Underlying Internationalization Process Theories for Small and Medium Enterprises (SMEs): A Systematic Literature Review and Classification of Research Streams

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Abstract

Studies on the internationalization process of SMEs have fascinated the attention of researchers around the world. The dynamics in the internationalization process of SMEs have attracted researchers' interest in analyzing the behavior and the factors that influence it with various theoretical approaches to contribute to the development of international business studies. This paper intended to provide an overview of the various theories applied in investigating SMEs' internationalization process. The review was conducted on 100 journal articles between 2013 and 2020. The investigation results show that 17 different theories have been identified in the internationalization process of SMEs and we classified them into five streams. Based on our findings, from those 17 theories, the five primary published theories in order are (1) Uppsala theory, (2) Network theory, (3) Resource-based theory, (4) international entrepreneurship theory, and (5) institutional theory. This study also provides suggestions and implications for future research.

Keywords— Internationalization process; Internationalization SME theory; Small and Medium Enterprises (SMEs)

I. INTRODUCTION

The involvement of a company in foreign markets can be interpreted as internationalization. The terminology of internationalization follows the definition put forward by Welch & Luostarin (1988) as a process of increasing involvement in international operations. Lu & Beamish (2006) stated that internationalization is a multidimensional concept. Noticeable activities of internationalization are exports and foreign direct investment.

Initially, research related to internationalization activities was directed to large companies (Welch and Luostarin, 1988), with the traditional approach (Ribau et al., 2016). SMEs began to be the focus of internationalization research since the early 1970s by researchers from the Nordic countries. One of the most widely known results is The Uppsala internationalization process model proposed by Johanson & Vahlne...
Based on the Uppsala Model, a company enters foreign markets through a gradual process following their knowledge of the market (Tykesson & Alserud, 2011). Involvement in international markets can have a positive impact on every SME. The study of Jones, (1999) indicates that SMEs' participation in the global market can increase the company's technology and knowledge capability and resource development. Prior studies indicated that SMEs have several internal and external limitations that limit their ability to engage in global markets (Chaldun et al., 2020; Hutchinson et al., 2009). In the other hand, international market activities contribute to the country's payment balance (Wiryanti, 2017)

It is proven that SMEs have a significant role in economic growth (Javalgi & Todd, 2011) increasing their role in global challenges have encouraged researchers to continue to study this research area all over the world (Tarek et al., 2016). Literature investigations show that research topics related to SMEs' internationalization are always interesting to explore and gradually increase (Narooz & Child, 2017). Researchers have produced thousands of papers related to SME behavior and decision making with various lenses and approaches. There are many theories and approaches that are used as underlying theories in SMEs internationalization process research.

This paper is intended to describe the various theories and approaches used in the internationalization process study from 2013 to 2020. The next part will explain the method used to collect and select the article. Later explains the search results related to the theory and approach applied in various studies of SMEs' internationalization process.

II. Method

The investigations show that the authors used various theories in the study of internationalization for SMEs. The systematic literature review focused on Scopus with the consideration that, in general, the papers contained in Scopus have better quality, published in journals that have a good reputation such as International Business Review (Q1), Journal of International Management (Q1), Journal of World Business (Q1), and Journal of Asia Business Studies (Q2). Most of the Scopus paper taken has some citations, which indicate that the paper has become a reference for many researchers in the same field. However, the Literature review also refers to several papers in Science Direct that are selected based on the topic's suitability. Using the keywords "internationalization process" OR "internationalization process" AND "SMEs", 253 articles were obtained. We focus on research papers that apply the theory in empirical studies. Therefore, we exclude the literature review papers, proceeding papers, and some papers that the content was not relevant. The review procedure can be illustrated in Figure 1.

![Figure 1: Review procedures](image)

The criteria used to determine the paper to be included as the basis of this study is 1) study focus on the internationalization process carried out by Small and Medium Enterprises (SMEs), 2) studies conducted between 2013 and 2020, and 3) the article is the research/empirical paper. In the end, a total of 100 papers were selected for further review (Table 1). Based on 100 papers, the next part will explain the result of tracing has been conducted.
Table 1. Theories in SMEs internationalization process studies from 2013 to 2020

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III. RESULTS AND DISCUSSION

A. Result

The investigation of 100 papers indicates that scholars used 17 approaches to study the internationalization process, especially for Small Medium Enterprise (see Figure 2). From Figure 2, it can be seen that respectively, the most widely used theories are Uppsala Theory (38 papers), Network Theory (37 papers), Resource-based Theory (24 papers), International Entrepreneurship Theory (17 papers), and Institutional Theory (8 papers). While other theories are still limited in their application, Organizational learning Theory and Effectuation Theory (3 papers), Knowledge management and Global Value Chain Perspective (2 papers), and Intellectual Capital Theory, PLC, Upper Echelons Theory, Market-Based View, Sustainable business models, Relational Exchange Theory (RET), Internalization Theory, Transactions cost Theory, one paper each.

![Figure 2: Number of papers based on the theory used](image)

From Figure-2, it can be seen that there is different terminology used regarding the approach or theory used for SMEs internationalization process research. Kinds of literature indicate that scholars have different meanings about the term of theory, indicating there is still no agreement among scholars regarding the definition of theory (Metcalfe, 2004; Sutton & Staw, 1995).

