INTERNATIONALIZATION OF SMALL AND MEDIUM SIZE ENTERPRISES: THE PARTICULAR TENDENCIES TRACED IN LITHUANIA

I. INTRODUCTION

Globalization, technological changes, intense competition, fluctuating demand of consumers, economic and political changes impact managers’ decisions to take greater risks and to expand firms’ activities overseas. Small and medium size enterprises (SMEs) play a significant role in any country’s economy by contributing to revenue generation and employment. Presented paper aims to reveal internationalization barriers and motives of Lithuanian SMEs. In particular, it seeks to explore approaches taken by internationalized and non-internationalized firms. Hence, the research question is being raised why and how firms internationalize.

II. LITERATURE REVIEW ON INTERNATIONALIZATION

The investigations of SMEs internationalization are seen as relatively new in comparison with internationalization of multinational companies. The approach adopted by one group of scholars strives to define internationalization as the process, through which firms are increasingly involved in international markets. Hence, they claim that the internationalization process is seen as gradual and sequential, through which firms become increasingly committed to and involved in international markets. Meanwhile, another stream of researches emphasize development of business networks in other countries, which facilitate penetration and integration of firms. Taking into consideration the aspects of resource based view they assume that internationalization is seen as the process of mobilizing, accumulating, and developing resources for international activities.

Expansion to international markets is restricted by a number of attitudinal, structural, operational and other constraints, limiting the ability to initiate, develop and sustain business abroad. It has been highlighted by several scholars that the barriers to entry are significantly higher for SMEs than for larger firms. The barriers and motives are investigated through resource-based, knowledge-based and network theory perspectives.

III. METHODOLOGY AND RESULTS

The above discussion leads to several research questions. The first relates to the barriers and motives impacting internationalization of Lithuanian SMEs. The second relates to the accumulated resources and capabilities impacting position in domestic market.

The questionnaire was developed and sent to 100 firms in 2013. The firms were selected randomly. The survey resulted in 77 responses. Completed questionnaires numbered 45 which is a response rate of 58% internationalized SMEs and 32 which is a response rate of 42% non-internationalized firms. The biggest percentage of respondents was from firms which have 1-10 employees (respectively 14% from internationalized firms and 22% from non-internationalized firms) and 11-50 employees (respectively 24% from internationalized firms and 11% from non-internationalized firms). Out of 77 respondents 17% indicated that they were currently owners, 39% - managing directors and 44% line managers. Taking into consideration that mode of internationalization is essential strategic decision for gaining appropriate resources and market position, respondents were asked to identify the mode of internationalization. The obtained results have proved the prevailing assumption that firms aim to internationalize through export activities (58% from internationalized firms). On the other hand, obtained results allow us conclude that some services are not tradable in international markets. For instance, out of 32 non-internationalized firms 30% indicated that they are involved in service sectors. Lithuanian SMEs internationalize into neighboring countries, namely Latvia (30% of respondents), Estonia (21% of respondents) and Poland (14% of respondents). Hence, the assumptions of stage theories which highlight the relevance of psychic distance in international business decisions are confirmed. The main motives

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for internationalization are small domestic market (mean 3,8), personal relationships (mean 3,8) and competitive products or services (3,6). On the other hand, the main barriers indicated by non-internationalized firms are lack of financial resources (mean 3,8), competition in foreign markets (mean 3,8) and business establishment costs (mean 3,75). Meanwhile, internationalized firms emphasized competition in foreign markets (mean 4,2). The respondents from internationalized firms confirmed that search for new opportunities (mean 4,4) and more advantageous products (mean 4,5) are the main strengths in domestic market. However, respondents from non-internationalized firms indicated search for new opportunities (mean 4,3) and relationships with customers (mean 4,1) as the most important factors impacting position.

IV. CONCLUSIONS

The investigation of different attitudes taken by internationalized and non-internationalized firms allow us to elaborate different proposals for decision makers of Lithuanian SMEs and policy measures targeting SMEs.

References: