

Internationalization challenges for SMEs: evidence and theoretical extension

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Abstract

Purpose – The paper aims to examine new research on the internationalization of small- and medium-sized enterprises (SMEs) in Pacific Island Nation country Fiji.

Design/methodology/approach – A multiple case qualitative method was used which adopted a purposeful sampling methodology through semi-structured interviews to test propositions and present preliminary findings.

Findings – The authors find that, SME internationalization in Fiji is driven by management competence (MC) and entrepreneurial orientation (EO) and is hindered by the unfavourable institutional environment. The authors then develop a conceptual model and propositions to further explore these enablers and the inhibitors of Fiji SME internationalization. The authors' findings have important implications for managers in improving their firms' international performance.

Originality/value – This is a pioneering effort to evaluate the relationship between the factors of EO, MC and institutional distance and their impact on the international performance of SMEs. This paper contributes to the existing literature on international entrepreneurship through the examination of SMEs' internationalization activities in Fiji.

Keywords Fiji, Internationalization, Entrepreneurial orientation, Small and medium-sized enterprises, Management competence, Institutional distance

Paper type Research paper

1. Introduction

The internationalization of small- and medium-sized enterprises (SMEs) has become an agenda for every economy in the world, and Pacific Island nations (PINs) are not behind, as SMEs in PINs contribute considerably towards employment creation, poverty alleviation, technology diffusion, innovation and fiscal income. International expansion is a key growth strategy for SMEs in Fiji to achieve a long-term sustainable competitive advantage (Singh *et al.*, 2013).

A high percentage of Fiji SMEs, engaged in food production especially in sugar, Fiji water, agriculture and fish are involved in internationalization activity but it is restricted and limited (Singh *et al.*, 2010). This gives impetus for this study to explore and understand what is impeding their internationalization and identify the challenges the SMEs from Fiji face while expanding internationally.



This study has dual objectives:

- (1) to analyze the stumbling blocks for the internationalization of SMEs in PINs with evidence from Fiji; and
- (2) to develop a theoretical framework that may serve as a preliminary platform for future research in the subject area.

This is a pioneering effort to evaluate the relationship between the factors of entrepreneurial orientation (EO), management competence (MC) and institutional distance (ID) and their impact on the international performance (IP) of SMEs in Fiji.

Internationalization helps SMEs to augment their competitiveness, and it is imperative that SMEs engage in internationalization, but in this dynamic era of globalization, SMEs face many challenges while competing internationally (Kahiya *et al.*, 2014; Kahiya and Dean, 2016; Paul *et al.*, 2017). The institutional environment and firm competencies (Gao *et al.*, 2010) have significant effects and impacts on export behaviours. Firms need to possess and gain certain resources and capabilities to be drivers in foreign markets (Ghauri *et al.*, 2016).

PINs have poor infrastructure, low standards of living, slow economic growth and poor education systems. Legal systems are weak, and government mechanisms to promote international trade are inadequate, making it more difficult for SMEs to internationalize.

There are few relevant studies concerning the internationalization of SMEs from island nations and developing countries amongst PINs (Singh *et al.*, 2013; Nair and Chelliah, 2012; Prasad and Singh, 2013).

The internationalization process of SMEs in PINs is under-researched, and it is crucial to advance our knowledge about how SMEs from PINs, such as Fiji, progress globally (Nair and Chelliah, 2012; Prasad and Singh, 2013; Singh *et al.*, 2013).

SMEs in Fiji cater to the local population; they have encountered difficulties in obtaining information on internationalization, and they lack competence to sell their products beyond the local markets. More recently, China's significant investments throughout Fiji have been a big wakeup call for Fijian SMEs as they struggle to meet the competition. Thus, this is a major motivation to study the factors influencing the internationalization of SMEs from this neglected region of Fiji. This study delves deeper through semi-structured interviews with Fiji-based SMEs that are currently engaged in international trade, using a multi-dimensional construct to understand the factors impeding the internationalization process. The paper advances understanding of how SMEs from PINs such as Fiji can enhance their IP by understanding and undertaking their challenges in the international market.

There has also been an ongoing debate on whether the existing international business (IB) theories are adequate in explaining the internationalization of SMEs in developing and Pacific island countries (PICs) because of their unique situation and environment with location and climate (Ratten *et al.*, 2007; Arranz, and De Arroyabe, 2009; Dominguez and Mayrhofer, 2017).

The aim of this paper is to make a scholarly contribution towards the development of a preliminary theoretical framework aimed to better understand the diverse factors influencing the internationalization of SMEs from the perspective of PINs.

The characteristics of PINs are akin to developing countries, and many studies have been conducted on SMEs from developing economies (Roy *et al.*, 2016; Todd and Javalgi, 2007; Deng, 2012; Zhang *et al.*, 2016; Zhang *et al.*, 2012; Hajela and Akbar, 2013; Cardoza and Fomes, 2011). SMEs in developing nations help to reduce poverty, provide employment, contribute to improving literacy rates and lessen the burden of other social problems. Thus, it is worth studying the factors affecting the ability of Fijian SMEs to internationalize successfully to achieve the above goals.

Current research on the factors impacting the SME internationalization in developing economies can be seen in the context of other developing countries (Hajela and Akbar, 2013; Child and Rodrigues, 2005; Cardoza and Fornes, 2011; Wang and Ngoasong, 2012; Venkatesh *et al.*, 2015), whereas little attention has been given to the internationalization of SMEs from PINs, creating a major gap within the literature (OECD, 2009a, 2009b; Singh *et al.*, 2010; Prasad and Singh, 2013). SMEs encounter several impediments, and in Fiji, this has included an unstable political environment, global shocks, harsh climate and an unfavourable business environment for SMEs (OECD, 2009b; Reserve Bank of Fiji, 2016; Hajela and Akbar, 2013).

This research is essential, as it contributes to the literature on the internationalization of SMEs from PINs by investigating the impact of the variables EO, MC and ID on the internationalization of SMEs.

EO is frequently viewed as a significant component towards nurturing the SME internationalization (Knight and Cavusgil, 2004, 2005; Alvarez and Busenitz, 2001; Anderson, 2011; Dai *et al.*, 2014). MC influences how entrepreneurs guide the process and strategies for SMEs' internationalization (Hsu *et al.*, 2013; Sapienza *et al.*, 2006; Knight and Kim, 2009; Daily *et al.*, 2000). Previous research has identified the institutional impediments encountered by SMEs during the process of internationalization, which are overwhelming (Fillis, 2002; Gao *et al.*, 2010; Anderson, 2011; Schwens *et al.*, 2011; Kahiya *et al.*, 2014; Cahen *et al.*, 2016; Kahiya, 2018). Thus, this paper will investigate the role of the abovementioned variables on the internationalization process of SMEs in Fiji and develop a preliminary theoretical framework by integrating the variables to provide a platform for SME internationalization research.

