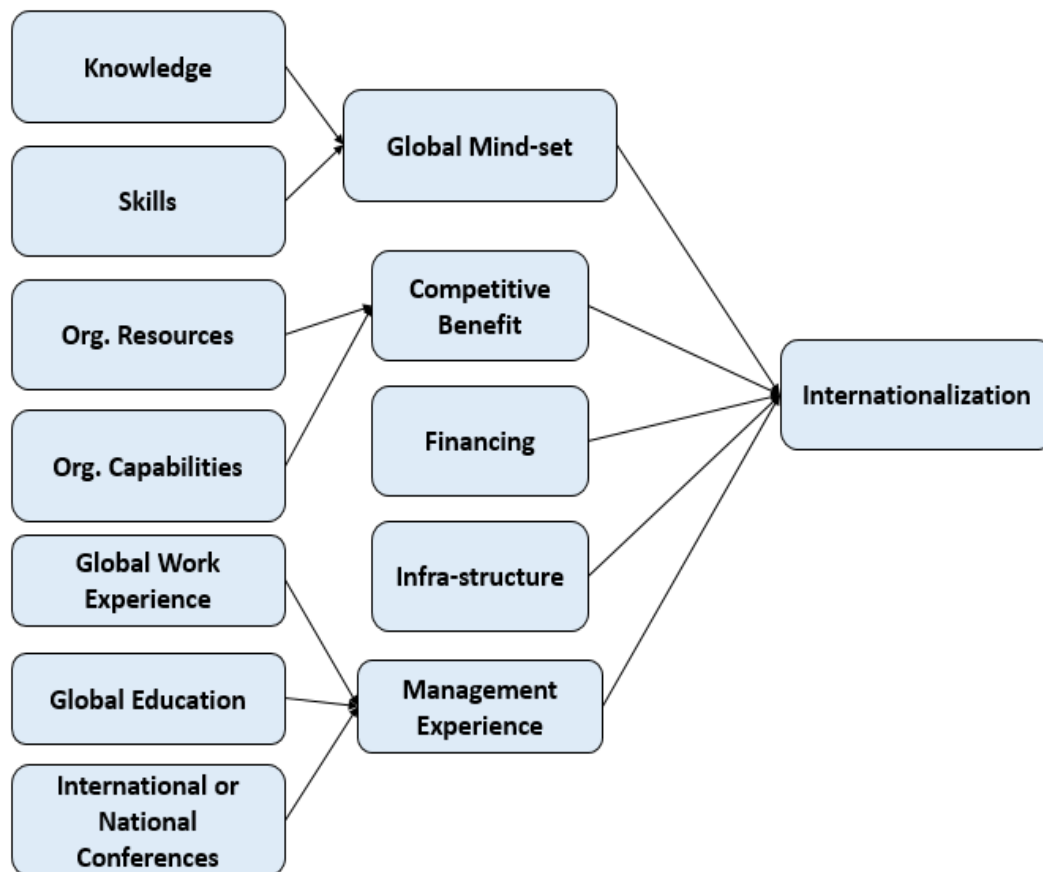


Figure 5. The conceptual framework

The theoretical and conceptual framework is a modification of previous old frameworks. There are some other factors recognized from the literature review that can have influence on the state internationalization in case of Pakistan including Knowledge, skills, org. resources, org. capabilities, global work experience, global education, and also international or national conferences.

The main factors are global mind-set, competitive benefit, management experience and the financing, infra-structure is linked with the market dynamics and regulatory framework. These all section are directly linked with the State Internationalization. Supply chain financing is a consideration issue that effect the development of SMEs on both national and international basis.

There has been little research on the globalization of SMEs in the Pakistan. Most research tries to answer "what" questions. The "how" and "why" questions are not so common and they are qualitative research rather than quantitative research. This research will allow SMEs to explore challenges during the globalization phase in Pakistan.

