SCOPI MODEL AND 5S PENTAGON STRATEGIES FOR SMALL FIRMS IN THE ERA OF GLOBALIZATION

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ABSTRACT

This study seeks to review the literature on the challenges and problems of small and medium scale enterprises (SMEs) in this era of globalization, introduce an analytical framework, and list out the strategies for small firms to compete, survive, sustain and succeed. A multiple case study methodology, facilitating an in-depth investigation based on semi-structured interviews with the senior managers, is followed. Taking into account the issues faced by small firms, I develop a 'SCOPI' (Strategies, Challenges, Opportunities, Problems and Internationalization) framework (and a Pentagon model within the framework), which can be used to analyze the issues and growth of a small firm in long run.

Keywords: Small Firm; Internationalization; Globalization; Strategies, Exporting

INTRODUCTION

Small and Medium Enterprises (SMEs) play a pivotal role in the development of any country. On the other hand, they face major challenges while competing internationally with large firms. SMEs can be considered as a backbone of a national economy (Peters & Waterman, 1982; Amini, 2004; Radam et al., 2008). SMEs, despite their small-scale output and relatively high production costs, are known to be significant contributors to employment growth and innovation (Pavitt et al., 1987). The smaller firms have an edge in terms of quick and flexible decision-making processes. Thus, their relative strengths are mostly behavioral; such as entrepreneurial dynamism, flexibility, efficiency, motivation, among others. Some of the relative strengths of large firms include economies of scale and scope, financial and technological resources.

The strengths and weaknesses of small firms involved in the exportation of goods have been widely discussed among researchers. For instance, Fillion & Pickerill (1990) highlight the impact of firm size on export activity, and confirm that firm size is an important factor in shaping perceptions of trade barriers. Larger firms, equipped with more resources at their disposal, can respond better than their smaller counterparts in dealing with these trade barriers, and are likely to have a competitive advantage in international markets (Beamish, 1990; Wolff & Pett, 2000). The argument is that large firms who have developed their resources and capabilities over time, such as managerial know-how and export departments, carry out export activities with a well-developed base. Hence, these larger firms are more likely to overcome the problems of exporting than smaller firms.

Thus, it is true that small exporting firms face more challenges than larger firms. The available literature makes a clear distinction between export barriers and other problems faced by firms (Morgan & Katsikeas, 1997). The former refers to factors that prevent non-exporters from embarking on an export strategy; while the latter covers the stumbling blocks encountered by existing exporters. Smaller firms often face more problems, result in failures in international business operations and incur financial loss, compared to large enterprises (Gauri & Kumar, 1989). Falbe and Welsh (1998), while explaining exporters' problems, found that the global mindset or familiarity with conditions generate more opportunities. Taking into account the need for small firms and importance of their competitiveness, we seek to survey the literature, highlight the findings and propose an anlytical model titled 'SCOPI' model for small firms to follow in order to compete, survive, sustain, and succeed in this era of globalization. We also introduce a 5S Pentagon strategic model within the SCOPI framework for the success of small firms. The motivation for developing the SCOPI model is as follows. i) Although many researchers have used well-known internationalization and growth models such as Uppsala and the born global for analysis of small and medium enterprises, they are not (in particular born global) built based on Non high-tech small firms. ii) These models developed are not taking into consideration the challenges brought about by the forces of globalization on small firms. iii) There is a need for a robust model, in comparison to the traditional Strength, Weakness, Opportunity and Threat (SWOT) framework. iv) SWOT does not offer a set of strategies for firms to succeed whereas we offer 5 strategies for small firms to analyze their problems and compete, which would help them to survive in long run. v) There has been widespread difficulties in applying comprehensive theories to the decisions and processes involved, resulting in calls for a return to exploratory research, and for a series of connected submodels covering different dimensions of internationalization (Jones, 2001).

LITERATURE REVIEW

Internationalization and SMEs

Scholars and academics have tried to define internationalization on many occasions using many different perspectives and variables. The definition of the term internationalization vary depending on the observed phenomena. As demonstrated by Penrose (1959), the topic focuses on the firm's core competences and opportunities in the foreign environment. Johanson and Vahlne (1977) explained the term 'internationalization' as the process in which a firm increases its involvements in international operations, which is supported by the study by Welch and Luostarinen (1988). Other scholars define 'internationalization' as the process by which business firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries. Subsequently, Calof and Beamish (1995) define internationalization as "the process of adapting firms operations (strategy, structure, resource, etc.) to international environments".

