

OPERATIONAL AND PSYCHOLOGICAL ENTRY BARRIERS FOR U.S. SMES IN INTERNATIONAL MARKETS: A QUALITATIVE ANALYSIS

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ABSTRACT

An increasing number of SMEs are involved in international activities. However, despite technological advances and the ubiquitous presence of the Internet and electronic commerce, many SMEs continue to face structural and psychological impediments that limit their ability to engage in international business. These challenges have persisted over time and new private and public initiatives may be needed to bolster SME participation in international business. In this paper we report on a qualitative survey involving telephone interviews with ten individuals that are either involved in international business or promoting international business at SMEs. The interviews provide a greater understanding of structural and psychological barriers to SME internationalization. We explain our results in light of the theory of planned behavior and the competing values model similar to Karimi et al. (2017). Our findings help explain why many trade promotion programs are underutilized by SMEs.

KEYWORDS

International business, small businesses, small and medium sized enterprises, SME, SME barriers, barriers to globalization, psychological barriers, risk aversion, survey, qualitative, structural barriers, theory of planned behavior, competing values model, trade promotion

INTRODUCTION

Small and mid-sized enterprises (SMEs) have a potentially important role to play in the global economy (Office of Advocacy, 2019a, 2019b; Wilmoth, 2019). International business has long been considered the domain of large multinational corporations; however, a growing number of SMEs engage in some form of international business. Despite the advent of the Internet and the growing significance of electronic commerce, many SMEs continue to fall short of their potential to exploit international opportunities (Shooshtari et al., 2017). In early 2020 over several weeks, we conducted hour-long telephone interviews with ten respondents in the Northwest U.S. to help

shed more light on SME internationalization and gain more insight about opportunities and challenges facing these firms. We asked all of our respondents a set of standard questions regarding SME internationalization that was shared with them in advance in writing (see Appendix). The respondents, however, did not strictly follow the questions and we allowed the respondents the flexibility to offer comments based on their experience and their line of business, rather than requiring them to strictly adhere to the formatted questions. We wished to avoid stifling their willingness to provide candid and relevant comments in the interview process. The ten individuals we interviewed included two World Trade Center presidents, two state-level international trade officers from the international trade department, and six individuals that were owners or managers of SMEs involved in international business. These interviews yielded valuable insights about SMEs doing business internationally and their comments are synthesized below. One of our major insights was that there are many psychological impediments to internationalization that SMEs must overcome. We highlight some of the relevant literature on the psychological aspects of risky entrepreneurial activities such as venturing into international markets. A literature review of business-related impediments to SME internationalization can also be found in Love and Roper (2015), Manuel and Shooshtari (2019), and Shooshtari et al. (2017).

LITERATURE REVIEW

In every state, small businesses comprise the vast majority of businesses and in 18 states the majority of employees work at small businesses. Florida and Nevada have the lowest percentage of employees in the workforce working at small businesses with just under 42%. Montana has the highest percentage of workers employed at SMEs at 64.8%. In aggregate, about 47.3% of the workforce is employed by SMEs. SMEs also created 1.6 million net new jobs in 2019, and there were over 285,000 small business exporters (Office of Advocacy, 2020a, 2020b). Although 285,000 appears to be a large number this represents less than 1% of total small businesses. Thus, many SMEs may not be fully exploiting their potential to grow in international markets despite reductions in transportation and information costs that have occurred due to technology improvements and globalization that have greatly reduced the cost of international market entry (Delehanty, 2015; Wood et al., 2015). These costs are particularly important for SMEs who lack scale economies that allow large firms to negotiate cost reductions on large shipments. SMEs also typically have a small staff (if any) that can be dedicated to developing international markets and exploring different methods of shipping (Drzeniek-Hanouz & Doherty, 2013). While many SMEs have exploited the reduced search-costs associated with locating customers over the Internet, and the general growing prevalence of e-commerce activities to generate international sales, many SMEs appear to be falling short of their potential (Shooshtari et al., 2017; Wright et al., 2007). In a recent survey of SMEs in the four U.S. states of Washington, Oregon, Idaho and Montana, Manuel and Shooshtari (2019) found that many issues continue to hinder SME internationalization and that these issues have consistently persisted over time.

