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INTERNATIONALIZATION OF SMALL-MEDIUM SIZED FIRMS

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***Abstract:** This article examines the internationalization process of small firms in order to find the factors that affect of the internationalization of small firms. The stages are Stages, Upsala and new venture model.*

A review of literature shows that most of the research focused on the internationalization of large firms and the study on small firms is limited Small firms have been becoming more important today, cheaper transportation and lower communication costs encourage them to go international. As the internal variables, to manager's expectation concerning profitability, technological advantages of the firms, marketing research, the existence of an export policy and export planning are important factors affecting the internationalization of firms. Many studies showed that small sized firms could be just as successful as larger firms in terms of export intensity (export sales/total sales).

***Keywords:** Internationalization, Small-medium sized firms*

KÜÇÜK VE ORTA ÖLÇEKLİ FİRMALARIN ULUSLARARASILAŞMASI

***Özet:** Bu makale, küçük işletmelerin uluslararasılaşma sürecini ve bu süreci etkileyen faktörleri araştırıyor. Makalenin ilk bölümünde stages, Uppsala ve new venture teorilerini inceleyeceğiz. Stages model, uluslararasılaşma sürecini aşamalar halindeki bir gelişim olarak açıklıyor. Öğrenme teorisine önem veren Uppsala model ise dinamik bir modeldir. New venture model, bu iki teoriyi eleştirmiş ve küçük ölçekli firmaların kuruluşlarından itibaren uluslararasılaşmaya başladıklarını savunmuştur.*

Literatür incelemeleri, araştırmaların çoğunun büyük işletmeler üzerine odaklandığını, küçük işletmeler üzerine yapılan araştırmaların sınırlı sayıda olduğunu gösteriyor. Son yıllarda küçük işletmeler önem kazanmaya başlamıştır. ve daha ucuz dağıtım, iletişim maliyetleri onları uluslararası alana katılmalarına teşvik etmiştir. Araştırma, küçük işletmelerin uluslararasılaşma sürecini etkileyen içsel faktörlerin, dışsal faktörlerden daha önemli olduğunu göstermiştir. Yöneticinin karını maximize etme düşüncesi, firmaların teknolojik avantajları, ihracat politikaları ve ihracat planı firmaların uluslararasılaşmasını etkileyen önemli içsel değişkenlerdendir. Birçok araştırma, küçük firmaların ihracat yoğunluklarının (ihracat satışları/toplam satışlar) büyük firmalar kadar başarılı olduğunu göstermiştir.

***Anahtar Kelimeler:** Uluslararasılaşma, Küçük-orta ölçekli firmalar.*

I. INTRODUCTION

The internationalization of firms has captured the interest of many researchers since the late 1970s. However, most of the researchers have focused on the internationalization of large firms and the study of the internationalization of the small firm is very limited.

Increasing number of small firms is involving in international activities more rapidly and intensively than they have historically done [1]. About %25 of manufacturing SME in the OECD countries are now internationally competitive and SMEs contribute between 25% and 35% of world manufactured exports but account for a smaller share of foreign direct investment.

Export marketing is far the most typical type of international business involvement among firms. It represents a less risky form of involvement and it requires lesser commitment of company resources than foreign direct investment. Consequently, many firms in developed as well as developing countries find exporting as an attractive way of tapping foreign market opportunities [1].

Since the small firm is becoming more important today. This article aims to discuss the theories and factors that relate to the internationalization of small firms. The article begins with a definition of the internationalization concept and a summary of the major theories in the area and recent empirical works that examine the factor affecting SME internationalization.

II. DEFINITION OF INTERNATIONALIZATION

Firm internationalization has been defined as "…. the process of increasing involvement in international operation." [2].

Beamish [3] also defines internationalization as:

"...The process by which firms both increase their awareness of the direct and indirect influence of international transactions with other countries."

And for Melin [4] identifies internationalization is an ongoing process of evolution.

From the definitions we can say that the term of internationalization covers the following concepts;

1- It has both behavioral and economic components.

2- It is an evolutionary dynamic,

3- It involves with inward and outward internationalization activities,

In the light of above definition, we will discuss the theories of internationalization in the next section.