It makes sense to discuss the meaning of the term SME as we deal with the possible strategies of Small & Medium enterprises in this paper. SME can be broadly defined as a business that maintains revenues or a number of employees below a certain standard. In the United States, there is no distinct way to identify SME; it typically depends on the industry in which the company competes. In the European Union, a small-sized enterprise is a company with fewer than 50 employees, while a medium-sized enterprise is one with fewer than 250 employees (Investopedia, 2015).

Theories of Internationalization

The notable theories that are used as benchmark models in the area of internationalization of firms are i) Product Life Cycle Theory propounded by Raymond Vernon (1966, 1971; 1979) ii) Uppsala model iii) Network Approach iv) Born Global model.

According to Vernon (1966; 1971), the internationalization process of the firm follows a Product Life Cycle. Firms usually introduce new products only in their home market and eventually go abroad, beginning with exports and later venture into foreign direct investment and reverse exports. Uppsala model postulate that firms go through a gradual internationalization process (e.g., Carlson, 1975; Johansson & Vahlne, 1977; Johansson & Wiedersheim-Paul, 1975; Welch & Luostarinen, 1988; Welch & Wiedersheim-Paul, 1980).. Johanssson & Vahlane (1977) suggested that companies begin the internationalization process in markets that have less psychic distance. Psychic distance is the differences in such factors as: language, culture, and political systems; which disturb the flow of information between the firm and the market, as explained by Johanson & Wiedersheim-Paul (1975).

Mitgwe (2006) proposed network approach of internationalization stating that networks are a bridging mechanism that allow for rapid internationalization of business firms. Networking is seen as a source of market information and knowledge, which are often acquired over longer periods, when no relationships with the host country exists. This school of opinion brought another theory of internationalization of firms into picture that is known as Network Approach. The emphasis of the network approach is in bringing the involved parties closer by using the information that the firm acquires, by establishing close relationships with customers, the industry (including suppliers and distributors), regulatory and public agencies, as well as other market actors. Relationships are based on mutual trust, knowledge, and commitment between the firm and the aforementioned actors. Given limited resources and market power, the internationalization process of small- and medium-sized enterprises (SMEs) differs significantly from that of established multinationals. SMEs typically rely heavily on their network relationship as they try to internationalize their business (Coviello, 2005; Musteen, Francis & Datta, 2010).

There is an alternative view that some firms internationalize soon after their inception, and such firms are called as International New Ventures (INVs) or 'Born Globals'. McDougall & Oviatt (1994) defined INVs as business organizations that from inception, seeks to derive significant competitive advantage from the use of resources and the sales of outputs in a number of countries. Coviello & Munro (1992) concluded that INVs are result of international awareness that the managerial team or entrepreneurs have about the international business; being able to link resources from other countries to meet demand of markets that are inherently international. Some factors that help firms become international from inception are new market conditions, technological developments, and the capabilities of managerial team and/or entrepreneurs, as well as the international network relationships (Madsen & Servais, 1997).

SMEs with innovative products or services, have a competitive advantage over other firms which in turn help them in the process of internationalization from inception. This happens when a specific foreign market has the need for the innovative product or service. Knight and Cavusgil (1996) suggest that INVs could be small firms that strive to achieve competitive advantage based on technology, and from the earliest days of their foundation operate in multiple international markets. While McDougall and Oviatt (1997) found that INVs are not a phenomena that occurs in a specific industry, but that can happen in a wide range of them. Born Global firms are known to be those firms whose competitive advantage is the great knowledge and the technologic know-how they possess. This, combined with managers and/or entrepreneurs with experience in the international market, will easily take the firm abroad.

Today, some of the main drivers for the increasing internationalization of SMEs are: globalization, technological, political, and economic changes. As discussed earlier, some theorists of internationalization process suggest that certain types of SMEs internationalize by following the ‘stage model’, expressing a cautious and progressive behavior; whereas there are other types of SMEs that are considered INVs or Born Globals, which internationalize at an early stage of establishment. In order to internationalize successfully, SMEs also need to give due attention to various factors influencing the internationalization and growth of competing firms.