Small to midsize enterprises face many business and psychological obstacles when considering entering into international markets. Some barriers are environmental, or external to the firm, and some are internal having to do with management structure, knowledge and experience, and managerial psychology. Typical external barriers include the inability to obtain private or

government assistance to overcome knowledge or financial barriers, including having to deal with complex rules about export destinations, tariffs, customs classifications, and shipping requirements (Roy et al., 2016). Other barriers include payment collection difficulties, inability to locate a foreign distributor, inability to compete in foreign markets, and unfamiliarity with cultural differences. Lack of information about foreign markets and distributors is one of the most commonly mentioned constraints for SMEs (Zarei et al., 2011). Other external barriers would include higher bank financing costs to fund exports, difficulties in marketing, or changed product or service requirements. Marketing and logistics issues can raise barriers as well. These include the inability to price the product competitively, finding reliable shipping that is cost effective, and obtaining the expertise needed to deal with foreign distributors (Hilmersson & Johanson, 2016; Love & Roper, 2015).

Other internal barriers include resource constraints on managers' time and a lack of managerial expertise that is needed to develop foreign markets. Many SMEs cannot afford to conduct their own market research and instead they must rely on personal contacts or experience, often operating opportunistically rather than pursuing a comprehensive international strategy (Rundh, 2015; Francioni et al., 2015). Flexibility in both production and marketing may be needed when proceeding into international markets and many SME managers lack the experience needed (Love & Roper, 2015).

Industry matters as well; knowledge intensive SMEs are more likely to follow a strategic process in internationalization than many other types of SMEs (Olejnik & Swoboda, 2012; Carlsson & Dale, 2011). These types of firms tend to be further along in internationalization than manufacturers. According to Wach (2015), Kontinen and Ojala (2012), and Fernandez and Nieto (2005), the degree of international operations is often impacted by ownership structure in family-owned SMEs. Fragmented ownership may be associated with slower movement into international markets with growth in fits and starts. In contrast, concentrated ownership power is often associated with more rapid growth of international operations. Managerial attitudes, education, and experience also impact the firm's degree of international operations. Exporting is often one of the first methods of entering international markets because exporting is cheaper, faster, and requires fewer management skills compared to activities such as licensing or greenfield investment (Roy et al., 2016).

Korsakiene and Tvaronaviciene (2012) report a stage of development effect at the country level that they use to help explain differences in SME internationalization between Norwegian and Lithuanian firms. SMEs in both countries have faced increased competition from globalization that resulted in a need to expand internationally. Many Norwegian SMEs engaged in more advanced forms of internationalization such as licensing and joint ventures whereas Lithuanian firms were predominantly exporters. The authors conclude that part of the explanation lies in the lack of international experience among Lithuanian SME managers and the sparsity of examples of success in the more involved methods of conducting international business. These are examples of internal barriers, which may in part be deemed to be psychological barriers, to pursuing more complicated means of internationalization.

It is well documented that more entrepreneurial managers are more likely to engage in riskier activities (Macko & Tadeusz, 2009). Pursuing international operations may be considered a riskier

activity than purely domestic operations for a SME without international experience. Risk aversion in general impedes engaging in new riskier activities (St. Amour, 2004; Stewart & Roth, 2001). Seeking overseas markets is often considered a riskier activity for many SMEs so risk aversion is likely to limit SME participation in global markets. Even if SME managers do consider international operations, the psychology of risk aversion may impact the information seeking process and how it is interpreted by managers. This may lead managers to overestimate the risks involved. We draw on the entrepreneurial literature to help understand the psychological factors that affect the extent that individuals may engage in risky entrepreneurial activities such as seeking out new international markets.