III. THEORIES OF THE INTERNATIONALIZATION

There is an extensive and well-developed body of literature that examines internationalization of the firms. And within this literature a lot of theories are claimed, such as; product life cycle, monopolistic advantage, oligopolistic reaction, transaction cost, market internationalization, the eclectic theory, resource-based theory, stage theory and uppsala (process theory), the network theory, born global as a new venture theory.

We will examine and evaluate the internationalization process and the internationalization of new venture model. The internationalization process is based on 1- the Uppsala internationalization model (U-M) developed by Johanson, Vahlne and Wiedersheim-Paul, and 2- the stage model of internationalization, focusing on internationalization as an innovation for the firm. Internationalization of new venture model is rather recent model, which refute the Uppsala and stage model. This model basically focuses in the idea that international small businesses could be international from inception.

III. 1. The Uppsala Internationalization Model (U-M)

The Uppsala model was initially explained by Johanson and Wiedersheim [5], who explored a model of internationalization based on a study of four Swedish manufacturing firms. The four stages classified were:

1- No steady export activities,

2- Export via agents,

3- Sales subsidiary abroad,

4- International production/manufacturing,

Small firms go through above-mentioned stages in the development of their international business. They usually start with an unsolicited foreign order, proceed sometimes through exporting via agents and sales subsidiary abroad.

The authors conclude that when exporters go through distinct stages in the development of their international business; they increase the degree of resource commitment, market knowledge gained through experience. Firms get more information regarding foreign markets through accumulated export experience, they become more committed to engage export activities and emphasize more importance of company growth. SMEs mostly export rather than other models of the internationalization [6].

Each firm goes through a number of logical steps of international behavior, based on "Its gradual acquisition integration and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets" [7].

According to U-M model, learning about international operations and commitments to international business are vital factors for the internationalization of firms. When firms do business with other countries, they are able to learn how customers, competitors, intermediaries, and public authorities perform and respond in different situation. Because lack of knowledge about foreign markets and operations is the main obstacle to internationalization and knowledge can mainly be developed through experience from operation in those market.

This means that firms need experience, which has two aspects to do business in a specific country. One is market specific experience concerning conditions in the specific market and cannot be transferred to other markets. Second one is operation experience concerning the ways of organizing and developing international business operations and can be easily transferred from market to market. When firms do business abroad and increase their experience, they also increase their commitment to international business and, particularly to those country markets where it is already operating.

It is a learning-based model; the model assumes that investment uncertainty can only be reduced by acquiring market knowledge, which can only be done through activities on the market.

The learning through development of experiential about foreign market is necessary in order to overcome the "psychic distance" to those market, i.e., differences between two countries in terms of language, culture education level, business practice and legislation which prevents or disturbing the flows of information between the firms and the market. According to Johanson and Vahlne [8], firms enter new markets with successively greater psychic distance. Therefore firms start their internationalization on markets with the lowest market uncertainty, in other words markets that they can rather easily understand, often in neighboring countries.

The Uppsala model also claims that, on account of greater aversion to risk and fewer resources, the small firms will take smaller steps in the course of internationalization. Because establishment abroad is not just a question about knowledge of the market, but also a question of acquiring experience on the management of subsidiaries. The large firms have access to more resources including management experience and are less averse to risk, because their activities are more varied. The large firm will therefore at a relatively early stage be able to skip some steps in the course of internationalization.

Laine and Kock [9] studied the international process of Finnish enterprises situated in the region of Ostrobotnia. They focused on whether enterprises follow an internationalization process in accordance with the U-model, or the pattern is different. The empirical part of the study is based on a quantitative study of 65 most exporting small medium enterprises in the region. The result of the study indicates that the SMEs in the sample have not fully followed the U-model of internationalization. They have started by going to countries close in culture to the home country, but the chosen operational mode has been agents in the beginning and still is. Therefore they seem to have stagnated in their internalization process. The reasons could be; a) the entrepreneur wants to keep the power of the company in his own hands, b) they are not willing to commit more resources, c) they lack resources (human and knowledge), d) they fell that they have enough problems already e) perceived risk is too high.