Factors Influencing the Internationalization and Growth of Small Firms

Researchers have examined various factors influencing the internationalization and growth of small firms in the past, and have made substantial contributions to the existing body of literature (Autio, Sapienza & Almeida, 2000; Lu & Beamish, 2001; Anderson, Gabrielson & Victor, 2004; Golovko & Valentini, 2011; Harms, & Schiele, 2012). Lu & Beamish (2001) found that internationalization helps the small and medium firms to perform better, and succeed in long-run. Similarly, there has long been an assumption in the literature that firms internationalize gradually after a period of gaining domestic experience and growth (Etemad & Wright, 2003).

Challenges of Exporting

Ghauri and Kumar (1989) note that small size limits the opportunities for trade in such a way that small firm managers feel barriers to exporting much higher than managers of large firms. The perception of export problems also differs depending on whether the exporters are passive or active (Sharkey, et al., 1989). Lall (1991) identified export-marketing problems as the gaps, which need to be filled before the competitive producer becomes a successful exporter. Researchers show that the perception of barriers affect exporters' strategic decisions on the level of the firm's resources and commitment to exporting (Shoham & Albaum, 1995; Katsikeas et. al., 2000). Some studies also highlight quality control and safety standards as important problems faced by exporters that compel firms to adapt products to the requirements of various foreign markets (Kedia & Chhokar, 1986; Keng & Jiuan, 1989). From this discussion, it is clear that the smaller firms have higher barriers than larger firms.

Macro and Micro Problems

It makes sense to classify the exporting-related barriers and challenges of small firms as- macro and micro problems. Macro problems are because of the factors, which are beyond the firm's control, and are often categorized as exogenous economic problems for the firm. For instance, Using the longitudinal data of 18,644 domestic private enterprises and foreign wholly owned subsidiaries in China from 2001 to 2005, Gao et.al (2010) found that institutional environment has significant effects on export behaviors, compared to the firm competencies and industry factors.

Many studies in the area of exporting firms found that macro problems such as a lack of proper trade institutions, unfavorable exchange rates, absence of a stimulating national export policy, and international agreements (Ogram, 1982; Figueiredo & Almeida, 1988; Cardoso, 1980; Ghauri & Holstius, 1996; Mary, 1991; Kaleka & Katsikeas, 1995 & Ortiz-Buonafna, 1984) are some of the macro level problems. A study by Kaynak, Ghauri, & Olofsson-Bredenlöw (1987) found that small exporting firms have five major problems. The two most frequently cited issues are selecting a reliable distributor (55 percent of the firms studied) and communicating with customers (39 percent of the firms studied). These can be controlled by the firm to some degree and thus can be considered internal problems. The remaining three factors are external to the firm and cannot be easily controlled. Such problems include foreign currency restrictions and governmental barriers, which are noted by approximately 25 percent of the firms studied. Roughly 20 percent of the respondents in their study considered political instability as an issue for exporters (Kaynak et.al, 1987).

Internal and External Export Problems

Katsikeas and Morgan (1993) provided a comprehensive review of export literature, where export problems were investigated in four groups: internal, external, operational and informational. Leonidou (1995) classified export marketing problems as both internal and external. Evidence suggests that owner-managers of small firms wishing to export face a number of internal and external obstacles (Julien et. al., 1997; Bagchi-Sen, 1999). While insufficient resources and insufficient information on the possibilities and constraints of foreign markets are major obstacles, the narrow attitudes of owner-managers who prefer to concentrate on domestic markets and poorly developed strategies are also a hindrance (Bagchi-Sen, 1999). Using a conceptual framework with illustrative examples, Etemad, Wright & Dana (2001) show how smaller firms can use symbiotic, strategic alliances with larger firms to overcome inherent constraints of size and to achieve the economies of scale required for global competitiveness. Similarly, Paul and Gupta (2014) found that large, as well as knowledge intensive, firms have an edge compared to small firms in this era of globalization.

Internal export problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing (Leonidou, 1995). Such problems pertain to import quality standards and establishing the suitable design and image for the export market (Czinkota & Rocks, 1983; Kaynak & Kothari, 1984; Rabino, 1980). In addition, problems linked to the poor organization of export departments and the firm's lack of competent personnel to administer exporting activities are often classified as internal problems (Yang, 1992). Similarly, a number of studies have considered the role of internal financing expenditures on exports to outside markets. Ughetto (2008) suggests that internal funding is more important for innovation in smaller firms than for larger companies, reflecting stronger external market constraints on smaller firms. Bellone (2010) also concluded with similar findings for exporting firms and observed that financial constraints can act as a barrier to smaller firms engagement in exporting. Applied studies in Turkey conducted by Sarıaslan (1996) confirmed that SME's export deadlocks stem from financial trouble and lack of marketing capability, which leads to poor strategizing. Another study by the International Trade Center also shows that the major constraints faced by SMEs continue to be in the critical areas of access to finance, technology, and markets (Hibbert, 2000).