According to Gelso (2006), the theory is a statement that explains the relationship between various variables related to certain phenomena that can be tested. Furthermore, Wacker (1999) mentioned that a theory should consist of definitions, domains, relationships, and predictive claims. A theory is applied in a study to conceptualize and explain a series of systematic observations of complex phenomena and behaviors (Thomas, 2017). In simple words, the purpose of theory is to predict or explain (Gelso, 2006).

The literature review shows that some researchers interchange the terms "theory," "approach," and "view," such as "resource-based view" (Jeong et al., 2019; Khoury et al., 2021) and "resource-based theory" (Andersen & Suat Kheam, 1998; Conner, 1991) or 'network approach' (Johanson & Mattsson, 1988) and "network theory" (Hosseini & Dadfar, 2012).

Referring to the definition of theory from these scholars, we argue that although there are different definitions for each theoretical concept used by scholars in the internationalization process reviewed in this...
paper, all can be categorized as a theory since they can fulfill the main point of the definition of the theory above.

According to Table 1, the following is a summary of each theory related to SMEs' internationalization process in foreign markets.

1. **Uppsala Theory**

Uppsala theory or traditional approach is a concept that describes the process of company involvement in foreign markets, which was first introduced by Johanson and Vahlne (1977). This theory explicitly addresses the internationalization of SMEs, especially in Scandinavian countries, and is influenced by behavioral theory (Cyert & March, 1963) and firm growth theory (Penrose, 1959).

According to Uppsala Model, the main factor influencing internationalization is market knowledge (Sharma & Blomstermo, 2003). With their understanding of overseas markets, companies will increase their commitment internally by allocating their resources and increasing external commitments. Furthermore, this model also emphasizes that companies' involvement in overseas markets, especially SMEs, is incremental or gradual, so some researchers call it a staged approach (Chetty, 1999). In line with this approach, the country with the closest geographical location is SMEs' target market because companies can get their initial experience in foreign markets with lower risk.

The Uppsala Model has some critiques from some authors. Oviatt & McDougall (1994) argue that the gradual concept is not always appropriate for SMEs because some SMEs do not go through this phase; they are active in the international market since they start their business. Forsgren (2002) provides criticism concerning market knowledge aspects. According to Forsgren (2002), the company may expand its business abroad despite a lack of adequate knowledge of the targeted market due to tight competition and low domestic market growth. The Uppsala model's initial concept also overrides the influence of current technological advancement allows companies to interact quickly and easily through the internet network so that distance is also not an obstacle to starting a business in overseas markets.

Johanson & Vahlne (1990) then respond to the criticism by setting aside distance from the initial concept. However, distance remains an essential factor in internationalization because it determines. Later on, in 2009, Johanson and Vahlne presented another more profound revision of the original Uppsala model to adapt it for current market and business conditions where networks play a significant role. They suggested that the driver of internationalization is no longer only the market knowledge but mainly the opportunity seen from the firm's network position. The network position substituted the market commitment presented in the original model. They assumed that while the firm strengthens its network position, it realizes more opportunities and gains more knowledge because it is available only for network members. Thus, gaining knowledge in internationalization depends on learning by experiences, building trust, and creating knowledge within the network (Johanson & Vahlne, 2009), and the level of risk and uncertainty.

2. **Network Theory**

The network approach is known as Uppsala's Revised Model. According to the Uppsala Revised Model (Johanson & Vahlne, 2009), the internationalization mechanism is divided into two components, namely state variables and change variables. The state dimension describes the opportunity, knowledge, and network position, while the change dimension represents the process of learning, creating, and building trust in the company's daily activities. The dimension of change is dynamic behavior that can affect state variables, facilitating the internationalization process and vice versa. It can be said that Johanson and Mattsson's (1988) model emphasizes gradual learning and market knowledge development through interaction within networks.

Companies are embedded in the network so that their internationalization process is entirely influenced by their network (Halinen & Torro, 1998). According to Johanson and Mattsson (1988), a firm's networks represent their international or domestic activities. A company's position in the network can be reflected from either a micro (company-to-company) or macro (company-to-network) perspective. In other words, firms are interdependent both through co-operation and competition. Both direct (involving partners in the network) and indirect (involving firms that are not partners in the network) relations within networks need to be considered when analyzing macro relationships.

By combining micro and macro perspectives of networks, Johanson and Mattsson (1988) identified four internationalization stages: the early starter, the late starter, the lonely international, and the internationalized.
Early Starters are classified as companies in markets where suppliers, competitors, and other cooperative firms have limited international links. Companies also do not have access to information about global markets (Johanson and Mattsson 1988). Lonely International is intended for companies where suppliers, competitors, and other cooperative companies from such companies do not have access to international markets. They cannot help companies enter the international market, but they have enough experience and knowledge about international markets, which can be used in internationalization activities. Lonely starters have a weaker position than their competitors, and building a tight network is very difficult (Johanson and Mattsson 1988).