Surveys of students by Sandhu et al. (2011) and Porcelli and Delgado (2009) have found that risk aversion, fear of failure, lack of social networking, and dislike of stress and hard work lead students to avoid pursuing entrepreneurial activities. The existence of social networks of peers that succeed in entrepreneurial activities encourage others to attempt riskier ventures. This implies a possible positive network effect that agencies that promote internationalization can exploit. Namely, hosting events or networks that share success stories can encourage others to overcome their fears and their aversion to undertaking new challenging activities. Karimi et al. (2017) examine the relationship between various personality characteristics and contextual factors on the entrepreneurial intentions of Iranian students. Their analysis is applied using the Theory of Planned Behavior (TPB) model. TPB is a measure of entrepreneurial intent that has been shown to predict entrepreneurial behavior as summarized in Karimi et al. (2017). TPB suggests that the likelihood of individuals engaging in entrepreneurial behavior is a function of perceived return on investment of the proposed activity, social norms and expectations about the activity, and how difficult the individual perceives it to be to succeed in the activity (Ajzen, 1991, 2002). The latter characteristic is related to the individual's self-confidence and their belief in their ability to succeed despite challenges (Karimi et al., 2017). While some of their results are specific to their sample of Iranian students and starting new business ventures, there are many generalizable ideas that we can apply to understand SME managers' choices to engage in internationalization.

Contextual factors such as managers' evaluation of firm and industry-specific profitability of developing overseas markets will be an important determinant of the decision to pursue international markets. However, these evaluations are subject to the manager's psychological predilections. Do the SME managers face social pressures to avoid or to engage in global markets? Violating social norms can result in social costs and so have an impact on managers' choices. Are they exposed to success stories from other firms in their industry? Learning that their peers have succeeded in a similar venture may reduce their fear of failure and make them more willing to move into new markets. Managers with an 'internal locus of control,' meaning they are confident that their actions can lead to positive outcomes regardless of external events, are more likely to engage in risky entrepreneurial activities than managers with an 'external' locus of control (Mueller & Thomas, 2001; McClelland, 1961). The latter type believe that external events determine the outcomes of their actions rather than their own choices. These individuals tend to be more risk-averse, and less likely to engage in entrepreneurial activities. Introducing individuals of this type to other businesspeople that have had success overseas may help overcome their risk aversion. Providing these types of success stories may be needed in conjunction with other commonly supplied support measures such as financial support to limit the risk of a new venture.

Hansemark (1998) and Fishbein and Ajzen (2009) indicate that these personality traits can be modified by experience and that managers can learn to be more entrepreneurial over time. Croskerry et al. (2013) present educational training methods and workplace strategies designed for 'cognitive debiasing' to improve medical diagnoses. We suggest that state and federal trade assistance agencies could help SME managers make more informed investment decisions by helping managers identify cognitive biases and in devising training methods to help them overcome their reluctance to internationalize.

Many entrepreneurs have a high need for personal achievement. They are hardworking and enjoy challenges and problem solving (McClelland, 1961). State trade development agencies can present these types of SME managers with international opportunities and perhaps some startup assistance with reasonable confidence that these managers will actively pursue these opportunities. Managers who are more complacent about the size and profitability of their firm are less likely to seek out new domestic or international growth opportunities even when such opportunities are presented to them. For the latter individuals, a more supportive environment may be needed to encourage them to engage in overseas operations (Karimi et al., 2017; Wright et al., 2007). The support needed by these personality types may go beyond financial and informational requirements and may need to include training in goal setting and planning for the future through a process of ongoing consulting. If state or federal funding or expertise for this type of assistance is minimal, then agency activities may be better targeted at managers who have been identified as more entrepreneurial (Fairlie & Holleran, 2012; Wright et al., 2007).

Brettel et al. (2015) describe a Competing Values Model (CVM) that can be used to identify SME business culture and the likelihood that the firm will engage in entrepreneurial activities such as pursuing international operations. The model was proposed by Kwan and Walker (1993). With the CVM model firms are characterized along two different continuums, the extent they are focused on stability versus flexibility and the extent decisions are made based on internal versus external concerns. Firms focused on stability prefer order and control. Flexible firms are dynamic firms that are opportunistic in responding to business environment changes. In the internally focused firm, decisions are usually based on business process improvements to increase efficiency or to increase market scale and tend to be dominated by one or a few managers. The externally focused firm responds more to the external business environment and has more of a group focus. This latter type of firm usually has well-developed performance targets and is goal centered with strong communication among managers (Brettel et al., 2015). Firms that have an internal focus and are stability oriented are less likely to engage in entrepreneurial activities. If agencies can identify these types of firms it can help them understand that additional types of assistance as indicated above will likely be needed to encourage them to engage in new international activities. SMEs that are externally focused are more likely to be amenable to international opportunities and trade development agencies with limited resources may wish to focus on these types of firms. Firms with these characteristics tend to be less risk-averse, more innovative, and proactively seek new business opportunities (Brettel et al., 2015). An assessment tool that can be used to quickly identify the type of firm is available in Cameron and Quinn (2011). State development agencies can help meet their goals of assisting firms in growing their international presence by understanding the psychology of different types of managers and how the firm's structure impacts the likelihood of pursuing growth in international markets.