Pedersen [10] examined how far the Danish firms follow the typical patterns of internationalization asserted by the Uppsala model. The empirical part of study is based on 195 Danish firms with, together, 704 establishment abroad. The result of the study indicates that Danish firms have extended their international activities in the culturally close markets. It is also supported that firms sequentially extend their market commitment, but this gradual extension of market commitment is done by varied way than suggested by the Uppsala model. The analysis indicates that the small firms go through the course of internationalization just as quickly as the larger firms. As a conclusion, the Uppsala model is only a partial explanation of the internationalization process.

Erikson, Majkgard, Sharma [11] studies the Uppsala internationalization model, which claims that the behavior of the international firms is path dependent. The model claims that learning about internationalization is a cumulative, path dependent process in which each step abroad adds to the firm's knowledge. The empirical part of study is based on 362 Swedish service firms, and the date was processed with LISREL. The effect of a firms' first international step on its existing level of experiential knowledge is measured. The analysis showed that the cultural distance of the first international step has no effect upon business.

Clercq, Sapienza and Crijns [12] studied relationship between international learning effort and internationalization intent. Data were collected by the Center of Entrepreneurship at the Vlerick Leuven Gent Management School in Belgium. Firms that had fewer than 500 employees were includes in the study. 92 completed surveys were yielded. The dependent variable was internationalization intent. They found that firms have a high degree of internationalization are more willing to hold in international activities than firms have less international. Also, the positive relationship between international learning effort aimed clearly at knowledge renewal and exploitation with regard to specific foreign markets and the internationalization process in general increase the propensity to expand cross-border activities.

From the studies we can conclude SMEs could fail to follow the process of internationalization. In fact Johanson and Vahlne [13] pointed out that the internationalization process model has a number of shortcoming: first of all it is too deterministic, its significance is limited to the early stages of internationalization and as the world becomes more homogeneous, the explanatory value of psychic distance tends to decrease.

III. 2. Stages Model Of Internationalization

The growth of small business exporting may be fairly important with increased internationalization. And export strategy is the main foreign-market entry mode used by small business in their internationalization efforts. Small firms internationalize their activities through series of progressive stages. One of most developed streams of research examining small firms is the stage theory of the internationalization.

Bilkey and Tesar [14] developed a model by analyzing export behavior of 423 small and medium-sized Wisconsin manufacturing firms and classified them, according to stages of export development. The model is meaningful for examining export behavior particularly of SMEs. Hence the firm size represents a boundary assumption for the stage model.

The model applied is the export development process of firms that tends to occur in the following stages:

Stage One: Management is not interested in exporting; would not even fill an unsolicited export order.

Stage Two: Management would fill an unsolicited export order but makes no effort to explore the feasibility of exporting.

Stage Three: (Which can be skipped if unsolicited export orders are received) management actively explores the feasibility of exporting.

Stage Four: The firm exports on an experimental basis to some cultural close country.

Stage Five: The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc.

Stage Six: Management explores the feasibility of exporting to additional countries that psychologically, are farther away - (And so on...) [14].

Bilkey and Tesar [14] found following implications:

1. Learning theory is applicable to the export development process This suggests that the export management requirements of firms at early export stage may be very different from the needs of firms at another stage. And firms at early stages should prefer nearby countries and firms at later stages, and should prefer more distant countries.

2. Government programs for increasing manufactured exports should consider two aims that can be conceptualized in terms of an aggregative export supply curve. One is to move upward along the export supply curve by making exporting more profitable (this is related with an experienced exporters). The second is to transfer the export supply curve to the right by increasing management's international interest (this is related with firms at all export stages).

3. The government prefers to focus on one of some export development program, it probably should prefer the one with the highest benefit/cost payoff.

4. According to the conclusions of this study, managements interested in exporting should follow whatever unsolicited export orders arrive, prepare an export strategy and plan, give some persons or departments responsibility for the firm's export development, manage the firm's first export efforts to the nearby countries (after experience is gained, expand exporting more distant areas), search for information regarding relevant export barriers and develop exporting on a step by step basis to progress from one export stage to the next.

This study shows that small and medium sized firms can export successfully; exporting is not limited to large firms.

Çavuşgil [15], conceptualizes the innovation related models (I-models) and classified the internationalization process into five stage:

1.a domestic marketing stage,

2.a pre-export stage,

3.an experimental involvement stage

4.an active involvement stage and

5.a committed involvement stage.

This model considers each subsequent stages as an innovation for the firm.