The Late Starter: companies in this category are in an environment where competitors, suppliers, and co-operators have extensive international relations, but the company does not have sufficient knowledge and experience about foreign activities. The relationships with foreign partners through their competitors, suppliers, and co-operators are indirect. Internationalized company: is a company that already have sufficient experience and knowledge of international markets, have strong networks, and enter third countries through a cooperative strategy (Johanson and Mattsson, 1988).

Further, Hakansson (1982) states that network approaches emphasize establishing relationships with partners who can ensure access to resources to help companies realize their strategies, create new opportunities, and generally develop a competitive advantage. The ability to manage relationships within the network is a fundamental factor that supports a company's performance and development (Häkansson & Snehota, 1995). Network boundaries are often varied and potentially borderless (Halinen and Tomroos 2005) because networks are formed from interconnections between various actor such as customers, suppliers, distributors, competitors, government, bankers, and families (Zain & Ng, 2006). Interactions of these actors in networks can help companies acquire the necessary activities, resources, and internationalization information (Auwah et al., 2011). From the network perspective, the internationalization strategy of a firm can be characterized by the need to:

- minimize the need for knowledge development;
- minimize the need for adjustment; and
- exploit established network positions (Johanson & Mattsson, 1994).

Hosseini & Dadfar (2012) also indicate that there are two different approaches between American researchers and European researchers, in which American researchers broadly present the fundamental theories of social networking that are shaped by the underpinning of other theories. In comparison, European scholar is more pressing on the internationalization process.

3. Resource-Based Theory

The Resource Based approach is a concept developed to explain the linkage between a company's resources with its performance and position in the market. This approach also emphasizes that the company's competitive advantage is seen from tangible resources and intangible resources, such as the company's learning ability in developing new resources. Relating to internationalization, in order to create long-term competitive advantage, the specific criteria of the resources (Barney, 1991; Peteraf, 1993) that a company should have are valuable, rare, cannot be perfectly imitated and cannot be substituted. Then Grant (1991) adds other criteria: durability, transparency, transferability, and ability to be replicated.

Furthermore, Ahokangas (1998) mentioned that when internationalizing, the company will adjust to its resources, internally and externally. The adjustments are made based on two dimensions: whether the adjusted resources (what resources) are from external or internal to the company and whether resource development is done internal or external oriented (how). The concept proposed by Ahokangas (1998) can be described in figure 3.

Many Scholars applied Resource-Based View in their study. Pellicanò et al. (2016), and Della Corte (2014) stated that a combination of tangible and intangible firms' resources in interaction with home-based external conditions plays a crucial role in the internationalization process. Senik et al. (2014) also state that an organization's capability, entrepreneur capability is an internal company factor that becomes pulling-pushing factors in the internationalization process.
4. **International Entrepreneurship Theory**

Morrow (1988, in McDougall & Oviatt, 2003) proposed the concept of international entrepreneurship. He states that technological advances and cultural awareness enable new ventures to access international markets. Furthermore, the concept is sharpened by McDougall & Oviatt (2000) that define international entrepreneurship as a “combination” of innovative, risk-seeking behavior that crosses national borders and is intended to create value in the organization. In this case, the organization is willing to change its business and product partly because it sees exciting opportunities in another country.

Some authors argue that international entrepreneurship is at the crossroads of three academic disciplines: entrepreneurship, international business, and strategic management (Wach & Wehrmann, 2014). Allen (2016) mentions that international entrepreneurship's main concepts are: international new ventures, born global; rapid internationalization, and general models of international entrepreneurship. This grouping distinguishes the degree and form of a firm's International Entrepreneurship activities. Global firms conduct business in at least three regions of the world with the intent to expand further. In contrast, international new ventures refer to those firms that internationalized quickly as a means of capitalizing on the opportunity (Crick, 2009). Figure 4 describes a comprehensive view on three generic concepts of International Entrepreneurship, reflecting the speed of internationalization (sequentially vs. rapidly) and the initial geographic market orientation (domestic vs. international) of firms, based on Wach (2014).
Several scholars conducted the study using the international entrepreneurship approach. Research by Senik et al. (2016) showed that agro-based SMEs can follow the pattern of the birth of global companies even previously they were not successful in the domestic market. Meanwhile, Galkina & Chetty (2015) stated that the commitment to engage in the international market responded to open opportunities. To take advantage of these opportunities, SMEs choose and build networks with partners carefully, which can be trusted to reduce risks and uncertainties. Ahmad (2014) and Reuwer et al. (2013) supported this study, which indicated that an international network pulled rapid born-global. These firms had established a significant global presence in a short time – within 1-5 years of establishment.

5. Institutional Theory

The institutional theory argues that the institutional environment can significantly influence formal structures in organizations, often more profound than market pressures (Meyer et al., 2009). The institutional theory also deals with choices made in response to or in compliance with an organization's institutional environment (Bluedorn et al., 1994) such as economic, social, and political, and forces exerted by their relevant institutes (Scott et al., 2005). Institutions are formal boundaries designed by people to regulate humans' interactions (North, 1990). Businesses respond to their environment by either developing and exploiting opportunities or reacting to perceived threats (Kolk & Fortanier, 2013).