INTERVIEW RESULTS

We interviewed two directors of World Trade Centers to gain insight into their work with SMEs in their respective states. World Trade Centers (WTCs) are involved in a variety of activities to help develop international business opportunities for local businesses (WTC Montana, 2020). Many of the firms that seek assistance from WTCs are smaller firms that do not have the resources and in-house expertise to do so on their own so they are a good source to learn the challenges that small firms face in developing international business.

There was significant overlap and agreement between the responses to our questions by the two WTC directors. They both considered international business to be riskier than domestic because of geographical distance, and both indicated it is more complicated because of trade rules and tariffs. Many SMEs that have not conducted business overseas do not understand trade documentation and how to ship abroad. According to these directors, SMEs need help in conducting their due diligence and in networking to successfully find international customers and suppliers. They both noted that SMEs often do not get involved in international business because of a lack of capital and other resources, lack of a tradeable product, and lack of strategic thinking. The directors believed that many SMEs are often content with their domestic operations and markets and found it difficult to get out of their comfort zone to pursue overseas markets. Some SME managers seem to think you have to be a big business to get involved in international business.

One of the roles of the directors is to encourage SMEs by pointing out potential market opportunities that are a good fit for an individual SME. Many SMEs do not have someone with international experience, nor have the ability to have a dedicated international staff person. A lack of international experience continues to be a major obstacle. WTCs can provide training assistance and small grants to help SMEs engage in international sales and production, but many SMEs do not seem to be aware of this or are not aware of the minimal costs involved. The WTC directors stated that SMEs don't realize that international customers are often more alike than they are different and want similar products. If your products sell in the U.S., they will probably sell abroad. The advent of Internet e-commerce has been a boon for SMEs that reduces direct search costs in locating buyers. In many cases when SMEs engage in web sales, they are surprised to receive inquiries from abroad and are not prepared to deal with international customers. There are additional issues that must be considered when shipping abroad. These include tariff classifications, taxes, shipping costs, and country regulations. WTCs, state trade development agencies, and private-sector freight forwarders all have expertise in helping a SME sort through these complexities. These often require firms to be flexible and to learn from their experiences. For instance, one interviewee indicated they learned the hard way that you cannot ship liquids to certain Middle Eastern countries. The firm reformulated the product and continued to develop its international sales. This indicates the need for SME managers to have a flexible mindset and to be willing to adapt and address problems that emerge in serving international markets.

According to the WTC directors, it is very important for firms to hear and learn about the successes of other SMEs, especially those in similar lines of business. WTCs bring SMEs together for networking events. Many of these are broad-based rather than industry-specific. Trade shows are,

however, often regionally and geographically focused and industry-specific. They encourage SMEs to establish peer-to-peer connections with those who have similar concerns and experiences listening to other firms discuss what works and what does not. Venues to share stories of other SMEs that have succeeded internationally are encouraging to all.

In the WTC Director's experience, SMEs that sell services are generally ahead of those selling hard goods when it comes to engaging in international business. Firms, such as high-tech software providers; tend to be more proactive and respond to new opportunities faster than many goods manufacturers. They also indicated that SMEs that are successful domestically have a higher chance of succeeding internationally, and firms that are not doing well in the home market should not expect to succeed in international markets. In other words, going global is not a recommended way to shore up a troubled firm. One final remark by the WTC directors was that the policy inconsistencies of the current U.S. administration in the last three years have made it more difficult for SMEs to pursue international opportunities.