Some studies focus on other aspects of internal export problems, such as little or low understanding of the target market and its challenges. Baykal and Gunes (1985) reported that the export problems of SMEs are: lack of knowledge of foreign markets, lack of workers who have enough information about foreign markets, and the misconception that the size of the demand in the foreign markets is too high for the SMEs. Lack of export experience of a firm is another important internal factor that limits the export growth of a small firm. Findings in this area of study revealed that perceptions of export barriers and problems faced by firms are correlated with export experience (Barkema et al., 1996). Kneller and Pisu (2007) suggested that exports barriers and problems do not affect all firms in the same way, and that the best predictor of whether a particular firm identifies a problem as relevant is explained almost exclusively by the number of years the firm has been exporting. The perception of impediments also varies between firms, such that firms with less experience perceive higher incidence of problems in international business (Madsen, 1989) than the firms having more experience. This implies that experience can be an essential factor to the success of exporters in overcoming and tackling export problems (Reuber & Fischer, 1997).

Human Resource Management Challenges in Small Exporting Firms

While discussing the internal problems of exporting, challenges of human resource management in small firms also warrants mention here. A study in the USA revealed that one of the reasons for SME failure is less concern for human resources (Baron, 2003). It is the knowledge of the employees, which enables an organization to have a sustained competitive advantage. The employees come and go, and may or may not be reliable in terms of keeping the knowledge in-house (Olander et al., 2009; Delerue & Lejeune, 2010). This is especially true of SMEs, in which company-vital knowledge resides in the key employees (Venkataraman et al., 1990), and could leave with them as and when they leave the organization. It is indeed challenging to preserve core knowledge and to prevent competitors from imitating the most valuable and interesting creations. The skill of human resource is the most important tool for the growth and internationalization of companies around the globe. The most important issue for the organizations in the 21st century is to create the best working environment to get the maximum output of the skilled work force (Senyucel, 2009). Skilled and experienced workers are very important for the development of the export related performance of the organization. (Freeman et al. 2012: 105-106). Major skills development barriers for small and medium-sized enterprises include the influence of the prevalent SME culture, awareness, finance access, and provision of training and other skill development opportunities (Lange et al., 2000). The other important aspect in this context is the attitude and perceptions of the managers responsible for handling the export operations of the organization. Lack of a manager education, foreign language proficiency, and experience with foreign culture create barriers for SMEs during their operation in the international markets (Suárez-Ortega & Álamo-Vera 2005: 274). Talent management is equally important for any business, and having an integrated approach can positively affect the profitability and productivity within SMEs. However, Matlay (2004) observed that SMEs have a poor record in responding to human resource development (HRD) initiatives, and many SME managers are highly skeptical of the benefits of such initiatives, with some even hostile towards it. It is indeed very challenging to train the employees in SMEs, as mangers themselves are unlikely to hold qualifications (Johnson, 1999). The training, or more accurately – learning, that takes place in most SMEs tends to be informal, on-the-job, and related to short-term business objectives and problems. A study conducted by Carlson, et al. (2006) suggests that training and development, recruitment packages, maintaining morale, use of performance appraisals, and competitive compensation were more important for high sales-growth performing firms than for low sales-growth performing firms.

Export Marketing Strategies of Small Exporting Firms

The intensity of exporting activities and the nature of export marketing strategies vary considerably across industries (Porter, 1980). External export problems of small firms are related to the industry, the market and the macro environment (Ramaseshan & Soutar, 1995). Sarıaslan (1996 b) revealed that demand insufficiency, standards of goods and services with reasonable prices and quality which provide competitive advantage on foreign markets, low capacity, adaptation problem of market entry, law and politic problems, and the diversity of customer's choices and habit are some of the external trade problems of a small exporting firm. In addition, Jain (1989) stressed that technology and intensity of price competition in the industry are important determinants of the marketing strategy.