1.1 Research context – small- and medium-sized enterprise sector in Fiji

SMEs are critical to the geographical region of FIJI, as they can raise the living standards of Fiji's people (Prasad and Singh, 2013), and the sector itself has internationalization potential. The country remains underdeveloped, and in the last couple of years, it has moved to being in between periphery and semi-periphery. Fiji, has a high percentage of its SMEs in food production – especially sugar, Fiji water and fish – whereas very low percentages are seen in service and technology-based sectors. Fiji also produces a high percentage of other primary resources such as gold, timber and garments (International Trade in Services, 2018).

It is important to recognize the contribution of SMEs to the Fiji's economy so far, and their development must be promoted. Internationalization strategies and approaches should thus be realized to promote such sectors in the economy. With Fiji's estimated population of 918,757 (Fiji Bureau of Statistics, 2019), SMEs draw on the community for their workforce and rely on it to do business. For the communities, SMEs provide goods and services tailored to local needs at affordable costs to local people. SMEs have garnered a greater consideration regarding their role in economic development, employment creation and poverty alleviation. The present Fiji's first government has commenced an initiative motivating local people to buy 'Fijian Made'. This provides an opportunity for local SMEs to further promote and gain recognition for their products.

Previous research shows that the economic growth of PINs can be sustained by the development of the SME sector (being the engine for growth, characterized by increasing fiscal income and buying power and its impact on poverty alleviation) (Gajanayake, 2010; Talebi *et al.*, 2017; Senik *et al.*, 2010). SMEs occupy over 80 per cent of the firms, and the contribution of the SME sector in Fiji towards economic activity is around 12 per cent (Prasad and Singh, 2013). With the abundance of natural resources in Fiji, this sector

remains unexploited, and the growth potential for SMEs in Fiji is quite large (Singh *et al.*, 2010).

The government of Fiji, as well as other Pacific Island governments, has recognized the importance of SME growth for sustainable economic development. The National Centre for Small and Micro Enterprises Development (NCSMED) was established by the government of Fiji, under the Small and Micro-Enterprises Development Act. Its role is to develop training programmes, encourage a supportive policy and regulatory environment for SMEs and facilitate credit and funding for SMEs. The NCSMED is an important partner in the government achieving a quantum leap in the country's economy. Understanding the importance of internationalization as a prerequisite for success and finding out "why" and "how" SMEs internationalize, needs further investigation for theoretical and practical purposes.

The paper proceeds as follows and is divided into eight sections: literature review, methodology, findings, discussion, theoretical framework, limitations and future research and conclusion.

2. Literature review

The process that we adopted to review literature about SME internationalization involved the following selection decisions. First, we limited our review to the journals listed on the Australian Business Deans Council list. We retrieved a total of 295 articles, searching with the term "SME internationalization" from which our priority was to first review the internationalization theories that have informed and explained the SME internationalization process specifically in developing countries with the search term *SMEs and developing countries*. Following this, we further refined our search strategy using the keywords *internationalization of SMEs in PICs*, *internationalization of SMEs in Fiji* and *factors affecting SME internationalization in developing countries*. After the refined search, we excluded 230 articles and identified and analyzed 65 significant and strongly relevant articles based on the method described in earlier review articles by Keupp and Gassmann (2009) and Paul and Benito (2018). To confirm the appropriateness and significance, co-authors individually reviewed each article.

The World Bank defines SMEs as registered businesses with less than 299 employees (World Bank, 2010). In Fiji, meanwhile, small businesses are defined as those with a turnover of, or total assets between, FJ\$30,000 and FJ\$100,000 and 6-20 employees, whereas medium enterprises have an annual turnover or total assets of between FJ\$100,000 and FJ\$500,000 and 21-50 employees (Fiji Development Bank, 2002).

SME internationalization is explained by the ability of SMEs to embrace new risks and integrate with the global economy through EO, their capacity to maintain international profitability and their capacity to comply with the regulations of the institutional environment (Javalgi and Todd, 2011; Ge and Wang, 2013; Liñán *et al.*, 2019). The contribution of SMEs towards the economy cannot be ignored or underestimated (Ayyagari *et al.*, 2011, 2014; Javalgi and Todd, 2011; Hessels and van Stel, 2007; Huggins and Williams, 2011).

SMEs contribute significantly towards the development of a country (Cernat *et al.*, 2014; Kalinic and Clegg, 2017); however, they have limited knowledge of internationalization business processes, and thus internationalization can be significantly impeded (Oehme and Bort, 2015; Cahen *et al.*, 2016; Cardoza *et al.*, 2016; Boermans and Roelfsema, 2013). However, on the other hand, it is seen that certain SMEs are internationalizing early (Oehme and Bort, 2015), and researchers are examining these tendencies (Osei-Bonsu, 2014; Garcia-Cabrera

et al., 2017; Pickernell *et al.*, 2016) and market entry modes (Keupp and Gassmann, 2009; Singh *et al.*, 2013; Nair and Chelliah, 2012; Wignaraja, 2015; Hennart, 2014).

According to Singh *et al.* (2010), SMEs in Pacific nations lack proper coaching, are unable to access credit and have poor support systems. They lack knowledge relating to the role and importance of entrepreneurial activities, and in Fiji, their structure also has an adverse effect on internationalization (Singh *et al.*, 2013). Nair and Chelliah (2012) also identify lack of corporate advisory and counselling services and the need for capital as major challenges confronted by firms.

To present a comprehensive literature review, we proceed with the relevant theories of internationalization and dimensions of SME internationalization, the antecedents of EO and the moderating variables of MC and ID.

2.1 Theories of internationalization

There are various theories that explain SME internationalization. The *Uppsala model* (stages model) describes firm internationalization as an incremental process (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) and suggests that firms internationalize in an *ad hoc* manner (export) to nearby markets. The *Network theory* explains how firms internationalize through regular enlargement of network relationships with foreign people and firms (Johansson and Mattson, 1988). Networking is an important initiator of internationalization because formal and informal networks permit businesses to acquire knowledge that fosters internationalization (Autio *et al.*, 2000; Welch and Welch, 1996; Musteen *et al.*, 2014; Coviello and Munro, 1995; Mitgwe, 2006). International new venture (INV) identifies businesses that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall, 1994). Such firms make use of foreign direct investments and hybrid structures of entry modes shortly after inception, instead of adopting an incremental approach to internationalization (Oviatt and McDougall, 1994; Knight and Cavusgil, 1996).

Prior research confirms that the failure rate of SMEs in PICs is very high because of the challenges they encounter at the international stage (Pache and Santos, 2010). The ability of SMEs to enforce appropriate strategies is very important to overcome internationalization challenges and to stay competitive and economically viable. Government institutions in developing and developed countries are assisting firms to internationalize by implementing policies and procedures that streamline different entry mode strategies and help mitigate internationalization challenges (Jiang *et al.*, 2014; Oviatt and McDougall, 1995; Doole *et al.*, 2006). The *Uppsala model* (stages model) best defines the strategy used by Fiji SMEs currently.