Furthermore, in the institutional perspective, networks consist of formal institutions, such as unions, governments, agencies for international development, innovation centres, business incubators, professional support associations, financial and research institutions. Oparaocha (2015) suggested that institutional network relationships positively affect the internationalization process of SMEs, and Zhang et al. (2016) showed that the formal and informal institutional environment has a strong positive relationship with a born global firm's international performance.

6. Intellectual Capital Theory

The theory of intellectual capital arises with the advancement of science and the awareness that access and applying the latest knowledge in organizations can be a competitive advantage. According to Ulrich (1998), intellectual capital can be interpreted as "competence multiplied by a commitment". In this sense, intellectual capital is a combination of individuals' knowledge, skills, and attributes in an organization with the person's willingness to work hard. Abdulaali (2018) points out that intellectual capital, as a part of intangible assets, increases the capacity of creating value for organization members. Sumedrea (2013) also indicates that human capabilities, knowledge, skills, and experience represent an explicative business development factor in crisis times. Intellectual capital positively affects knowledge management and improves organizational learning capability.

In the context of SME internationalization research, intellectual capability plays a role in firm decision making, whether the company will engage or not in foreign markets. This decision depends on the CEO's knowledge and skills in assessing the extent to which available opportunities can be utilized to provide financial and non-financial benefits for the company by taking into account the risks. SMEs can develop unique knowledge resources that are difficult to imitate to produce company-specific advantages and customer value to reduce loss risk in foreign markets. This knowledge can be accumulated through experience or relationships with many networks built by the company. Korsakien et al. (2017) showed that knowledge formed from experience occurs at the level of company leaders and employees’ level due to the transfer of knowledge between members of the organization.

This theory is in line with Uppsala's Theory. SMEs' commitment to international markets is the outcome of the decision-makers ability to assess organizational capabilities and market opportunities and allocate available resources capabilities to develop appropriate strategies for entering different market environments.

7. Knowledge Management

According to Davenport (1994), knowledge management can be defined as the process of capturing, distributing, and effectively using knowledge in supporting corporate activities such as decision making, corporate strategy planning, problem-solving, or as a component of the dynamics of organizational learning. Based on this concept, knowledge is an intangible resource that needs to be appropriately managed.

Based on its characteristics, knowledge can be differentiated into Tacit Knowledge and Explicit Knowledge. Tacit knowledge is knowledge acquired by someone from cognitive processes and experiences that are
individually different. This group includes feelings, values, images, metaphors, intuition, and insight (Nonaka & Takeuchi, 1995), whereas explicit knowledge is technical knowledge in data, procedures, software, and documents, which are rational and objective.

Essential aspects in the knowledge management process are: capturing, transferring, and utilizing (DeLong, 1997); obtaining, collaborating, integrating, experimenting (Leonard-Barton, 1995); making, transferring, assembling, integrating, and exploiting (Teece, 1998); and creating, processing knowledge (Martelo-Landroguez & Cepeda-Carrión, 2016). Just stated, (Gold et al., 2001) point out that knowledge management is related to the process of acquiring the knowledge, converting knowledge into valuable forms, applying or using it, and protecting it.

Knowledge Management is also essential in the internationalization process both in large and small enterprises. (Saputra et al., 2020) showed the mediating role of the internationalization process on knowledge management and export performance. In line with the knowledge management concept, SMEs can learn when exploring international opportunities through collaboration (Eerme & Nummela, 2019).

8. **Product Life Cycle Approach (Vernon’s Model)**

Researchers have also shown that the internationalization pattern is likely to interact with its industry’s evolution (Andersson, 2004). These dynamics deal with the industry life cycle (McGahan, 2004), a common way of classifying changes over time through a multi-step view (Grant, 2005). The concept sets the industry’s development into four stages: introduction, growth, maturity, and decline/rejuvenation. In this sense, Vernon (1966) theory has been widely applied to different management aspects (Doh, 2005).

Following Vernon's (1966) product life cycle, international expansion of firms may be influenced by the degree of standardization of the products offered abroad due to the evolution in their life cycle, in a context where technological innovation and economies of scale and uncertainty are crucial. The model predicts the relocation of mature products’ production as both cost competition intensifies and the standardization of production methods reduces ownership-specific technological advantages' role.

Brida et al. (2015) studied the development of this internationalization process by adapting the Vernon product life cycle model in the hospitality industry context. Their research shows that Spanish leisure hotel chains began to enter foreign markets after reaching tourism maturity in the domestic market, which formed after about ten years (1980-1990), classified as the introduction stage. The development stage in the early 1990s was the internationalization step, marked by a significant increase in the number of companies operating hotels abroad. This investment move abroad is a diversification of investment risk due to the tourism industry crisis of 1992-1993. The maturity stage occurred over a short period in the late 1990s due to the rapid reaction of Spanish hotel chains. An immediate post-mature reaction of the all-inclusive industry has started since the beginning of the 2000s. Internationalized hotel industry took two different paths of evolution.