Among various valuable resource types, an exporting firm's intangible resources are most likely to become strategic assets for developing competitive advantage as these resources are likely to be rare, valuable, imperfectly imitable, and difficult for other firms to substitute. Some of the most recent studies in this area indicated an increasing focus on intangible resource forms as the basis for developing competitive advantage (Armstrong & Shimizu, 2007; Chrisholm & Nielsen, 2009; Galbreath, 2005; Miller & Shamsie, 1996; Locket et al., 2009; Newbert, 2007).

Social Capital Resources of Small Exporting Firms

One of the more recent developments in the study of intangible resources and their relationship to sustainable competitive advantage is the concept of social capital. This is viewed as a resource to fuel the firm's export activities and to fill voids in the institutional environment, such as the lack of available information on export opportunities, bureaucratic rigidity, inexperience when dealing with government agencies, and the lack of government support for small exporting firms. The social capital is even more valuable for a small exporting firm, as these often suffer from the "liability of smallness," while they deal with both the pressures of international expansion and highly unpredictable local institutional environments (Manolova, Manev, & Gyoshev, 2009; Peng, Wang, & Jiang, 2008; Roxas, Lindsay, Ashill, & Victorio, 2009; Elg, Ghauri & Schaumann, 2015) Some of the critical social capital resources such as networks, informal connections, inter-firm relationships, and managerial ties are considered critical resource bases for international activities at small Southeast Asian firms (Ellis, 2010; Pollard & Jemicz, 2010). Recent studies in this area found that firms do not operate in isolation but rather are embedded in a network of relationships as they create value, which includes of relationships with other firms, economic or social entities, and individuals (Ma et al., 2009; Manolova et al., 2009; Walter, Auer, & Ritter, 2006). This generation of intangible relation assets builds the social capital of a firm and can potentially endow the firm with strategic resources essential to the creation of sustainable competitive advantage (Lages et al., 2009; Nahapiet & Goshal, 1998; Westlund, 2006). Kahiya, Dean and Heyl (2014) use changes in the exporters' institutional environment to predict change in the influence of export barriers in New Zealand. They draw data via simple random probabilistic samples of manufacturing exporters, using an identical survey instrument. Discriminant analysis results show that the influence of export barriers differs markedly.

------ "Table 1 goes about here"------

Major Barriers of Internationalization of Small Exporting Firms

In the light of the above discussion, major barriers faced by small firms while internationalizing are summarized and given in Table 2;

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METHOD

As explained by Creswell (1997), qualitative research is an inquiry process of understanding that explore a social or human problem in which researcher builds a complex, but holistic picture, by conducting the study in a natural setting. Thus, we adopted a qualitative approach, as the aim is to describe research objects holistically with real-life situations. Following Benaglia, Goldstein & Mathews (2007), we employ a case study approach (three cases from three different countries), in order to generate a depth of findings that would be unavailable initially in a large quantitative study. The process of building theory from case studies is strikingly iterative (Benaglia et.al, 2007). Selecting firms from different countries help us to understand the common problems and challenges faced by small firms in different regions in the world, regardless of their country of origin. Additionally, we used a multiple case study methodology, similar to the approaches introduced by Eisenhardt (1989), Yin (1994) and Coviello (2006). This facilitates an in-depth investigation with a bifocal lens, enabling the researchers to replicate logic used to identify the subtle similarities and differences within a collection of cases (Brown and Eisenhardt 1997; Eisenhardt 1989; Yin 1994). According to Yin (1994), and Ojala (2008), the case study method is relevant when the study covers a real-life situation in which an action such as opportunity recognition occurs. In this connection, Shane (2000) argues that the case study method allows the investigation of how opportunity recognition operates in a situation where "all of the relevant behaviors cannot be manipulated through experimental design." In addition, the approach is also consistent with numerous recent studies concerning international entrepreneurship and opportunity recognition research (Shane 2000, Coviello 2006; Coviello & Munro 1997; Crick & Spence 2005; Ojala 2008, Kontinen & Ojala, 2012).

Sample: Participating Exporting Firms

This multiple case study is composed of a series of interviews and site visits. The sample included in this study consists of three small exporting firms. The selection of the firms for investigation was based on an overall theoretical perspective, as recommended by Eisenhardt (1989), rather on a random sampling methodology. The selection criteria of sample firms required fulfillment of following conditions to minimize the potential for confounding results. i) The export intensity of the firm (at least percent revenue from exports at the time of data collection). ii) The firm is a small international new venture (INV) with less than 75 employees. iii) The firm does not fall in the category of born global, as defined by experts (Oviatt & McDougall, 1994; 2005 & Knight and Cavusgil, 2004), which means the firm had not entered into a foreign market within three years of conception. iv) They are not "Accidental Internationalists", as defined by Hennart (2014). v) They are not high-tech small & medium enterprises (non-HTSMEs). The above mentioned dimensions of small exporting firms allowed us to recognize what are the specific challenges of small exporting firms with limited resources and international exposure. This approach allowed us to investigate exporting challenges of small firms to derive a generalized theoretical framework bearing in mind that laws, regulations, and customs might vary in different markets (Shrader, Oviatt, & McDougall, 2000).