2.2 Dimensions of small- and medium-sized enterprise internationalization

Different dimensions of SME internationalization are reviewed in this section with reference to pattern, pace and performance.

2.2.1 Pattern. The entry modes chosen by a firm are known as an internationalization pattern (Jones and Coviello, 2005). Because of the lack of knowledge and skills, firms use the same pattern of entry for re-internationalization (Oehme and Bort, 2015). Prior research has shown that MC influences global operations (Fletcher *et al.*, 2013; Dichtl *et al.*, 1990; Acedo and Jones, 2007). Diverse environments such as market types, competitiveness and regulation influence the entrepreneurial actions and patterns of SME internationalization (Bloodgood *et al.*, 1996; Duarte *et al.*, 2014; Oura *et al.*, 2016). Research by Sui and Baum (2014) shows that the internationalization process of businesses begins by using low-risk

methods of entry, with regions that are within proximity and culturally comparable. Some scholars study diverse institutional environments to explicate internationalization patterns of SMEs (Makhmadshoev *et al.*, 2015). Institutional theory concentrates on the influence this has on organizational behaviour (Li and Zhang, 2007; Peng, 2003). Thus, the first proposition that we explore is as follows:

- P1. Lack of MC and ID affects EO and the pattern of internationalization of SMEs in PINs.

2.2.2 Pace and entrepreneurial orientation. We define pace as the rate at which SMEs internationalize (Taylor and Jack, 2013; Casillas and Moreno-Menéndez, 2014). INVs have a faster pace of internationalization as opposed to those SMEs that commence at a later stage. Some traditional SMEs adopt a step-by-step incremental method (Hilmersson and Johanson, 2016), but INVs challenge the legitimacy of these models (Oviatt and McDougall, 1994). Hilmersson and Johanson (2016) show that top management skills and a proactive, innovative approach pave the way for quicker internationalization. Entrepreneurially oriented firms exhibit a greater readiness to take on a certain degree of risky ventures and proactively leave behind rivals (Cassiman and Golovko, 2011; Dai *et al.*, 2014; Cao *et al.*, 2015). Within entrepreneurship literature, managerial experience impacts on a firm's innovation capacity and influences its accumulated experience through knowledge transfer (Hoskisson *et al.*, 2011; Evers and O'Gorman, 2011). Prior studies support the positive link between EO and internationalization (Engelen *et al.*, 2015; Covin and Miller, 2014; Paul and Gupta, 2014). Thus, the second proposition is as follows:

- P2. Antecedents of EO (proactivity, innovation and experience) impact the internationalization speed of SMEs.

2.2.3 International performance. IP is defined as the performance of SMEs in a foreign market and can be measured through export intensity and export sales (Brouthers *et al.*, 2015; Lu and Beamish, 2006). Studies propose that EO is the facilitator for new resources, competencies and information, contributing towards IP (Kuivalainen and Bell, 2004; Keh *et al.*, 2007; Jin *et al.*, 2017). The resource-based view theory (Barney, 1991) proposes that businesses mix and match resources and capabilities in different ways to achieve competitive advantages and superior performance. Prior research suggests that looking at EO in terms of its competencies (innovativeness, proactivity and risk-taking) better explains its influence on IP (Anderson *et al.*, 2015; Lomberg *et al.*, 2017; Jin *et al.*, 2017).

Highly proactive and innovative firms achieve cost efficiency and greater IP through knowledge transfer and commitment (Zahra and Garvis, 2000; De Clercq *et al.*, 2005; Dai *et al.*, 2014; Liesch and Knight, 1990). Risky ventures allow SMEs to achieve IP and scope. On the other hand, managerial experience impacts accumulated international experience through enhanced knowledge transfer over time. However, SMEs with a lack of foreign experience will encounter difficulties in understanding the benefits and limitations of international operations (Hoskisson *et al.*, 2011). These dimensions are intertwined, and prior studies show a positive link between EO and IP of a firm (Rauch *et al.*, 2009; Engelen *et al.*, 2015; Covin and Miller, 2014; Paul *et al.*, 2017). Based on this, we posit the third proposition:

- P3. Antecedents of EO (proactivity, innovation, risk-taking and experience) lead to high IP.

2.2.4 Institutional distance. The target of a firm's internationalization ranges from similar regions to culturally distant countries (Sullivan, 1994; Terjesen *et al.*, 2016; Khanna and Palepu, 2000; Xu and Shenkar, 2002). The institutions of a country define the "rules of the game" (North, 1991; Gupta and Batra, 2016), and government settings in emerging economies significantly impact the SME internationalization (Li and Zhang, 2007; Peng, 2003; Contractor *et al.*, 2007; Ratten *et al.*, 2007). Institutional constraints (Makhmadshoev *et al.*, 2015) such as export policies (Wilkinson and Brouthers, 2006), home regulations, lack of information on markets (Cardoza *et al.*, 2016), entry and exit challenges, intermediary institutions (Wei *et al.*, 2014) and poor institutional infrastructures (Khanna and Palepu, 2000) act as moderators of internationalization (Chao and Kumar, 2010). In international operations, the regulatory, cognitive and normative elements impose burdens on a firm's strategies and alliances in foreign markets. Without understanding the role of formal institutions in a host country (Peng, 2002), the increased informal ID escalates the risk of operations being moved overseas (Schwens *et al.*, 2011; Terjesen *et al.*, 2016). Therefore, we propound the fourth proposition:

- P4. Institutional constraints encountered on the international stage moderate an SME's pattern, pace and performance.

2.2.5 Managerial competence. Previous findings have shown that MC is an important element in international opportunity identification and decision-making (Oktemgil and Greenley, 1997; Lu *et al.*, 2010; Yeoh, 2000; Helfat and Martin, 2015). Studies have shown that a lack of managerial competence hinders the internationalization of a firm (Manolova *et al.*, 2002; Reuber and Fischer, 1997; Harveston *et al.*, 2000; Knight, 2001). Studies from US SMEs reveal that firms do not internationalize when managers lack risk perceptions and knowledge about foreign markets (UPS Business Monitor, 2007). We propose that management capabilities act as moderators in SME internationalization (Lu *et al.*, 2010). Research shows that SMEs have limited resources, and that their management skills are not effective to deal with day-to-day challenges (Oehme and Bort, 2015; Lu *et al.*, 2010). The characteristics of top management (international experience, education, age and management position) act as proxies for management competency (Herrmann and Datta, 2005). Earlier research reveals that SME managers lack the knowledge and experience needed to internationalize, impacting on their opportunities for internationalization and the firms' performance (Lubatkin *et al.*, 2006; Hsu *et al.*, 2013). Hence, the fifth proposition is framed as follows:

- P5. Lack of MC, experience and foreign market knowledge moderate the pace, pattern and performance of an SME's internationalization.