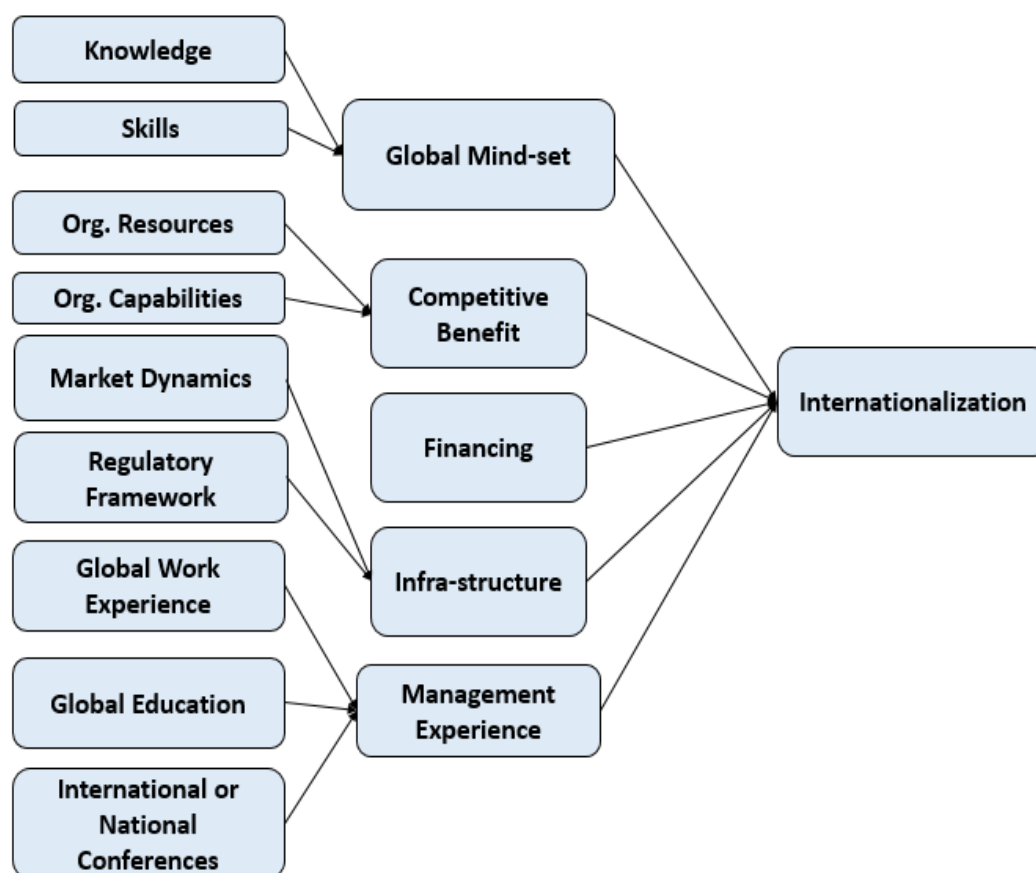


Figure 6. Our detail conceptual and theoretical Framework

THEORETICAL CONTRIBUTION

The personal construction theory shows that people create expectations from their environment based on the theory of environment formation. Schema theory shows that persons follow their schemes or the cognitive models which represent the general knowledge about the given the stimulus field (Fiske & Taylor, 1991).

Both the assumptions and information about the environment can be especially very important for the strategic flexibility capabilities, as information on the cause and the effect relationships can decrease decision-makers' demands for information or data processing and so on and to their race decision options. From the resource-based view (such as Conner (1991); Eisenhardt and Martin (2000); Mahoney and Pandian (1992); J. D. Teece et al. (1997); Wernerfelt (1984) capabilities are the intangible resources or the assets, which are formed in the deployment of components such as the skills, the learning and also knowledge such as tangible or other intangible resources or the assets. Strategic flexibility abilities can be thought of as the dynamic capabilities (Eisenhardt & Martin, 2000; J. D. Teece et al., 1997), as they relate to the formation of the new resources needed to cope with change in previous one.

LIMITATIONS AND FUTURE DIRECTIONS

The study is limited to non- financial factors for family-owned businesses, financial factors will be considered further. The study is limited to Pakistani SMEs framework. Each country has different nature of SMEs so different countries will bring different impacts. The study involve theoretical review, other methods will bring fruitful effects. Future research studies should experimentally test framework in the Pakistan or the South Asian region because the basic dynamics of the South Asian countries are similar across cultures and core values.

CONCLUSION

This study is intended to contribute to the literature on the status of internationalization of the SMEs, the particularly in the context of global mindset, the organizational resources, organizational capabilities, the management experience, market dynamics, and also regulatory frameworks to address the status of the globalization in Pakistan, the address needs to be addressed the general Chat Lounge. The literature on firms' globalization is primarily based on the research from all South Asia and other countries. The SMEs in the Pakistan are also facing the problems and also challenges in terms of the international activities, while in the South Asian countries are also successfully acquiring SMEs in the international markets. For example, the 86% SMEs in the Taiwan, SMEs are exporting their final products and also contributing 91% of total exports, while the SMEs in the Pakistan have unable to retrieve significant share of international market in addition to one or two sectors. Pakistan's SMEs lack the understanding of the global markets, the dynamics of the international markets, the access to the channels and also the lack of knowing about which channels are suitable for them. SMEs in the Pakistan are functioning on the traditional patterns and also the SMEs in the Pakistan are influenced by the families, so families design business strategies, which is increasingly difficult to modify based on business environment. Innovation is key in current competitive business environment, in order to maintain the competitive benefit in the market, firms require to manage the organizational resources and also capabilities to compete in market. The management experience is a major or important factor for the success and the survival of the SMEs in international markets as dynamic and the regulatory framework of the international markets is different from that of locals. Therefore, the management experience guides SMEs to gain the competitive benefit or desired market share. In the Pakistan, most businesses are registered as the SMEs have the potential to grow and develop in the relation to a number of key factors in the national and international markets, which this research has described. SMEs face issues such as lack of the global mindset, lack of the effective management in organizational resources, lack of the effective management in the organizational capabilities, and also the lack of management experience in terms of the globalization. By considering these factors and the adjusting policies & the strategies accordingly, SMEs can achieve international status, which can have a profound impact on the Pakistan's economy.

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