Çavuşgil [16], attempted to define differences among exporting firms as firms progressed through of the internationalization stages. Three types of exporters are identified:

1.experimental exporters,

2.active exporters,

3.commitment exporters.

In his work Çavuşgil tries to analyze the data gathered from personal interviews of executives of 70 midwestern manufacturers. In this work, he exposes the differences among the three types of exporters and explains the marketing behavior of firms. The results even illuminate public policy concerning stimulation of export activity among firms. In the concept of internalization hypothesis, Çavuşgil classifies exporters as; experimental exporters, active exporters and committed exporters. **Experimental involvement** defines the attitude of that management who has weak relationship with the overseas market development, and in these firms export sales mostly do not account for more than 10 % of total business. In the experimental involvement stage firms are most likely small and have specific role in the market but not strong to compete. And many of the executives of these committed exporters are not aware of the importance of exporting, because most of their market is about to be mature. When management notices the importance of internalization by accomplishing corporate goals, **Active involvement** occurs. Now managers tend to make a long-term commitment for export markets, and they do not consider export activity as marginal business. Committed involvement is the final stage and climax of internalization process, which includes direct investment in overseas production facilities, sales subsidiaries, worldwide sourcing arrangements, etc. One of the important problems for committed exporters is the fluctuation in the value of foreign currencies, as naturally because these firms derive a high percentage of company revenues from foreign sales [13].

Moini [17] also verifies the stages model in his study and describes characteristics that contribute to the exporting success of the firm by using export intensity and export growth as measures of success. He developed a model, which classified firms into one of three groups [17]:

1- Partially interested exporters,

2- Growing exporters,

3- Successful exporters,

Moini [17] suggested that manager's characteristics and expectations were not focal factors in the export success of smaller firms. In other words, the main determinants of export success were firm's competitive advantage and its motivation to search different markets.

Calof and Viviers [18] investigated small-medium sized South African enterprises defined as those less than 1,000 employees to test the relationship between attitudes and export stage. They found that the dominant classifying criterion is export intensity (export sales/total sales). In addition to, they found that the advanced firms in terms of export stages could get higher benefit. This suggests that the stages model of internationalization and the ensuing recommendations arising from past studies may be generalized to a dual economy country such as South Africa.

Gankema, Snuif and Zwart [19] researched two questions: 1) Çavuşgil's theory on stages of the internationalization process has hold for SMEs and 2) how long can change from one stage to the next be expected to take? The study used 114 firms that provided enough information to assess their export involvement for the full five-year period.

The results of this analysis suggest that the stage theory does not predict export behavior better for large SMEs than for small SMEs. The study reveals a growing degree of international involvement by the SMEs over time. As to predicting the time frame for change from one stage to the next, it is hard to draw conclusions. The results favor two-year period but this is dependent on the industry. For instance, high-technological firms proceed through the stages in only few months or weeks. They concluded that Çavuşgil's stage theory is still valid.

III. 3. International New Venture Theory

Previous researches showed that many firms do develop in incremental stages with respect to their international activities. The firm is assumed to build a stable domestic position before starting international activities. However, recent studies of the export behavior of firms have showed that firms start international activities right from their birth because of the more global market conditions, new developments in transportation and communication technologies, and the rising number of people with international experience. In the literature, such firms are called "International New Venture" [20], 'Born [21].

Çavusgil [22] stated that 'small is beautiful and ' gradual internationalization is dead'. The firms even the smallest ones are able to access to information about the export markets and export right from the birth of a new firm. Oviatt and McDougall, [20] define "an international new venture as business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. The distinguishing feature of these start-ups is that their origins are international, as demonstrated by observable and significant commitments of resources (material, people, financing, time) in more than one nation". From the definition we can classify three types of international new ventures. First, there are the **New International Market Makers** which are the traditional type of firms operating as exporters and importers. Their most significant competitive advantage is knowledge about logistics. They apply the inequity between countries in production costs and market prices to create new markets. They frequently operate through a large network of business contact in a large number of countries.

Another type of firm is **Geographically Focused Start-Ups,** which gain its competitive advantage by servicing a few customers with a highly specialized demand in a relatively small part of the world. The competitive advantage of these firms characteristically stems from the co-ordination of a number of value chains in regard to technological development, knowledge, production, etc. This co-ordination is often socially complex, therefore, it is difficult to imitate due to the tacit nature of the knowledge involved. Moreover, the networks and relations involved are closed to outsiders and in this way knowledge is protected.