3. Methodology

This paper adopts a qualitative methodology through semi-structured interviews to test propositions and present preliminary findings. A multiple case study method was used for precisely studying multiple cases to understand the differences and similarities between the cases and to analyze the data both within each industry and across industries to predict contrasting or similar results (Yin, 2003).

A qualitative method was adopted, as it enhances our understanding of the research problem (Creswell and Creswell, 2017). Qualitative data frequently includes interviews, quotations and observations without any formal measurement (Russell, 1988; Quinn, 2002). The main aim is to understand the phenomenon studied and describe the circumstances. Qualitative research assumes an interpretive paradigm outlook of the world where societal

realism is created and persistent by the prejudiced experiences of people when in communication like SME owner operators. This means that the aims of qualitative research are to study:

- the texts and conversations of communication;
- the interpretations that make the texts and conversations meaningful; and
- the context and situation of the communication that influence the interpretation of the texts and conversations (Ting-Toomey, 1984).

One of the main tasks of qualitative researchers is therefore to accurately capture and interpret the meanings of a phenomenon like the internationalization of SMEs. In the process, the capture of emerging factors and descriptions that are necessary to develop and formulate new theories is possible because of the interpretive and subjective nature of qualitative research (Morgan, 1980).

Semi-structured face-to-face interviews were used for data collection, using the constructs specified in the preceding section. Such interviews permit a deeper examination and understanding of the problems, to further investigate and elucidate the context of how SMEs use entrepreneurial competencies to take business to an international level, and the factors hindering the internationalization process. Respondents were contacted by phone at the onset, and a time was set for the hour-long interview. Consent letters were signed by the respondents, and the interviews were conducted in English and recorded and transcribed.

These interviews were voluntary, and they could withdraw at any time. This allowed for in-depth probing and understanding of issues, giving opportunities to explore and explain the context of how SMEs use resource capabilities, experience, networks and education to take business to an international level, and how institutions and MC affect the internationalization of SMEs.

3.1 Sample

A total of 30 semi-structured, face-to-face 1-h long interviews were conducted. The respondent SMEs came from the four administrative divisions in Fiji. Central, Northern and Western divisions were selected, as they have high population densities, diverse groups of population and high concentrations of SMEs and are more economically developed. Participants were then selected randomly from the major towns/cities in these regions.

Purposeful sampling technique was used in this multiple case study qualitative research for the identification and selection of respondents who could provide information-rich cases on their internationalization experience and challenges. This involved identifying and selecting SMEs that were especially knowledgeable about internationalization of SMEs and were available and willing to participate, and the ability to communicate experiences and opinions in an articulate, expressive and reflective manner (Cresswell and Clark, 2011).

3.2 Data analysis

A manual analysis was used to check the reliability of findings, with transcriptions being arranged by the principal researcher to allow engagement with the data to assist in producing embryonic insights (Patton, 2002). Subsequently, a cross-synthesis procedure was used, and groupings of responses were identified, allowing the data to be classified accordingly (Taylor and Jack, 2013). During the semi-structured interviews, respondents were asked to narrate a story of an experience relating to internationalization to assist in understanding its significance (Cope and Watts, 2000;

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33,2

Taylor and Jack, 2013). To achieve valid variables, confirm a well-summarized analysis and reduce the misunderstanding, a collection of numerous secondary sources of information was used, which allowed data triangulation (Stake, 2000). The findings were then summarized and discussed (Tables I-III).

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4. Findings

In this section, we report the findings based on the interviews conducted with the executives of the firms in our sample.

Interview 1 with Firm A: Food and Beverage

Date: 5th January 2017

Respondent: Director

Table I. Demographic profile	Demographics	Frequency (N)	(%)
	<i>Gender</i>		
	Male	4	66.7
	Female	2	33.3
	<i>Total</i>		
		6	100
	<i>Age Category</i>		
	18-35 years	2	33.3
	36-55 years	3	50
	56 years and over	1	16.7
	<i>Education level</i>		
	Primary	0	0
	High school	1	16.7
	Certificate	1	16.7
	Diploma	1	16.7
Undergraduate	3	50	
Higher degree	0	0	
<i>Employment status</i>			
Full-time	0	0	
Part-time	0	0	
Self employed	6	100	

Table II. Level of entrepreneurial orientation	Entrepreneurial orientation				
		Proactiveness	Innovation	Risk-taking	Experience
	Firm 1	Highly proactive	Moderately innovative	Low-risk takers	Less experienced
	Firm 2	Highly proactive	Highly innovative	High-risk takers	Highly experienced
	Firm 3	Moderately proactive	Highly innovative	Moderate risk takers	Highly experienced
	Firm 4	Highly proactive	Moderately innovative	Moderate risk takers	Less experienced
	Firm 5	Highly proactive	Highly innovative	High-risk takers	Less experienced
	Firm 6	Moderately proactive	Moderately innovative	Moderate risk takers	Highly experienced

Firm A operates in a fish canning industry and manufactures canned fish for local retailers and for export. The firm is identified as having high levels of EO, as the director displays enterprising and proactive characteristics, embraces innovative technology, takes risks and identifies demand for new products in the food industry. Firm A aims to explore new markets every year with the support of its export agents. Its enterprising characteristics help the firm to internationalize into neighbouring countries with minimal risk. The firm implements training for staff to enhance the MCs needed for internationalization. The main reason for Firm A to internationalize is to:

[...] make use of the demand for their products in the foreign market and escape from the domestic market, to achieve the likelihood of customer group enlargement, increased profitability and growth. (Director, Firm A).

Firm A comprehends the significance of distinguishing between domestic and international marketing and has adopted global standard quality systems to attract customers in foreign markets. The firm can take risks and embark on selling products in new markets, as the management understands the export process and procedures within the fish canning business. This interview reveals that institutional constraints in host countries increase the costs of doing business. These constraints include anticompetitive practices, labour regulation, administration, business licensing and permits. Home country institutions, which are very rigid and bureaucratic, have an adverse impact on internationalization and make it difficult for firms to enter new markets. Further challenges impacting internationalization for Firm A include access to finance, weak capital markets in Fiji, minimal experience and skills, inadequate accurate information of international markets and poor international networks.