The identity of firms has been disguised in this study. The firms had an export share in their total sales ranging from 25 to 95 per cent. Another uniform feature of these sample firms was that all of them started exporting during the last decade (after 2005). Multiple sources of information were used to gather data from each case firm. The main form of data collection was a semi-structured interview, guided by a list of topics identified by review of literature. We followed the guidelines set out by Huber and Power (1985) to minimize the risk of providing inaccurate or biased data. The interviews were carried out using a set of questions lasting 60–90 minutes with two respondents from each case firm. An interview guide was also provided for each of the participants before the interview was conducted. The interviewees selected from the case firms consisted of managing directors, export managers, and those sales administrators who had the greatest in-depth knowledge of exporting operations of the firm. These professions correspond to the informants commonly utilized in the field of international entrepreneurship (Coviello & Jones 2004). By selecting the most knowledgeable persons, and by using two informants from each firm, the researchers ensured that they get the most relevant knowledge and to counteract the biases of individual opinions (Huber & Power, 1985). Having two interviews from each case firm also made it possible to ask more detailed questions, following up from the first interview, improving the validity of the data collected. The approach made it possible to ask “main” questions and then pose further, more detailed questions (Yin, 1994). The interviewees were first asked to describe their business in general, followed by their exporting operations and experience from the particular perspective of challenges of small exporting firms. We followed the guidelines for retrospective studies by Miller, Cardinal, & Glick (1997) and Huber & Power (1985).

Data Collection

The interviewers recorded and transcribed each interview. A second listening was conducted to ensure correspondence between the recorded and the transcribed data. In addition, follow up telephone and e-mail contact was used to clarify points from the interviews. After completion of the interviews, the case descriptions were shared with interviewees for comments. As per the suggestions of Coviello (2006), to improve the validity of the study, we also collected and analyzed some important secondary data (such as websites and promotion material).

Analysis

The unit of analysis for this study is the small exporting firms. Based on the interviews and written documents, we prepared a detailed case profile of each firm, following the approach of Pettigrew (1990), who suggests that organizing incoherent aspects in chronological order is an important step in understanding the causal links between events. Thereafter, on the basis of the interviews, we identified the common challenges of exporting of each case firm. In addition, we used checklists and event listings to identify critical factors related to opportunity recognition (Miles & Huberman, 1994).

FIRM PROFILE, STRATEGIES AND CHALLENGES

This section is devoted to provide key information about the case firms that participated in the interview process. The information compiled is summarized in Table 3. Three small firms named Jay, S & J, and Berro are the units of analysis included in this study. Following the method employed by Coviello (2006) and Bongalia et.al (2007) we discuss their profile one by one, with their strategies, challenges and problems faced by them.

Jay

Jay is an export firm, specializing in the transport of lubricants, such as motor oil, transmission fluid, brake fluid, grease, power steering fluid, turbine oil, compressor oil, and hydraulic oil manufactured by leading companies. A Russian expatriate established the firm in the year 2004, in Japan. Within five years of inception they ventured into the export business, in 2009. Jay deals with about 100 importers all over the world, with main partners based in Russia, Ukraine, Singapore, and Taiwan. The firm emerged as somewhat popular among European and Russian importers of Japanese products. The management of the firm consists of less than ten people, which significantly simplifies the dividing of the tasks within the team. All of the members have more than 10 years of experience in the exporting business. Also, employees of different nationalities facilitated working and communicating efficiently with stakeholders of the company in other parts of the world, as were able to speak and write local languages. The firm's clients are given the permanent, exclusive right to distribute Jay's products in their own countries, on the basis of agreement. As a payment safeguard measure, Jay's export strategy is mainly on the basis of advance payment from the importer, although this is challenging for them to convince their client, as they are such a small firm. The founder of the company believes that debts make firms "sink" in business, and therefore prefer to not offer credit to their importers.