The Global Starts-Ups are the most radical new international firms. These firms co-ordinate almost activities in the firm across national and regional borders. They do not only react upon possibilities in the global markets but react upon possibilities in the global markets but are very active globally to get access to resources and markets. They have a unique history and use socially complex knowledge surrounded in many networks crossing the whole world.

Knowledge is an important for the new venture internationalization and play dual role. First, it is a source of entrepreneurial services that leads to opportunity recognition and pursuit. Second, it enables rapid implementation of internationalization.

The international new venture model could explain small business internationalization. Because communication and transportation cost have decreased the transaction cost of doing international business. Decreasing transaction cost means that having of a unique asset or technology, which makes the firms to have a comparative advantage for going to international market.

Moen [23] gathered the data by targeting industrial firms in Norway and France. Firms with fewer than 250 employees classified as exporters and manufacturers were randomly selected and mailed a questionnaire. 335 responses yielded. These results do not provide strong support for the notion that Born Globals are more competitive than other exporting firms. However, the results do indicate that old firms with limited export involvement are less competitive than the other firms.

The findings of this study could be summarized as follows:

Certain number of new-established firms is Born Globals; these firms have important international involvement right after establishment.

In terms of international orientation, export strategy, competitive advantage and market situation, newly established global firms have similar characteristics to old, global firms while "new and local" firms are similar to "old and local" firms.

The future of the firm is determined at the establishment process, if it is likely to remain either a high-involvement exporter or a low-scale exporter.

The decision maker's global orientation and the market conditions are important factors, explaining why some firms are Born Globals while other firms are "new and locals".

Traditional internationalization models are not evidence in terms of gradual development process, and it also questions the relevance of these models when analyzing the export behavior of newly established firms.

To know more about the small firms' internationalization, it can be more important to consider the decisions taken prior right after the establishment than the ones suggested in the internalization process models [23.]

IV. FACTORS AFFECTING INTERNATIONALIZATION

In the literature, there are many internal and external factors that affect international business. External factors, such as exchange rate, level of domestic and foreign demand, relative rates of price-level increases, commercial policy, have proved to be poor predictors of firm's export behavior. Most researchers do not consider the external factors due to number of reasons. First, from the studies of Kirpalani and Macintosh [24] and Madsen [25], it appeared that the relation between environmental factors and export success is weak, especially compared with the internal factors. Secondly, for the most SMEs the environmental situation can be considered as a constraint because these firms have only a minor influence on the environment.

Aaby and Slater [26] reviewed the empirical studies and classified three internal export-influencing factors: firm competence, firm characteristics and export strategy. The following variables to firm competence: technology, market knowledge, planning, export policy, management control and communication. Firm characteristics were divided into firm size, management commitment and management attitudes to export- related dimensions. Export strategy is covered of the following variables: market selection, product and product line, pricing, promotion and distribution.

Bijmolt and Zwart's division (1994) of the internal factors is slightly different from the model of Aaby and Slater. Bijmolt and Zwart [27] distinguish four internal factors. The first factor consists of basic firm characteristics, which generally aren't used as a decision tool to influence export. Secondly, they included a factor of attitude towards export in the model. The attitude of the manager of SMEs is crucial in many cases for export performance. Other two factors are organizational structure and export planning that have been adjusted to export.

It is important to examine the most important factor that encourages SMEs to follow and develop international business. In this section, the number of the studies which are related to internationalization of the firm will be reviewed.

Çavuşgil [16] investigated the level of export activity of the firm. The dependent variable was export activity which was measured by the percentage of sales exported of the firm. He used multiple classification analysis and automatic interaction detector techniques in the study. Usable responses were received from 473 firms which 175 of them were exporters. The survey was restricted to manufacturers of tangible products. The following variables were found to be significant determinators of export success:

Technology Intensiveness of Industry,

Profit Expectations,

Systematic Exploration,

Aspirations for Investment Security,

Export Policy,

Çavuşgil [16] reported his findings: "On the whole, the expansion of export activity in the firm appears to be related, primarily to, manager's risk-taking preferences; systematic exploration of export opportunities and the existence of an export policy. The existence of unique product, proximity to market, firm size, aspirations for growth and market planning do not seem matter."