Interview 2 with Firm B: Beauty and Cosmetics **Date:** 23rd January 2017

Respondent: CEO

Firm B is in the beauty and cosmetics business and supplies both domestic and international markets with its popular natural and organic lotions. This SME is also observed to be high in EO, as it was quick to internationalize, doing so within two years of inception. This was achieved through networking with raw material suppliers, followed by exports. The firm was creative and proactive during the initial internationalization process by improving production techniques and features and adapting and customizing products. Firm B has taken risks and committed a large amount of resources, made rational decisions in uncertain

	Mode of internationalization	Time to internationalize (from inception) (in years)	INV or incremental
Firm 1	Exporting	3	Incremental
Firm 2	Networking and exporting	2s	INV
Firm 3	Exporting and licensing	7	Incremental
Firm 4	Networking, exporting, and joint venture	3	Incremental
Firm 5	Networking and exporting	5	Incremental
Firm 6	Exporting	3	Incremental

Table III.
Mode and time of
internationalization

situations and explored alternative pathways before internationalizing. The CEO's previous work experience with international operations helped the firm to internationalize. This firm also faced cultural challenges and other challenges while internationalizing into countries with high psychic distance. The main reason for internationalization was that:

[...] high-quality products meant higher prices, which did not go well with the local people as the standard of living and purchasing power of the domestic market is low; as such we had to seek new international markets and there was no option (CEO, Firm B).

Challenges outlined in the interview include the following:

High transportation and communication cost, transmission cost of critical management information, cultural challenges. Fiji is too far away from major export countries (e.g. USA, UK, Japan and Korea). Limited support from the government for our industry, rigid rules by Fiji's government (Fiji Revenue and Customs Authority (FRCA) and Biosecurity), unclear export policies, poor infrastructure, difficulty in gaining access to land, lack of information on trade, social and economic problems adding to the high cost of doing business in Fiji.

(CEO, Firm B)

Interview 3 with Firm C: Clothing and Textiles **Date:** 16th February 2017

Respondent: Founder

Firm C is in the clothing and textiles business and employs 231 employees at the time of the interview. This firm was able to internationalize seven years after its inception through exporting and licensing to countries such as New Zealand, Australia and other regional countries under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). The reason for Firm C to internationalize was to "attain higher revenues and to get access to more market opportunity", and to gain "access to new and larger markets in order to achieve growth, experience and profitability" (Director, Firm C).

The firm continually takes risks by introducing new designs to meet local and foreign consumer demand, and it has proactively put into practise modern management tools and systems to assist day-to-day operations. The industry is high-risk given the conditions under SPARTECA and its ability to change upon the expiry of the agreement.

This firm is supportive of employees and celebrates their hard work and achievements through staff recognition awards. Similarly, this firm has a "wait and see" approach to further expansion. The director's prior work experience contributed a lot towards internationalization. The director feels that the ensuing challenges they face continue to limit the firm's ability to internationalize:

Lack of marketing research techniques and knowledge on selling techniques, poor networks, insufficient managerial skills and expertise, limited financial resources, high level of tax, high cost of production and improper planning, [and] dealing with government agencies (FRCA and Trade Offices), takes a whole lot of time, corruption, and unfair competition practices.

(Director, Firm C).

The garment industry in Fiji is very low paid and attracts people who do not have a tertiary qualification and lack skills and knowledge about the international market.

Interview 4 with Firm D: Food and Beverage Date: 25th March 2017

Respondent: Director

Firm D is in the food and beverage industry and manufactures a wide range of products for its local and international markets. This firm was able to expand internationally through networking, exporting and joint ventures:

It was a strategic decision to move out and sell in the foreign market rather than depending only on domestic sales. We also wanted to gain additional return on our investments, to survive and grow by attracting more customers for the firm. Internationalization has helped us to gain additional capacities. Also due to the competitive pressure domestically we decided to explore opportunities in the overseas market.

(Director, Firm D)

This firm exhibits an enterprising culture and continuously tries to look for ways to improve efficiency. The firm was proactive in identifying the overseas target market through various resources and networking training sessions, which helped employees to develop an entrepreneurial mindset. This effort is recognized by the firm through celebrations and incentives, which has contributed to their competitive advantage. Some other challenges faced are as follows:

Limited access to financing, foreign government bureaucracy, rigid export policies, and overseas government emphasizes to buy locally made products, the general risk from operating from the unknown environment, and uncertainty about regulatory and trade policies. The weather was also an important constraint on our business as we relied on agricultural products for the final product. Lack of information about target countries culture made it difficult to predict challenges in the host country. Lack of managerial skills was another major challenge for our firm.

(Director, Firm D)

Interview 5 with Firm D: Food and Beverage Date: 28th March 2017

Respondent: Director

Firm D represented the food and beverage sector. The abundance of resources in Fiji basically provides every entrepreneur an opportunity to serve the domestic and as well as the international market. This firm took advantage of “The Young Entrepreneurship Scheme” to become job creators rather than be fated to being job seekers. The firm was highly innovative with bankable idea and projects and was proactive in taking advantage of the scheme to engage in exporting activities. Exporting was not an easy journey for this firm. Some of the hurdles that this firm encountered are as follows:

Location disadvantage, lack of ability to respond to competition, weak domestic market, transportation, trade obligation, lack of access to information. Awareness and accessibility and ease of access from government support agencies, locating qualified employees to ensure quality control and absence of business development support services were also major constraints to the business during the internationalization phase.

With the help of network clusters and exporting agencies, the firm was able to internationalize within five years after its inception. Despite facing numerous internationalization challenges, the firm was able to make strategic choices to succeed in the international market. The firm insists government to focus its attention on the SME development as small business help stimulate local economy by providing jobs, as well as products and services to community members.

Interview 6 with Firm D: Agro Buisness Date: 5th April 2017

Respondent: Director

Firm D represents the agro business in Fiji, the Fijian agricultural sector is a mix of commercial and subsistence farming, although commercial farming predominates. Similarly, this firm is committed in the export of high value niche agricultural produce. The director expressed that the pristine environment in Fiji and other ecological factors provide support for organic produce. Internationalization for the firm began only after they have made a strong domestic base. It was extremely difficult, at first, to meet the international market fresh produce quality requirement, hence the firm had to invest into a lot of quality testing before they could enter into international market. The tax exemption scheme on income generated out of agro business was the major incentive for the firm to take on international opportunities. This industry is plagued by a plethora of challenges and hurdles that continuously require innovative and effective strategies that are specifically formulated and implemented to address the problems. Some of the internationalization challenges outlined by the Director are as follows:

The land issue faced by the Fiji’s agricultural sector is both complex and multi-faceted, expiry of native land leases, the unlikely- hood of land leases being renewed by indigenous landowners, lack of skilled and specialised personal in the agricultural system capable of applying knowledge specific to the context of agricultural needs. There are massive export potentials in agro business however, an agricultural system with resources but without individuals capable of directing and utilizing them effectively would stagnate and ultimately collapse.

The firm was highly proactive, however the challenges that they encountered slowed their progress and the internationalization process. Terrible weather condition (drought and rainy) affects the quality of the organic produce. The Director highlighted that effective training and education programmes should be implemented to address the common issues faced majority of the agro businesses in Fiji.