The firm relies upon the importer's perception of higher quality about Japanese lubricants. Although Jay's staff members are knowledgeable about the export business, this firm sometimes depends on an agent, who provides the shipment and consulting services. After years of experience in exporting, the firm was in the process of tapping into new markets and identified Central Asia to explore new opportunities. However, the scarcity of capital was a problem for expansion. Additionally, they were planning to begin their own production of co-brand oils as a way of avoiding dependence on the suppliers. Also, the firm was striving to increase demand from importing countries, especially former Soviet Union countries. However, they have competition from rivals due to a common orientation on those target markets. The firm also had to handle the strict Japanese government rules, with reference to exporting being an expatriate firm.

S & J

S&J is a relatively young firm in the tiles industry, and its current production comprises ceramic tiles for walls, flooring, and decorative purposes. S & J believed in better synergies for marketing and set-in-order strategy for inventory management. It was established in Turkey, in 2001, and began export operations after 10 years in 2011. The firm occupies 30 percent of the domestic market for the ceramic tiles (almost like a saturation point in Turkey) and was exploring its option of production (Foreign Direct Investment) in a foreign market. The managing director is strongly committed to exporting their products, with the Middle East region as the main target market. As a young firm in the foreign market, S&J lacks international exposure and this is a stumbling block while competing with large multi-national firms. Besides, the higher costs of fuel and natural gas were raising their production costs.

S & J debated on whether to strengthen their business in domestic market or diversifying into a related sector like sanitary ware or invest more to establish foothold in foreign markets. Finally in 2013, they prepared an export business plan and decided to focus on export marketing opportunities. S & J also took initiative to find market opportunities in countries with less psychic distance (Middle East countries) with their home country, Turkey. S & J faced external challenges from domestic competitors as well as international competitors from countries such as China. Unlike Jay, S & J did not have a standardized policy for negotiating the payment in advance. Ie, they did not insist a payment or credit term with their importers, while negotiating.

Berro

Berro established operations in 1995, in India, as a small family business. The firm then started its export operations in 2006. They are into manufacturing of machines, catering to the steel industry. Their main products include roll forming machines, cut to length lines, and slitting lines. They are committed to growth in the capital goods industry, aggressively seeking international market share by continuously adapting to better technologies and designs. The firm's main export partners are in Saudi Arabia, United Arab Emirates, Africa, and Nepal. The firm has its own problems, constraints, and limitations, despite the fact that they had focused on technology. Berro was honored with the Best Technology Award in 2009, from the National

Small-Scale Industries Council. Since its inception, the company was established as a quality-driven organization, and was constantly striving to introduce innovative products and technologies in order to provide high-quality services to its customers. Berro's top management believes that competitive advantages can only be developed when a customer is given "Value for Money", and this includes ensuring that shipments are made on the on promised date. A team of highly qualified and experienced professionals worked hard to adopt and update the existing technology at Ferro in order to keep pace with the challenges.

------ "Table 3 goes about here" ------

The most critical internal challenge faced by Berro is the lack of capital. In the absence of conscientious cash flow management and the ability to raise more capital, the business is often constrained by capital as it grows. Generally the profit in one operating cycle is not sufficient to fund the extra working capital required for the next operating cycle. The export payment terms for their clients was 10 percent advance payment, 35 percent after dispatching the bill of lading, and the remaining balance at the time of delivery of goods as sight bill. Even though this may seem like a standardized strategy, this is not normally strictly implemented. However, being a small firm, Berro does not have the negotiating power to ask their importers either for advance payment or for a letter of credit. The management believed in just-in-time inventory management system, to align-with the Japanese style set-in-order strategy.

Berro faces external challenges from two types of competitors. Those threats can be classified as: i) overseas firms (mainly Chinese SMEs) in the engineering sector pose a significant challenge to small engineering firms such as Berro, because of the comparative lower cost advantage they offer to international buyers. ii) Domestic players: Competition from large domestic players.

SCOPI MODEL FOR SMALL FIRMS

Taking into account the challenges and problems discussed in the review of literature and the subsequent sections, we propose a "SCOPI" (Strategies, Challenges, Opportunities, Problems and Internationalization) model with three goals: i) to explain the growth phenomenon of small firms; ii) to carry out industry analysis for intelligent decision making, regarding market entry, expansion, and diversification; and iii) as a model for small firms to follow in order to compete in the era of globalization, as specified as follows. Additionally, case data used in support of SCOPI model is given in Table 4. We argue that there is a need for alternate frameworks to provide better directions for future research and to avoid replicated research based on the same model or theory. We introduce SCOPI model taking into account the strategies to be formulated based on the challenges, opportunities and problems of small firms in this era of globalization. Thus, we suggest that a small firm has to undertake an interim impact/feasibility study of further internationalization, using framework like SCOPI, to examine whether they will succeed in foreign markets/specific country in long-run.