We had an opportunity to interview two state officers engaged in international trade development. There was a significant overlap in their responses as compared with the two World Trade Center Directors. The trade development officers indicated that many small companies lack the knowledge and technical details needed to engage in international business. They also noted that many SMEs do not have a dedicated person in charge of doing business abroad. Major obstacles include not understanding what is needed in international sales, shipping complications, and a lack of resources to develop international markets. State assistance can help reduce the technical barriers and help with the additional documentation required. They indicated that bigger companies that are regionally active beyond one state are more likely to have international sales or operations. We asked whether international business remains riskier than domestic operations and according to these two officers, international business is not much riskier. It requires more effort and some additional due diligence on the part of the SME. Business opportunities in Canada and Europe, in particular, are easier to exploit because of similarities with U.S. culture, etc. The WTC directors and the state officials noted that business complacency was a major barrier to pursuing international opportunities. In other words, quite a few businesses are happy with their current situation and do not want to put more time and effort into their business to make it grow.

States can help SMEs build international business contacts. Both international trade officials commented that the state provided substantial financial assistance to help pay for attendance at international trade shows through a state trade expansion program that many states employ. These types of programs are designed to put SME managers in touch with potential clients and supply chain firms in foreign markets. It is not clear how many SMEs are aware of these resources and how they value them. Earlier survey work indicates that many SMEs don't value these potential opportunities, perhaps because of some psychological barriers discussed above. The officials stated that the Internet has made it far easier to sell directly to overseas consumers. Picking partners and distributors and doing market research is also easier for SMEs. The officials indicated that many SMEs do not need to have a dedicated international businessperson, rather all that is required is someone who will make the effort to figure it out. State-level agencies can help answer questions, provide financial assistance, and locate contacts.

Similar to the WTC Directors, the state officials noted that sharing success stories, especially among firms in similar lines of business is very important. They have found that industry-specific trade missions are also very helpful. Importantly, both officers stated that SMEs that are successful domestically are more likely to succeed internationally. This observation is consistent with similar comments made by the World Trade Center Directors. The trade officials noted that success in international business wasn't all that different from succeeding domestically. Their advice to SMEs was to offer a high-quality product to international customers, offer good customer service, getting to know their customers and distributors, and focus on solving customer problems to create trust with the customers. Even in the age of the Internet, they emphasized the importance of face-to-face relations and establishing rapport with their customers and foreign distributors.

Our interviews with six SMEs managers included five that were doing business internationally and one that had since ceased its international business sales. We have divided the comments from the respondents into structural and psychological impediments. Structural impediments refer to factors such as lack of resources, lack of knowledge about doing business internationally, not having identified a customer base or contacts, and lack of distributors and intermediaries in international markets. Psychological impediments include factors such as fear of the unknown that prior survey results and our discussions with the WTC Directors and state trade officials indicate keep many SMEs from becoming involved in doing business internationally, and reluctance to lose control over their business as it grows. Many SME owners/entrepreneurs see their firm as an extension of themselves and their personal success. Some owners/managers just don't want their business to grow very much. Their business is designed to provide an adequate income to support themselves and their hobbies. They are not willing to put in the time and effort required to engage in the more complex world of international business.

We asked both specific questions about their firm's international experience and general questions about why they believe other firms do not participate in international sales or production. Our telephone surveys showed a general consensus that many smaller firms did not get involved in international business because they lacked the knowledge and resources to do so. Several respondents indicated that competing domestically was challenging enough and firms may not have the additional resources, capacity, and wherewithal to take on international markets. They considered international trade more complicated because of higher documentation requirements such as shipper's letter of intent, commercial invoices, etc., and other complexities such as compliance with NAFTA/USMC rules and language barriers in dealing with foreign entities. Receiving payment was also a concern for some of the SMEs we interviewed, and they mentioned instances where receiving payment from their customers was problematic in countries such as India and Russia.