5. Discussion

This research discusses the latent internationalization challenges faced by Fijian SMEs through piloted interviews in sectors such as food and beverage, cosmetics, clothing and textiles and leather. Other sectors have low involvement in international trade

because of the competitive challenges they encounter. The interviews identify that SMEs that are growing internationally are innovative firms with high EO and with previous entrepreneurial work experience in trade or IB. The demand for their innovative products is low in Fiji because of the low standard of living of the local people and high pricing of their unique products. SMEs that are not involved in global operations have not done so because of the lack of experience, awareness, information, capital and competence. Institutional and cultural distance from the host countries is also a major factor, so is the absence of government support. Some of the challenges reported include access to finance, geographical location, limited international marketing knowledge, lack of MC, rigid rules and regulations by institutions (FRCA, trade offices and Biosecurity Authority), high transportation costs, limited support from the government for the industry and a lack of export and trade promotion policies. Our findings align with prior research on SMEs conducted in various developing countries (Aaby and Slater, 1989; Anderson, 2011; Fillis, 2002; Hessels and Parker, 2013; Schwens *et al.*, 2011). For successful internationalization, SMEs should pay attention to the following influencers: foreign expertise, innovation, opportunity identification, institutional support, skills and marketing (Oura *et al.*, 2016; Paul *et al.*, 2017). We found that institutional challenges and lack of MC significantly impede the internationalization of SMEs in Fiji, as reported by all respondents, leading to the corroboration of *P1*.

In previous research, the EO factor was significant for a firm's speed of internationalization (Andersson and Evangelista, 2006; Chaston and Sadler-Smith, 2012; Dess and Lumpkin, 2005). Fijian SMEs were not capable of internationalizing at inception, and respondents state that it typically took between three and seven years to internationalize, although there were exceptional cases of internationalization within six months with innovative products. Firm B reveals that one of the reasons for its early internationalization was because of competitive pressures in the local market, for which they had to proactively develop and adjust new products for overseas demands and look for alternative ways to meet competition. Consistent with the research of Oviatt and McDougall (2005), more than 50 per cent of firms interviewed are involved in proactively discovering novel prospects and chose to achieve a competitive advantage through *engagement* of internationalization activities. We found that EO is fundamental for a firm to overcome disadvantages that arise while internationalizing (Harms and Schiele, 2012; Knight, 2001; Jantunen *et al.*, 2005; Kuivalainen *et al.*, 2012; Crick and Jones, 2000; Moen, 2002; Oviatt and McDougall, 1994). It is essential for SMEs to identify the challenges to internationalization, but it is even more important to formulate unique and appropriate strategies and responses as they go through the various stages of their exporting growth path (Kahiya and Dean, 2016; Yu *et al.*, 2015). Thus, *P2* is supported.

After investigating the significance of EO on the pace of internationalization, we now focus on its influence on performance. We identify that the performance of SMEs in Fiji can be explained by drawing parallels with the findings of prior research (McDougall, 1989; Prashantham and Dhanaraj, 2015). According to Shih and Wickramasekera (2011), SMEs strive to multiply sales outside the domestic market by using an export strategy and make a substantial contribution to domestic and regional economies by gaining a bigger market share and higher profits. Although achieving sustainability locally is very challenging for SMEs, it can be attained by expanding through foreign sales. Three of the SMEs mentioned in this paper cite profit-seeking behaviour and market enlargement as their reasons for seeking new international markets. Consistent with international entrepreneurship (IE) research, these SMEs comprehend that identifying foreign opportunities with the help of

entrepreneurial activities and innovation is necessary for the internationalization process. The INV framework emphasizes that firms profit from being proactive and innovative, and from capitalizing on international opportunities (Jones *et al.*, 2011; Servantie *et al.*, 2016). These findings thus support *P3*.

Poor infrastructure (Prasad and Singh, 2013) and a weak institutional setting (Singh *et al.*, 2010) are very common in the markets of developing economies, where the small scale and lack of country-level support (Hoskisson *et al.*, 2000) pose formidable challenges for SMEs. Institutional challenges lead firms to restrain their decisions to confront internationalization difficulties, thus influencing the pattern, pace and performance of internationalization (Czinkota, 2002; Pangarkar, 2008). Because SMEs realize the high risks at the first market entry point, the export strategy serves as a better pre-condition for success. SMEs are discouraged from internationalizing because of the rigidity of government rules and regulations (Makhmadshoev *et al.*, 2015; Cahen *et al.*, 2016). The firms in our study state that their IP was affected by lack of market and trade information, the high costs of doing business overseas, inefficient legal and regulatory frameworks, overseas governments' emphasis on promoting local products, the costs of imported raw materials, cultural variances and stiff competition in foreign markets, among other social and economic challenges. Firm D also emphasizes the difficulty in receiving bank loans, as banks consider SMEs as high-risk entities. Cumbersome loan application procedures add to the risk and cost of doing business. The institutional environment in Fiji is underdeveloped, which increases the transaction costs of SMEs. This coincides with the findings of Cuervo-Cazurra and Genc (2011) in that SMEs in developing countries suffer comparative weaknesses, as their countries' institutions are much smaller than those available to SMEs in developed countries. Thus, these findings support *P4*.

This study reveals that because of lack of knowledge, skills and tactics, the case firms entered foreign markets with a smaller psychic distance (exporting to other small island nations). This aligns with previous research (Hessels and Parker, 2013; Acs *et al.*, 1997; Bagchi-Sen, 1999; Arranz and De Arroyabe, 2009), which highlights that limited knowledge and international experience, and high levels of risks involved, affect SMEs' IP. Firms B, C and D have managers with narrow international experience and modest skills, making it difficult to internationalize at inception. Because of this, firms initially entered a small number of markets before proceeding to other leading markets. In addition to above, middle management in these cases did not have the mentioned mandatory experience and skills. It took a while for managers at lower levels to learn from top management teams, as they had their own ways of doing local business. This leads to a stringency that limits a firm's flexibility and new business opportunities, as reported by one of the case firms (Firm D). Firm C also had employees with very little education, hence the top management teams were mostly involved in meeting day-to-day demands. Thus, hiring inexperienced managers negatively affects IP. In line with the research conducted by Czinkota (2002) and Pangarkar (2008), our research confirms that many SMEs are characterized by inexperienced personnel, which discourages entrepreneurs from undertaking the challenge of internationalization. Based on the above discussion, we accept *P5*.

6. A new framework for the internationalization of small and medium-sized enterprises

Engaging in trade is significant for developing economies and PINs. PINs are dependent on a wide range of imports, including industrial and manufactured products. Similarly, exports

contribute significantly towards Pacific Island economies, foreign exchange earnings, cash income generation, employment and growth. The challenge facing the PICs is to strengthen their export sectors as a basis for accelerated growth. However, the latest trade data reveals that few PICs economies have succeeded in meeting this challenge, and several countries have suffered a serious decline. The reasons for these trade obstacles include low world prices for traditional exports from the regions (especially agricultural products), failure to become accustomed to changing foreign market environments and, in some cases, the implementation of governmental policies and strategies that effectively penalize export activity.