On the one hand, investments in urban/business hotels and destinations increased to diversify and rejuvenate their product. On the other side, the integrated supply of hotels and real estate complexes developed as an innovation strategy and networking with related industries. The supply of comprehensive services became more personalized to the customers' needs than the traditional all-inclusive packages. These developments required hotel, real estate, construction, and financial companies to work in synergy (Driha, 2010). Also, hotel chains underwent significant structural modifications and started outsourcing many international activities because of financial and technological innovations.

9. **Organizational Learning Theory**

Organizational learning theory is an approach that explains the process of developing, maintaining, and transferring knowledge in an organization. This concept was first introduced by Chris Argyris and Donald Schon (1997), who suggested that learning occurs through detecting and correcting errors. Business organization learning occurs due to its experience when running the business and interacts with the environment.

In the learning process, knowledge is created through experience transformation (Kolb, 1984), which can occur at the level of individuals or organizations (Argyris & Schon, 1997). According to Pellegrino & McNaughton (2017), the experience transformation process involves several stages, namely: first, the generation, or acquisition, of knowledge; second, its interpretation and understanding; third, its sharing, distribution, and integration; and fourth, its institutionalization or storing in the organizational memory (Zollo &
Winter, 2002). This knowledge acquisition process framework applies not only to large companies but also to the process of internationalizing SMEs (Casillas et al., 2015).

Moreover, Pellegrino et al. (2017) explained that in internationalization activities, the source of learning about internationalization could be external sources and internal sources. External source such as alliance partners, venture capital firms and proximal firms, industry organizations, consultants, top management's congenital knowledge, newly recruited managers, partners, suppliers, customers, consultant, industry and government organizations, network relationships, while the internal sources of knowledge could be the experience of Top management's team, entrepreneurs' prior knowledge, and those arising from the firm's direct, present experience of the firm and its managers.

10. Effectuation Theory

Saras Sarasvathy first introduced effectuation in 2001. Effectuation theory is an approach used to understand the logic of making decisions under uncertainty that entrepreneurs create when facing foreign market opportunities (Sarasvathy, 2001). Based on research on decision making under conditions of uncertainty, Sarasvathy (2008) shows that effective logic is a technique for dealing with the third type of uncertainty, namely future situations that are not only known but also unknowable. In this case, internationalization is an unknown market, so it is not easy to predict. As a result, decision-makers do not always behave irrationally but may follow specific logics, which lead to highly effective irrational decisions.

Galkina & Chetty (2015) use an effectuation approach to explain how entrepreneurs make decisions about networking under uncertainty when entering a foreign country. Studies show that entrepreneurs establish relationships with interested partners. Partners are seen as parties who bring opportunities to the international market. This action is also seen as effective decision making, which can reduce the risk of uncertainty, or in Sarasvathy's (2001) concept, entrepreneurs tend to follow the principle of affordable loss.

Another study conducted by (Kalinic et al., 2014) suggests that 'unplanned' internationalization does not necessarily involve illogical decisions. However, if the problem is deemed too complex, they will apply effects logically. It is possible to make (n) (unplanned) high-level international commitments in unknown markets and (unexpectedly) accelerate the internationalization process despite limited international experience and lack of global networks.

11. Global Value Chain Perspective

The global value chain perspective is a point of view aimed at all people and activities involved in producing goods or services and supply, distribution, and post-sales activities at the global level (Gereffi, 1994). Thus, large companies and SMEs are in mutually beneficial collaborative relationships in international business networks (Etemad et al., 2001).

Rana & Sorensen (2013) seeks to link SMEs' existence in the global value chain with the company's internationalization by measuring the influence of entrepreneurial and managerial capability and language skills on the degree of internationalization and its impact on company growth. This study's main weakness is the undefined variable measured by the object's position understudy with the global value chain concept. This study emphasizes the influence of the decision maker's entrepreneurial and managerial capability on the degree of internationalization. Meanwhile, (Rooolah, 2017) highlights the importance of alignment of organizational, technological, and market in creating global value.

12. Upper Echelons Theory

Hambrick and Mason first introduced the upper echelons theory in 1984. The framework explains the correlation between managers' characteristics as decision-makers and companies' performance in achieving organizational goals (Hambrick & Mason, 1984). Upper echelons theory is built on the assumption that: 1) the top manager's actions are based on their interpretations of the strategic situation they faced, 2) The unique construction is a function of the top manager's experience, values, and personality. The theory is built on the premise of bounded rationality (Cyert & March, 1963) - an idea that assumes that a person cannot know complex situations but only interpret them.

Adomako et al. (2017), in their study, viewed internationalization as a strategic decision that must be taken by the leader of SMEs, which is under conditions of lack of information and knowledge about the intended overseas market. The result indicates a positive relationship between a CEO's promotion focus and a firm's degree of internationalization amplified under intense domestic market competition. The study also reveals a
positive association between CEOs' attributes and SMEs' international venturing activities. This study can be a complement of Uppsala's theory concerning increasing commitment in the international market.

13. Market-Based View

The market-based view claims that its internal characteristics and environment determine an organization's success. They argue that the critical factors for an organization's success are entry barriers, the number of players in the market, and demand elasticity. Therefore, competitive strategies are primarily understood as the company's position in the market and are often known as market position views or market-based views (McGee et al., 2010). Competitive advantage is defined as the delivery of superior value to customers and economic value to the company.