Sriram and Sapienza [28] surveyed that small firms are different in marketing variables such as their marketing activity, the use of marketing and extent of export involvement. Also, they researched the relationship between the use of marketing and market share. Data was collected using a questionnaire by sending 200 New York exporting firms and 171 firms nationwide. The mail survey yielded 121 usable responses.

The dependent variable was export intensity (export sales/total sales) and firm market share in the largest export market was used as a measure of the marketing and market share. Small firms were identified as having 250 or less 250 employees and larger firms with greater than 250 employees. Manova and t-tests applied to this data indicates that there are significant differences between small firms and larger firms in their use of marketing. Smaller firms applied more standardized advertising and promotion. Also, the export sales of these firms were to governments and industrial customers. Larger firms exported to a greater number of countries and sold to individual customers. They also used discriminant analysis and the results of this show that the high-involvement small exporters located a greater emphasis on marketing, customizing their products and advertising, sell more to individual customers, use more direct distribution and export to more countries than low-involvement firms. This study also shows that certain marketing variables are significant in differentiating high and low-involvement small exporters. It could be that export success is related to resources than firm size.

Calof [29] researched a relationship between the firm size and internationalization. He examined this relationship into three dimensions of internationalization: propensity to export, international sales intensity (international sales/total sales) and the number of countries served. The results were based on the data of 5,472 Ontario manufacturers and the foreign direct investment (FDI) change data of 38 Ontario exporters. According to Ontario manufacturers' data, the size of the firm did not occur to limit a firm's ability to engage in international activity. As indicating by the export intensity for the 38 firms change data, small firms had higher stages of export intensity than large firms.

Bijmolt and Zwart [27] studied the success of small and medium-sized exporting firms in the northern part of the Netherlands. There are more than 95 percent of the small and medium-sized firms in this part of the country. The study was used a total of 2.200 questionnaires and usable was 691 of them were usable but the sample was limited for 248 firms with this characteristics. They developed the model by using LISREL analysis affecting export success that is dependent upon both firm characteristics and policy issues, which include management perceptions. The objective of the study was to determine what internal managerial factors contribute to export success. The study classified four indicators (firm characteristics, export marketing planning, organizational structure, attitude toward exporting) through cluster analysis that differed on their export success as well as their firm characteristics. The results emphasize that internal managerial factors such as the attitude toward exporting are crucial for the export success of the small and medium-sized exporter. In addition to, firm characteristics play a focal role by affecting the export policy of the firms and so indirectly the export success.

Ogbuehi and Longfellow [30] studied characteristics of the firm, managerial attitudes, managerial ability, proactive/reactive behaviors and export experience. The sample was a questionnaire of 500 small and medium-sized manufacturing firms. 235 firms responded. Of the responded surveys, 224 questionnaires were deemed as usable response. The dependent variable was export experience identified as the length of time the company had been involved in exporting. The analysis indicates that differences in firm characteristics, managerial attitudes and abilities and toward exporting do exist between firms with varying degrees of exporting. They found that firms engaged in exporting as compared to firms with less or no experience in exporting. Another result is that the inexperienced exporters devoted less management time to exporting and derived lower profits from exporting than the highly experienced export group. This study also proposed that firm size is an important factor in exporting.

Moini [17] indicated his study that firm size has an impact on export success. The evidence in this study suggested that firm size which has received considerable attention in export research, proved to have influence on firm export success [17]. On the other hand, decision maker's characteristics (age, education, and knowledge of foreign languages) and expectations (of exports profits, risks, and cost) were not significant factors in the export success of smaller firms.

Gartner and Bhat [31] explored the relationship between the characteristics of a small business' location and a small business owner's expectations of future firm growth. The data used in this study were obtained from a survey of small business in San Francisco. They focused on 37,249 offices, retail, industrial and hotel establishments operating in San Francisco. 1,351 questionnaires had been received (22.5 percent response rate). In this study, small businesses were defined as businesses with average sales of $500,000. A factor analysis was conducted to assess the responses. The results suggested that three categories of items characterize the owner's perception of their neighborhood, appearance, crime and access. A number of firm characteristics were correlated to the respondents' growth expectations. The type of firm and size were also correlated to growth expectations. Owners of larger firm were optimistic than owners of smaller firms.