Several studies have investigated the impact of ID and MC on SMEs from developed countries (Makhmadshoev *et al.*, 2015; Terjesen *et al.*, 2016; Hsu *et al.*, 2013; Bruton *et al.*, 2010; Yeoh, 2000; Helfat and Martin, 2015; Felício *et al.*, 2016), but very few research studies have investigated these dimensions with regard to PINs SMEs (Singh *et al.*, 2013; Nair and Chelliah, 2012; Prasad and Singh, 2013). Aiming to compensate for the dearth of theoretical frameworks in the area of IE in PINs, and in response to the call to develop such a useful framework (Keupp and Gassmann, 2009; Terjesen *et al.*, 2016; Paul *et al.*, 2017), we attempt to fill the gap in the literature by developing a conceptual framework (Figure 1), which delineates the factors for the success or failure of SME internationalization. This new framework is based on a multidimensional approach that encompasses the impact of EO, MC and ID on the internationalization of SMEs. Figure 1 shows the variables influencing internationalization constructs (pattern, pace and performance) in Fiji. This could be generalized for SMEs from other developing countries/island nations.

This framework presents the identified antecedents of EO for internationalization and the moderators of MC and ID, which impact the internationalization of SMEs in Fiji.

In conclusion, we propose that for each case, the entrepreneur's distinctive prior knowledge, innovation and proactivity provides an explanation for international orientated ventures. The challenges that impede the internationalization process can be summarized as a lack of MC (knowledge, qualification, skills and experience) and increasing unfavourable ID (norms and regulations). This framework lays down the basis for further research in the field of IB and IE in other PINs and developing countries.

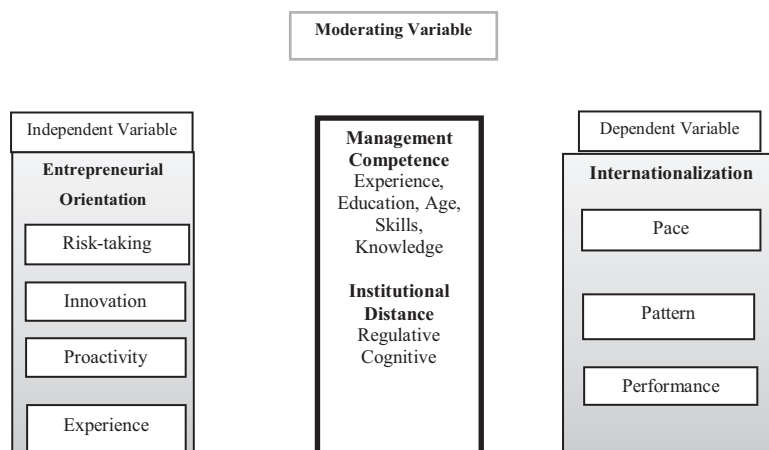


Figure 1.
A framework for
future research on
SMEs'
internationalization

7. Limitations

This study has some limitations, and like most other research studies cannot be generalized to a large extent, as this research has specifically examined SMEs from the Fiji region. Thus, it may not be perfectly applicable to SMEs from all other developing countries or other island nations such as Japan. Future studies should take into consideration SMEs from more than one PIC. Second, we use a multidimensional construct of internationalization. Using more enhanced tools of internationalization will assist in gaining a better understanding of the variables used in this study. Third, we selected our sample from four industries, which makes it difficult to generalize across all sectors. Future research could categorize SMEs according to industry and then conduct comparative studies on their internationalization processes and identify which theories explain those behaviours. The fourth limitation is the interview method of using one person to represent each SME. Information provided by only one individual is not always enough to get a comprehensive picture. Future studies should collect data from at least three to four employees from each firm, as they may have different perspectives on the challenges of internationalization. The fifth limitation is the study's exploratory nature, reflected in its small sample size. Finally, limited cross-sectional data may not be accurate enough to determine causality. Future research should use longitudinal data to improve the generalizability of the findings.

8. Practical implication

The results of this research provide important implications for managers in improving their firms' IP.

Implications for trade institutions and government statutory bodies highlight the need for creating awareness and encourage SME managers/entrepreneurs to take part in expositions such as trade shows, which provides exposure to prospective buyers and build lasting relationships and can play a strategic role in creating and developing international networks for competitive advantage. Additionally, this research focuses on the need for SME owner/managers to embrace the importance of building networks and engage in active information acquisition to develop effective marketing strategies. There lies massive potential for Fijian-based SMEs to engage in international markets, and a proactive approach can facilitate access to these lucrative markets. This research encourages SMEs to acquire managerial and entrepreneurial capabilities that provide greater productivity and performance. The findings indicate that it is useful for SMEs to reassess the vitality of EO within their firm. They should take into consideration the country's institutional context when formulating strategies for international expansion. It is extremely important that SME owner/managers are well versed with institutional risks so that they can easily mitigate those risks during international expansion.

9. Directions for future research

There are many opportunities for future research in this area. Researchers could use one, two, three or all the propositions from this study as testable hypotheses. Although qualitative studies with cases could be highly impactful (for instance, Bonaglia *et al.*, 2007), there is scope for quantitative studies using structural equation modelling, Granger causality tests and partial least square tests. Because the research in this area is replete with the same theoretical models, such as the Uppsala model and the international new ventures theory, there are opportunities to develop new models and frameworks so that researchers can use them as theoretical lenses for analyzing the pattern, process and pace of internationalization. We also urge researchers to use the framework developed in this study as a platform for their research using either qualitative or quantitative methods.

9.1 Future directions – theory

It has so far been identified that the most significant reasons why firms internationalize their operations is to apply their limited resources to exploit new market opportunities under conditions of greater risk and to achieve a higher degree of internationalization (Dai *et al.*, 2014; Calof and Beamish, 1995). Further research is also needed to gain greater insight into how the “Uppsala model” and the “resource-based view” help explain the SME internationalization phenomena in fast-growing economies such as China and India.

Inquiry is also needed using the newly developed “Conservative, Predictable and Pacemaker” model (Paul and Sánchez-Morcillo, 2019), considering the legal integration of countries such as in the European Union, based on the concept of predictable firms and markets. In addition, further research is needed on the “network theory” to understand how SMEs in developing countries specifically use various types of networks to overcome resource and capability barriers. Similarly, studies should also explore the importance of dynamics in and between the developing clusters. Institutional theorists explain how the diffusion of certain practices occurs through inter-organizational networks (Owen-Smith and Powell, 2008). Thus, future research should focus on how network and industry clusters can help firms overcome internationalization barriers. There are further opportunities to develop a model particularly for PINs considering the specific factors that impact these countries and their business environment.