On the psychological side, they noted that many smaller firms are afraid of the risks involved in becoming involved in international markets. Our interviewees felt that these risks are overblown. This is a major psychological factor. In their perspective, SMEs generally viewed export compliance to be complicated and initially daunting when initiating international operations, so many do not want to put in the effort needed to get started. Many considered navigating shipping and negotiating freight deals to be a major headache. The interviewees stated that other issues may arise with overseas sales or production. These may include dealing with late payments or nonpayment from customers or distributors abroad, demands for advanced payments for purchases

before shipping the merchandise. We realize we have selection bias in our interviewees because most are successfully engaging in international business. Nevertheless, they indicated that these issues should not keep firms from international growth. These businesses found help in solving these problems. Many of the SMEs relied on companies such as DHL, Fed Ex, or UPS to handle shipping details to foreign markets, including several that did business through the United States Postal Service. Some of the respondents indicated that they relied on their foreign distributors to handle the shipping for them. The SMEs we interviewed universally avoided foreign exchange risk by insisting on dollar-based transactions, so the exchange risk was born primarily by foreign customers. In some of the cases where SMEs were selling health and beauty products, individual country health and safety rules and specific product ingredient requirements were mentioned as a challenge. This was particularly mentioned as challenging with regard to health and safety rules for exporting to customers and distributors in the European Union.

The SMEs surveyed acknowledged that there are large opportunities to do business internationally and that there are resources available to help SMEs. They stated that new technologies and the Internet opens the door to easily locating new foreign customers and distributors. They mentioned that both customers and distributors had found and reached out to them through their website. For the European markets, SMEs did not alter or localize their websites, but they did in Asian markets, Singapore, and Australia.

Many of the SMEs we surveyed had reached out to international trade specialists at the state level and were very positive about the assistance they had received. Indeed, a few of the firms reported that they initiated their international entry after receiving such assistance and encouragement from the trade specialists at the state level. Many had taken advantage of trade missions, making contacts, and received low-cost market reports to assess market potential in specific countries for as little as \$300. The trade specialists helped them to identify and elect appropriate trade missions to develop new markets. State-level financial assistance to attend these trade missions and trade shows was also available. This allowed them to find potential customers and distributors in foreign markets. The SME comments supported the proposition that trade assistance helped both materially and psychologically. The trade specialists provided technical expertise, offered tools such as identifying tariff classifications and connected the firms to potential customers and distributors. Importantly, they offered support and encouragement that gave the SMEs enough confidence to take the next step and become involved internationally. The firms we surveyed agreed that international business opportunities are attractive and not that difficult to take advantage of. They believe that many SMEs avoid doing business internationally for psychological reasons. Their initial reluctance results from the fear and uncertainty of operating in a different environment. The hesitancy appears to result from a lack of knowledge and experience about international market operations and the assistance that is available from state and private agencies to help solve these problems, as well as an unwillingness to try new things.

Shipping costs were a concern for most our interviewees. Some of the firms were able to charge higher prices to their international customers to help defray higher shipping costs, while others stated that prices charged to their customers abroad had to be lower because of affordability issues and the presence of other competitors. The respondents who identified the countries in which they did business stated that they were able to charge either similar or somewhat higher prices to customers in Europe, including Germany and Denmark, as well as in Australia and Singapore,

while their prices to customers in Russia and Asian countries such as India and the Middle East were less than U.S. price levels. Importantly, the SMEs surveyed generally agreed that U.S. products were considered by their international customers to be of higher quality compared to other competitors and this often led to additional pricing power

Among the SMEs surveyed there was a strong consensus that to succeed internationally, firms first had to build a solid foundation and successful business operation in the domestic market. None of the firms we surveyed felt a strategy of entering international markets as a way of saving firms that are failing domestically would succeed. Furthermore, they all emphasized the importance of networking with other firms that were involved in doing business internationally from their region, especially if the firms were in the same industry or similar line of business. They considered such networking as a way of learning from each other, sharing their experiences, and joining together to address common problems and challenges. In fact, the SMEs stated that helping establish connections with other firms and bringing them together periodically to share their experiences should be a primary role of state trade representatives in their geographical area.