Applying Market Based View, Ciravegna et al. (2018) show that SMEs' involvement in the overseas market is triggered by the domestic market's limitations associated with attitudes towards the risks that faced. The study indicates three patterns of involvement: First configuration: some firms internationalize quickly, motivated primarily by the limitations of a small domestic market and their attitudes toward internationalizing, which they consider to be neither risky nor unprofitable. Second configuration: the antecedents are similar, but in this case, attitude about the risk of exporting is not relevant. These firms are moved primarily by the small market's limitations and the perception of exporting unprofitable, but the risk does not seem to play a role. In the third configuration, entrepreneurs quickly internationalize when they receive unsolicited orders, despite perceiving export markets as risky and unprofitable.

14. Sustainable Business Model

The sustainability concept develops and increases along with the increasing awareness of environmental problems such as global warming, air pollution, and climate change, which have harmful effects on humans and the environment (Chofreh et al., 2020). According to Geissdoerfer et al. (2018), a sustainable business model represents various interrelated elements and interacts with its stakeholders that an organization creates to create, convey a catch, and exchange sustainable value. The main idea of a sustainable business model (SBM) is to modify conventional business models by embedding sustainability into the organization's value chain (Geissdoerfer et al., 2018). Solutions provided in the previous studies present different characteristics for implementing SBM based on the business domain. The application of SBM infers new challenges, innovation, and adaptation of new aspects of sustainability. Since the sustainability concept intertwines triple-bottom-line factors, including environment, society, and economy, the main features of SBM are more multifaceted rather than the conventional business models.

Gallagher & Zarsky (2007) state that the internationalization process is a bridge in creating a favorable environment that can support environmentally friendly business development in its economic and social environment. Internationalization brings modern technology into the production process and best environmental practices to develop innovation-oriented to sustainability and as a source of sustainable development for SMEs. The results of the microeconomic analysis of Melane-Lavado et al. (2018) show that internationalization through foreign direct investment affects the innovative process of SMEs and how this can contribute to a sustainability-oriented process.

15. Relational Exchange Theory

The relational exchange theory was first proposed by a sociologist named George Homans. According to this theory, exchange occurs as a result of social relations. The exchange that occurs can be in the form of tangible or intangible resources (Homans, 1958). Relational exchanges suggest that the fundamental mechanisms that enable such exchanges to create value or “regulate” exchanges are the nature of the relationship (Lambe et al., 2000). According to Morgan & Hunt (1994), the main attributes of relationships are trust and commitment, which are acquired through a process that occurs over a long period (Wilson, 1995).

In internationalization studies, the concept of relational exchange based on trust and commitment can occur when a company works with buyers or business partners. For SMEs, buyers or business partners are intermediaries that connect companies with their foreign markets. The existence of cultural differences between the country of origin and the target country can make it difficult for SMEs to understand market characteristics (Basah et al., 2020). Therefore, SMEs will rely heavily on intermediaries to accelerate the acceptance of their products in the destination market (Pinho, 2013).
16. Internalization Theory

Internalization is a concept that explains organizational decision-making behavior in facing their limitation (P. P. Buckley, 2018). This theory suggests that companies develop unique knowledge resources that are difficult to imitate to produce company-specific advantages and customers value to reduce the risk of loss in foreign markets.

According to the internalization approach, SMEs have two main limitations in their internationalization process: a limited ability to process information about foreign markets and the opportunistic behavior of partners who take advantage of higher selling prices (Hänell & Nordman, 2018). As a result, SMEs’ control over international market operations becomes shallow and poses greater managerial challenges (Zaheer, 1995). Firms can invest in increasing their operational control in foreign markets, such as entering into joint ventures or establishing wholly-owned subsidiaries (Fisch, 2008).

Therefore, companies need to focus on research and development when entering foreign markets to create a competitive advantage in anticipating the market and intermediary behaviour. SMEs need to innovate or adapt their products to market needs. Through research and development or exploitation of their production facilities, Buckley & Casson (2009) state that companies can produce innovations or product adaptations according to market needs, impacting adaptation costs (Rugman & Verbeke, 2005). Based on this logic, the internalization theory argues that choosing regional markets is an effort to reduce costs and risks as a result of a lack of knowledge about conditions in the host country (Hanell and Nordman, 2018).

17. Transaction Cost Theory

According to Williamson (1979), an organization will seek economic efficiency by minimizing exchange costs. Behavioral uncertainty and environmental uncertainty create two primary costs: market transaction costs and control costs.

Transaction cost theory suggests that conducting transactions is a costly endeavor (e.g., negotiating contracts, monitoring performance, and resolving disputes), and different modes of organizing transactions (e.g., within a market or a firm) entail different costs (Coase, 1937). Hence, according to this theory, a comparative examination of the relative transaction costs (or their indicants) of these alternative modes reveals how a particular transaction should be conducted (Williamson, 1979). There are differences in regulations in each country; therefore, SMEs must meet the requirements when marketing their products to a destination country. Various documents that must be prepared also give consequences for the costs.