9.2 Future directions – contexts

This study brings out the scholarly contribution made by extant literature pertaining to factors affecting SMEs’ internationalization in different contextual settings. The papers reviewed in this study represent heterogeneous contributions by researchers on SME internationalization from various contexts (internal, external, home and host), in terms of the type of entrepreneurial activity they focus on, the methodology used and the locations in which cross-border entrepreneurship is investigated, with reference to developing countries. It can be concluded that a specific model is not needed because internationalization depends on general business behaviour. Future research to understand the needs of the underserved markets is necessary because these developing markets can be the source of entrepreneurial firms and sustainable growth.

This review identifies diverse variables (EO, networking, institutions, adaptive capability) influencing SME internationalization, and the dynamic nature of it can guide future researchers in exploring new and relevant variables and framing new models and measurement scales for understanding SME internationalization in developing economy settings under varied environments. EO of SMEs acts as a promising area for further exploration with the incorporation of country-specific entrepreneurial variables. Future studies should focus on how entrepreneurs can take advantage of the institutions available in their home countries. There is scope for future research taking IE as a driver of SME internationalization in the context of fast-growing developing economies in Asia and Latin America. Additionally, there is a wider opportunity for an understanding of approaches used by SMEs towards exports in developing economies (Balodi, 2014).

9.3 Future directions – methodology

Future research should adopt a quasi-experimental approach for testing existing theories used by entrepreneurs in a given destination. There is a need to use comparative multi-country samples to gain greater insight into the factors affecting entrepreneurs’ capability to internationalize under varied regimes. It is suggested that there is a need for quantitative studies examining various institutional factors and their impact on the internationalization

of SMEs from developing countries. Qualitative methodology is well-suited for exploratory studies (Creswell, 2013; Patton, 2002), as it allows greater understanding of the phenomenon of SME internationalization by addressing the ‘why?’ and ‘how?’ questions (Shavelson and Towne, 2002). The next strand of inquiry should be based on longitudinal data to help analyze the internationalizing patterns of SMEs and the varying influence of firm factors over time. This may provide the best avenue for understanding the factors affecting SME internationalization. Additionally, there could be a possibility of using a mixed-methods approach that involves both qualitative and quantitative studies (Johnson *et al.*, 2007). Finally, the use of specialized software for analyzing the content arising out of qualitative interviews would be helpful in improving the reliability of such studies.

10. Conclusion and implications

Studying the internationalization of SMEs as a process within a multidimensional perspective provides a detailed analysis and increased knowledge of the dynamics and factors involved in the internationalization process of SMEs. SMEs in PINs can gain a competitive advantage from the identification of factors influencing and impeding internationalization. Lack of resources restricts opportunity identification for SMEs. Thus, many SMEs tend to prefer low-risk modes of entry. However, developing networks and identifying firms’ entrepreneurial capabilities, as discussed in this study, can help managers to make better strategic choices. Changes are inevitable and being aware of these challenges will enable managers to be better prepared and adapt to these influences.

This study uses a construct to provide practitioners and policy-makers with a new instrument that can be used to evaluate the effects of several assistance programmes developed for the internationalization of SMEs in PINs. The targets of assistance programmes can be more adequately established if more accurate measurements are used. Developed countries aspiring to do business within the Pacific Island region will benefit from understanding the challenges faced by SMEs in this area, and this study will help governments and policy-makers to understand the significance of support policies for SME internationalization and to explore the potential of this underrepresented region.

Common challenges to SME internationalization include: scarcity of resources, absence of international orientation, lack of decision-making inertia, limited domestic and overseas political ties, lack of international experience, EO of managers, use of inappropriate strategy, attitudes, foreign language and cultural barriers (Zucchella *et al.*, 2007; Chetty *et al.*, 2014; Giovannetti *et al.*, 2011; Bijmolt and Zwart, 1994; Love and Roper, 2015; Manolova *et al.*, 2002; Stoian *et al.*, 2011). These challenges create barriers for SMEs and hinder their ability to internationalize quickly.

Theoretical models such as the eclectic paradigm, Uppsala model, network approach and INVs contribute to our understanding of internationalization, and further inform the framework developed in this study. The *eclectic paradigm* (Dunning, 1988; Johanson and Vahlne, 1977) points to regional expansion as an antecedent to global expansion, and notes that international marketing decisions are based on transaction costs. Henceforth, an increase in transaction costs leads to the de-internationalization of firms in most economies. Although, trade liberation, deregulation and access to previously restricted markets have made international expansion easier for firms. The *Uppsala model* assumes that firms internationalize in an incremental and orderly manner, based on knowledge and experience (Johanson and Vahlne, 1977). Internationalization under the Uppsala model is explained by psychic distance, where firms will first expand to physically closer markets and then enter distant markets, thus allowing them to use acquired knowledge and experience. This stage theory has been supported by many nations (USA, Japan, Australia), where firms incrementally internationalize, using export in an *ad hoc* manner. Turnbull (1987) explains

the *network approach*, where firms develop relationships with suppliers, customers and distributors in the supply chain which is lasting and competitive. The strength of the relationship with suppliers and customers helps to decide which countries to enter and which segments to serve and supply (Cunningham, 1986). Our findings show that SMEs use connections and a web of network relationships to mitigate various institutional obstacles in the IB environment (Johanson and Mattson, 1988). INVs are international from inception and achieve competitive advantage by selling in multiple countries (Oviatt and McDougall, 1994). They gained momentum in late 1970s and are a product of creativity and network relationships with overseas counterparts. Previous literature shows that INVs sell outputs for which competition is not standardized, and acquire foreign assets before exporting (Jolly *et al.*, 1992; McDougall *et al.*, 1994). INVs are thus more attentive to international opportunities.

The study identifies the lack of research conducted on SME internationalization from PINs. The qualitative study for this paper used six face-to-face interviews with Fiji-based SMEs. The purpose was to strengthen our knowledge on the challenges of internationalization for Fijian SMEs, through understanding the relationship between the identified variables (EO, ID and MC) and develop a theoretical framework to understand the stumbling blocks faced by SMEs in the PIC of Fiji. SMEs from clothing and textiles, beauty and cosmetics, food and beverage and agro business industries were chosen, as SMEs in other sectors have low involvement in international trade. Importantly, this study compensates for the absence of theoretic frameworks in the area of IE in PINs, in response to a call for developing such useful tools (Keupp and Gassmann, 2009; Terjesen *et al.*, 2016; Paul *et al.*, 2017). We attempted to fill this gap by developing a conceptual framework and determining the factors for success/failure of SME internationalization. This new framework is based on a multi-dimensional approach which encompasses the impact of EO, MC and ID on the internationalization of SMEs. The framework presents the identified antecedents of EO for internationalization, and the moderators of MC and institutional environment which impact the internationalization of SMEs in Fiji. The challenges identified include lack of MC (knowledge, qualification, skills and experience) and increasing ID (norms and regulations). The framework lays down the basis for further research in the IB/IE field and further explore the SMEs in the PINs.

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