We interviewed one SME who had successfully engaged in international operations but quit because of the challenges involved. This firm is one of the largest microbrewers in the area with a solid reputation in the industry. The company began to export its products several years ago and was excited about a potentially large market for its premium quality beer, particularly in major Asian markets, such as China and South Korea. We were somewhat surprised when we learned that the company had recently withdrawn from its export markets and was no longer selling internationally. The company exported its microbrew products directly from the U.S. The reputation, quality, and market appeal of their beer was based on being brewed in a certain geographical location in the United States and the purity and quality of its water and brewing process. The manager stated that shipping the products to Asian markets was not difficult and that it was actually quite easy to ship products to China and South Korea.

Several issues eventually turned the company against continuing their exports, however. First, the brewing process and its quality and freshness gave their beer a shelf life of 150 days, which was fine in the domestic market, but the importers and distributors wanted a shelf life of one year which proved impractical. The company also stated it was difficult to find reliable importers that would remain in business over time. As stated by the owner, “importer businesses were always seemingly going out of business; we would develop our relationship, get business rolling and then they would go out of business or just flat out vanish.” All company sales were upfront cash payments in advance of orders being shipped to avoid payment defaults. This policy also limited their ability to find importers of their products. The last major concern stated by the company was the problem of graft; “the pay to play was something we were not comfortable with. It was almost never any cash that folks wanted; they wanted ‘Samples,’ normally between 5 and 10 cases per pallet.” The combination of these issues prompted the company to pull out of its markets in Asia and focus on its domestic business operations. It is unclear whether their concerns could have been resolved in a cost-effective manner with the help of an intermediary such as a large freight forwarder that could have found reliable distributors and refused to pay any graft. This is a case of a firm that is enjoying sufficient domestic success, so that it does not believe that the additional difficulties of going international are worth it.

IMPACTS OF THE COVID-19 PANDEMIC

Our interviews took place at the beginning of the impact of the COVID-19 pandemic in the U.S. and we did not specifically address the impact of the pandemic as at the time as we did not know about the business disruptions that would soon occur. Nevertheless, several interviewees indicated that some of their international travel plans were on hold even then. In the time period after our interviews, the COVID-19 pandemic disrupted global operations with significant health and business consequences. Many firms continue to face supply chain disruptions, but SMEs are more vulnerable than many larger firms. In a recent report by McKinsey & Company, Dua et al. (2020) find that many small businesses entered the COVID-19 crisis with low financial resilience. Among respondents to their survey, close to a third were operating at a loss or just breaking even before the crisis. Humphries et al. (2020), OECD (2020), and ITA (2020) indicate that many small businesses were operating on very small cash reserves that would quickly be depleted.

SMEs faced both demand and supply shocks due to the pandemic. Furthermore, what were once thought of as global supply chains turned out to effectively be Chinese supply chains for many SMEs. Thus, some SMEs were overly exposed to China and were hurt by the shutdown there. Adapting to new business conditions is likely to require a significant investment in technology and the creation of digital platforms for all firms. Baumgartner et al. (2020) maintain that in recent months, structural supply-chain fragility has become a chief business concern as the ongoing repercussions of the COVID-19 pandemic continue around the world. Because of COVID, companies are looking to add flexibility and resilience to their supply chains and not have them centered on China. Making these changes is not an easy process. They offer three major recommendations to firms to deal with this crisis, including rethinking the traditional business models, securing value-chain competitiveness, and digitization of their supply-chain network. According to the Dua et al. (2020) study, even if SMEs can use technology and new business models as a means of survival in the post-COVID-19 world, many lack the capital, people, and access to technology that their larger counterparts have. SMEs also disproportionately operate in industries hardest hit by the pandemic and the shutdowns (Prasad, 2020; OECD, 2020). Eggers (2020) argues that if SMEs can react appropriately, the pandemic may allow innovative small businesses to take advantage of changing opportunities. Many will still need assistance. In short, the pandemic is likely to be an existential crisis for numerous SMEs and many are likely to require financial and technical assistance from both government and private-sector sources to survive (ITA, 2020; Prasad, 2020; OECD, 2020).

CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

We conducted a number of in-depth telephone interviews with international trade advocates and experts, including two directors of World Trade Centers, two trade specialists working for a state department of commerce responsible for international trade promotion and assistance, and six owners or managers of SMEs that were or had engaged in international business. Our aim was to gain additional insight into SME psychological and physical concerns and factors that continue to hamper greater involvement of SMEs in international business. We wanted to go beyond earlier

survey work and learn more about what managers and trade officials think are the impediments to SMEs growing their international operations.