Underlined by this concept, the transaction cost approach is used to understand companies’ behavior in determining which countries will be the destination for their market expansion abroad (Brouthers & Nakos, 2004). Besides, different cultures and consumer tastes often require companies to make adjustments to their product offerings, impacting investment costs and performance (Schwens & Kabst, 2009). The transactional approach can also help SMEs to assess the extent to which their network can accelerate the internationalization process (Serrano et al., 2016), and reduce the risk of uncertainty and transaction costs (Zhang et al., 2016).

B. Discussions and comments on the existing theories

From Table-1, it can be seen that as an initial concept explaining the internationalization process of SMEs, Uppsala Theory or Stage Theory is mostly applied by scholars and is still relevant today. However, some scholars see that the concept introduced by Johanson and Vahlne (1977) has a weakness because it cannot explain SMEs’ behaviour in the current business environment. Even Johanson and Vahlne also made improvements to the theory they developed themselves in 2009, known as the Uppsala Revised Model (Johanson and Vahlne, 2009). They realized that some concepts had not been included in their initial theory, namely the importance of networks in the internationalization process. Based on this updating concept, then network theory in internationalization theory is launched. That’s why Figure 2 shows that the number of studies applying this approach is almost similar. For SMEs, the network is essential to help them penetrate the foreign market and overcome the problem related to documents, language competencies, and distribution (Hutchinson et al., 2009). The network is helpful for strengthening market commitment, building trust, and improving the internationalization process (Coviello & Munro, 1995).

Along with the statements of Axinn & MatthysSENS (2002) and McDougall and Oviatt (1994), we agree that environmental change opens up the possibility of theories that have been developed and so far believed to be able to explain the behaviour of SMEs in the internationalization process need to be reviewed to see the extent
of their relevance with the current environment. The dimensions of environmental change that are highlighted by Axinn and Matthyssens (2002) are: economic globalization (Bartlett et al., 2000), development of service economy (Hamill, 1997) technological sophistication (Coviello et al., 2017), and the development of the value-based economy.

Moreover, Axinn and Matthyssens (2002) explained that Uppsala's theory could not maintain the concept of a gradual process and "psychical distance" with the current e-commerce era. Second, the evolutionary concept based on entry mode, starting from a less risky mode to a more risky mode, does not explain the process of forming corporate strategic alliances; Third, stage theory does not explain value chains' concept; Fourth, although current technological developments greatly facilitate business actors to operate globally, incremental foreign markets' involvement cannot be generalized.

We also have slightly different views regarding the psychic distance concept's weaknesses proposed by Axinn and Matthyssens (2002). They argue that the current development of e-commerce makes the world more homogeneous so that geographical and cultural aspects do not become an obstacle for SME products to market their products in countries that are very far away and have very different cultures. We argue that this is very contextual in terms of resource capability and product characteristics of SMEs.

C. The classification of research streams based on the initial internationalization process model

Based on Table 1, we can identify that there are five research streams conducted to study the internationalization process of SMEs from 2013 to 2020. The first stream is research related to the stages of SMEs' involvement in foreign markets. The approach used to explain this stage of involvement is Uppsala model (gradual process) and International Entrepreneurship (born-global). Most of the research shows conformity with the principles of Uppsala Theory, where SMEs enter the international market gradually, for example Ahmad (2014) and Kriz & Welch (2018). With a gradual process of entering the international market, SMEs can reap the positive benefits of a cumulative and self-reinforcing learning mechanism, but the stages they go through can be different.

The second stream is investigations associated with market commitments, starting from how SMEs analyze their opportunities in foreign markets, their position in the competition, and the barriers that might be faced by applying a market-based view. Operating outside national borders, institutions are an aspect that cannot be ruled out because each country will provide a different context. The study of institutional aspects can be approached with institutional theory. Furthermore, to exploit these market opportunities, as a manifestation of their commitment to the market, SMEs assess the resources they have that can be allocated to exploit opportunities that are open in the international market to provide beneficial benefits for their business. The resource-based view is very relevant to understanding how SMEs organize and allocate their internal and external resources in capturing opportunities and creating their competitive advantage in international markets. Internal resources include the capabilities and competencies that the company has in creating customer value and building its competitive advantage. Meanwhile, the external resources of SMEs include networks and capabilities to build and complicate these networks. Therefore, network theory is also a very relevant approach in internationalization studies related to market commitments.

The third stream is the study related to the commitment decision in the internationalization process. Once SMEs are committed to exploiting an overseas target market, they must decide their steps in leveraging the company's resources to meet market demands, create customer value, and develop a competitive advantage. Therefore Resource-based Theory is also very relevant here. In addition, as natural characteristics of SMEs, limited resources and market knowledge lead companies to internalize their business to reduce the risk of market uncertainty and opportunities for the opportunistic behaviour of their partners (Buckley, 2018; Hånnell & Nordman, 2018). The research of this concern is facilitated by internalization theory. Instead of those two approaches, Relational Exchange Theory and Transactional Cost Theory can also explain the behavior of SMEs in their commitment decisions.