Wolff and Pett [32] investigated the relationship among a size, competitive pattern and export performance for small exporting firms. Data were obtained from 157 small firms exporting to markets outside the U.S. This study examined the difference in competitive model of exporting among small firms and whether size plays a role in those differences. The results pointes that there are some important differences among the three size categories (very small firms, medium sized firms and larger firms). The results proposed that very small and medium sized firms at least export as effectively as their larger counterparts. Medium-sized firms show significantly greater export sales and total sales than very small firms.

Ellis and Pecotich [33] surveyed the relationship between social relationships and perception of export opportunities. The sample of 31 export market entries support the observation that decision makers' cosmopolitanism has a significant influence on the beginning of exports. The evidences were collected for this investigation from a variety of data sources, including company documents, articles, trade publications, government reports, archival data and personal interviews. The main finding of this study is that the communication of information concerning foreign opportunities is largely determined by the degree of social contact connecting decision makers with others abroad. Also, they state that decision makers are social actor as create, develop and manage their social resources when making market entry decisions. The case study results indicate that the decision to begin exporting for any of the small-medium enterprise when face with uncertainty and risks, decision makers in small-medium enterprises tend to choose the options with which they are most familiar.

Brasseur, Zanibbi and Zinger [34] used an empirical study of 145 new ventures for two consecutive years starts-ups to explore growth momentum model as measured by sales. The main purpose of this study is to test the relationships between pre-startup activities, expansion activities and how these combine to influence early stage performance. Their conceptual model connects pre-startup activities to the expansion intensions of the owner-manager. And, the actual expansion activities occur early stages in the business growth. We concluded that expansion intensions of the owner-manager play an important role in the pre-startup activities to provide a platform for future growth.

Kirby and Kaiser [35] examined the activities of 9 U.K. and 12 German small-medium sized enterprises that have joint ventures in China. Data were based on the questionnaires and interviews. The results of the study revealed that joint ventures could be successful market entry strategy for small-medium sized enterprises being limited resources and knowledge of the local market. Also, this study provided that joint ventures will get more increase importance as an internationalization strategy for small-medium sized enterprises.

V. CONCLUSION

In the first part of the article, we examine and evaluate the Uppsala, stage model and new venture theory, which are related with the internationalization of the firm. In the second part of article, we examine the various variables or factors that affect a firms' internationalization, according to these three models.

The stages model of internationalization is rather deterministic and firms move sequentially through different stages as they develop their internationalization, starting with no interest in exporting, progressing through exporting, and finally foreign direct investment modes such as joint venture and wholly owned subsidiaries both production and sales. This model is represented by stages where a higher level stage represents more experience/involvement than the lower level stages. In contrast, the process model is more dynamic and the internationalization process of firms is incremental. Each stage involves an increase commitment to international activities. Commitment increases as firms learn more and therefore become less uncertain about foreign markets. International new venture, which is rather recent model which refute the stage and Uppsala model. According this model, firms could skip stages and assuming that a new type of international small business could be international from inception. More small and start-up firms are exporting today and contributing the economy. Lower communication and transportation costs have made international business to consider going international at an earlier stage of development. International new ventures usually produce high-tech, knowledge-based products.

In the analysis we have not seen any external variable such as domestic market size, growth rate are not related to small firms' internationalization. The reasons might be that these variables seem to be not well known by small firms or they are too small in proportion to the external environment, which have a significant impact on foreign sales.

As an internal factor, firms size one of the most studied variables that relate to internationalization of a firm. The results of the empirical analyses are mixed regarding the question of whether firm size is important to internationalization. It is clear that small sized firms can be just as successful as larger firms in terms of export intensity (export sale/total sales).

The firms' ability to conduct international business activities has been found in the studies to be significant with firms' internationalization. According to the process model, the more foreign markets have involvement and more international experience; they developed higher level of ability.

On the whole, as a result of the literature survey we have done in this study based on the expansion of export activity are related to manager's expectation concerning profitability, technological advantages of the firms, marketing research, the existence of an export policy and export planning are important factors affecting the internationalization of firms.

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