Our findings provide support for earlier studies of operational and psychological barriers to SME internationalization. A lack of interest and knowledge about international opportunities remain primary barriers to increased participation by Northwest U.S. SMEs in international activities. Poor return on investment (ROI) is also often cited as a reason for not participating in trade missions, or in seeking out trade-related government assistance. Our discussions with trade officials and managers indicate otherwise. It appears that fears about international operations, lack of knowledge of state and other programs, and a lack of understanding of how private firms can help transact international business lead to excessive concerns about international activities. This isn't particularly surprising as Sharma et al. (2020) indicate that most small businesses don't engage in international risk assessment. One conclusion we find is that state and federal programs should broaden their marketing to SMEs to better show them the assistance they can provide. They should also facilitate more venues to share success stories and challenges in their region among firms in similar lines of business. The growth of the Internet and social media may provide new means to virtually deliver low-cost programs aimed at providing market and legal knowledge, assisting in trade leads, etc. via these media rather than by holding trade promotion events aimed at SMEs that may require travel time and costs. Integrating the literature on the psychology of entrepreneurship and our results also indicate that trade development agencies should consider targeting resources to firms based on their psychological profile as well as their operations. Some SMEs that can succeed in global markets won't try unless they are encouraged and trained to break through psychological barriers to that cause them to exaggerate the risks and undervalue the opportunities.

The role of small and medium enterprises in international business has been growing and becoming more important (Torres-Ortega et al., 2015). We find support for this growing role in a national survey by Wells Fargo (2017) that found that a majority of the SMEs surveyed that are engaged in international activities see their involvement increasing over time (Wells Fargo, 2015, 2017). Programs that encourage mentoring of SMEs interested in international business by those already successfully engaged in international activities may provide benefits that generic programs offered by federal, state or local agencies do not. States in particular may wish to make available local mentors to SMEs to help overcome perceived barriers due to lack of knowledge, exaggerated belief in the risk of doing business internationally, or perceived poor ROI from such activities.

Many SMEs are underperforming their potential when it comes to engaging in international business. Some of the obstacles facing SMEs are structural and may be difficult to overcome. Others are psychological and can be addressed with appropriate and targeted assistance measures, both public and private, which combined with SME agility and entrepreneurial ability could pave the way for greater international success. An interesting follow up to this study would be to apply the CVM assessment tool to successful exporters and classify the results. The model predicts that successful exporters will be more externally oriented and flexible. If the model is validated then state trade development agencies may be able to i) identify types of SMEs that may be amenable to international market opportunities and ii) understand what additional resources may be needed to encourage SMEs that may not otherwise consider increasing their internationalization. It would also be interesting to determine whether states that have developed methods of spreading success

stories of SME internationalization have seen an increase in international activities by firms that might not have otherwise done so.

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APPENDIX

Interview Questions

1. Do you believe going international is significantly riskier than domestic business? If so what do you do to limit the riskiness?
2. Is it more complicated? If so what should be done to overcome the additional complexity?
3. Why do you think many SMEs don't get involved in IB? What would you say to them to encourage them? Is there a way to disseminate that information?
4. What do you see as new opportunities for doing business abroad?
5. When it comes to doing business internationally, have things changed due to the advent of Internet/electronic commerce? (e.g., finding potential customers, distributors, foreign reps, etc.)?
6. What are some of the major obstacles that make it difficult to do business internationally?
7. What type of assistance or services (private or public) would help in doing business internationally?
 - a. Social network of other business people who are engaging in IB
 - b. Would need to hire more people first with knowledge of IB
 - c. Assistance in finding contacts such as foreign distributors/transportation
 - d. Hearing and learning about other firms' success stories in IB
 - e. Financial assistance
 - f. Trade shows/missions to countries/markets related to my line of business
 - g. Drop in domestic sales would make me look harder at IB opportunities
 - h. Simplified trade rules/reduce tariffs would help to consider IB opportunities
8. What are we not asking that we should be?



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