A sustainable business model can represent strategic decisions taken by companies in committing to their foreign target market. As environmental awareness increases, companies need to adopt this concept in allocating resources and competencies to create customer value (Geissdoerfer et al., 2018). Here, the sustainable business model can help the company overcome the barrier from country destination to environmental issues. According to this, we assume that a sustainable business model is part of this research stream. However, we are of the view that the business model approach can be directed at a broader business model concept that can provide...
opportunities for business model innovations that can capture foreign market opportunities in the highly competitive world market.

The fourth stream is an investigation associated with the learning process in the internationalization process of SMEs. In line with the importance of market knowledge as emphasized in Johanson and Vahlne's (1977) initial model, the concept of organizational learning theory and knowledge management can explain how SMEs behave at the organizational level, starting from obtaining and using this knowledge effectively in their internationalization decision making. The learning process can be viewed from the organizational and individual sides, which can be explained by intellectual capital theory.

The fifth stream is research that discusses entrepreneurial behaviour in making decisions in facing opportunities in international markets. Two approaches applied in this area are effectuation theory and upper echelons theory. The initial internationalization model of Johanson and Vahlne (1977) does not explain individual decision-makers behaviour (Axinn & Matthyssens, 2002). However, Tan et al. (2014) has deeply revealed that decision-maker become the company's central point when committed to entering the international market. Based on the theory listed in Table1, we place the concepts of Product Life Cycle (Vernon's Model) and Global Value Chain outside of the internationalization process framework. We argue that Vernon's Model emphasizes the evolutionary process from the beginning of the business establishment to its mature stage or declination stage in its industrial context. Involvement in foreign markets can occur at the introduction, growth, or maturity stages in its life cycle. Whereas, the internationalization process model focuses on the stages of company involvement in foreign markets in line with increasing their commitment and entry mode and does not explain business growth.

In addition, we also argue that the Global Value Chain concept is not within the framework of the initial internationalization process model because the model is developed based on the assumption that the company's activities in foreign markets are independent and do not explain the value chain concept (Axinn & Matthyssens, 2002). In the view of Axinn & Matthyssens (2002), we see this as a model development opportunity.

Furthermore, the investigation indicated that some researchers integrated more than two approaches to explain SMEs' behaviour and its determinant factors in their involvement process in overseas market (Table-1). It indicates that a deeper understanding of the internationalization process of companies, especially SMEs, requires an integrative approach. These opportunities will contribute to further development of theories and models as the business environment changes over time. Along with the advancement of information and communication technology, the opportunities for SMEs to start their business activities in the global market at the beginning of their establishment are increasing. Opportunities are open to explore the logical decision-making of entrepreneurs in the early stage by applying international entrepreneurship theory and effectuation theory. Concerning the importance of developing a sustainable competitive advantage in the international market and the limited resources owned mainly by SMEs, it will be interesting to discuss using a combination of resource-based theory and internalization theory. Table-1 also illustrates that international business researchers have broad opportunities to apply various theories with less than ten utilizations and combine them.

Another chance is related to the context of a study that can give different results for one application of the theory. According to Teagarden et al. (2018), context relates to the individual and organizational environment and the country's condition, both the origin and the destination country. For example, the study of Child (2009) showed that the uniqueness of interpersonal relationships in China influences organizational behaviour in doing business. In addition, some institutional contexts, such as politics and policies within countries, can have different internationalization processes and approaches.

IV. CONCLUSION AND FUTURE RESEARCH AGENDA

The SMEs internationalization process is an area of study that can be analyzed from various scientific perspectives. An investigation of 100 articles between 2013 and 2020 shows that there are 17 theories applied by scholars in their research related to the internationalization process of SMEs, namely Uppsala Theory, Network Approach, Resource-based Theory, International Entrepreneurship, Institutional Theory, Intellectual Capital Theory, Knowledge Management, Product Life Cycle Approach (Vernon's model), Organizational Learning Theory, Effectuation Theory, Global Value Chain Perspective, Upper Echelons Theory, Market-based
opportunities to, conceptual from other areas or disciplines – enterprises’ internationalisation and business strategy: Some evidence.


The most widely applied approach is the Uppsala Theory, commonly referred to as the stage and network approach. Drawing on the initial internationalization stage theory, we categorize five streams related to applying those theories. As an implication, a scholar should carefully understand what theory can be applied to the study’s objective in the internationalization SMEs area.

Limitation and recommendation

We have tried to cover all underlying theories in SMEs internationalization process study from many articles, but it is still possible that some theories may not have been included in this paper because of the limitations on journal databases. Some papers might be not incorporated in Scopus and Science Direct.

There is an opening opportunity to integrate and apply different concepts in exploring the internationalization process, especially for small-medium enterprises with different contexts and changes in the business environment. For future research, scholars need to explore what theories are applicable to explain the internationalization process of SMEs in the unique local context in which they are located. Different contexts have the opportunity to apply any specific or combination of theories that can best explain the behaviours of SMEs in the internationalization process. Each country has a different policy and business environment so that the behaviour of SMEs in anticipation will widen the openness of the research novelty they produce in the future. Another suggestion for scholars is to find a different theory or concept from other areas or disciplines which can be adopted and implemented in SMEs internationalization process study. Scholars are also encouraged to utilize different research methods to innovate their research leading to novelty.

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