S for Strategies

Some of the recent studies dealing with small exporting firms indicated an increasing focus on intangible resource forms as the basis for developing strategies (Armstrong & Shimizu, 2007; Chrisholm & Nielsen, 2009; Galbreath, 2005), Based on the experience of the case firms included in our study and the problems highlighted in the literature review section, we argue that the small firms could survive and succeed, if they follow 5S Pentagon model strategic framework as shown in Figure 1. The proposed model can be explained as follows.

------ “Figure 1 goes about here” ------

i. Synergize

We are on the verge of a bound-free market where market forces would ultimately decide the winners in business. Taking into account the competition and entry of multinational corporations all over the world, we argue that small firms need to synergize their businesses, and focus on their strength and core businesses, rather than diversifying into unrelated sectors in the first decade. For instance, S & J, although they were planning to diversity into another sector, finally decided to focus on export markets, rather than investing for diversification in domestic market. Jay synergized its strategy expanding into foreign markets with less ‘psychic distance’ with the founder’s country of origin. Similarly, firm S & J synergized its strategy expanding into foreign markets with less ‘cultural and geographic distance’ (from Turkey to Middle East).

ii. Set-in-Order

In order to compete successfully, firms need to set in-order their in-house systems and priorities (to ensure that everything has sequence). This strategy helps in eliminating unnecessary items and reduces inventory at the workplace and proving order and cleanliness. Inventory reduction improves the working cash flow, which is always a constraint in small firms. The classic example among our sample firms is Berro. Jay did not have to deal with it daily basis as they were primarily operating as merchant exporters.

iii. Standardize

Small firms usually have unstandardized guidelines and rules. This creates ambiguity. Therefore, to avoid ambiguity and to build brand and reputation, we argue that small firms need to work on standardizing their rules and management practices within the organization so that others know that what to expect and what not to expect. Role clarity and process clarity will lead to better output per workman and fewer delays. In the case our study firms, Jay and Berro took efforts to standardize their guidelines and rules. However they did not have negotiating power being small firms, in the international market. Due to lack of international exposure, S & J did not standardize their rules. At the same time, management felt the need for standardizing certain terms and conditions of business.

iv. Strategize

Competition between firms consistently intensifies in all industries. This implies that small firms need to strategize their operations. The process begins with strategic planning, monitoring the actions of rival firms, and execution of strategies such as internationalization. This includes strategic alliances, exporting, sourcing at competitive price and quality. This is extremely important, as a clear long term strategy will provide the right direction to the business. For instance, Jay's attempt to launch a co-branded oil can be considered as a classic case to support this argument.

v. Success

Success depends on appropriate mixing of the above- mentioned strategies. Based on the structured interviews and comprehensive literature review, we argue that small firms need strategies to survive, then to sustain and succeed as a third step. All need to be followed in sequence and accomplished fully.

C for Challenges (External)

Small firms need to understand that they might face multiple challenges while growing, and going international. Based on the literature review and interviews conducted, we define challenges in our model. We focus on external problems under the letter C (Challenges) that can be classified and generalized as:

a. Competition from other firms in the same country.
b. Competition from multinational firms from other countries.

All three firms Jay, S & J and Berro had to face these type of challenges in their daily business.

O for Opportunities

Globalization has brought about an open market all over the world. Besides, the Internet has revolutionized the way people do business. Therefore, small firms, those who try to compete will get some opportunities for exporting to foreign markets, even if they do not succeed in home markets.

P for Problems (Internal)

Based on the extensive literature review and research of case firms, we infer that small firms have internal problems, such as lack of financial and human resources, and low brand value; compared to large and multinational firms. These small firms have to make extra efforts in marketing and human resource development to compete and succeed in this dynamic competitive environment. These problems are in line with the problems identified by Sharkey, et al., 1989) and Lall (1991).

I for Internationalization

A firm increases its likelihood of survival when it becomes international (Pulg, Gonzalez-Loureiro & Ghauri (2014). Realizing the importance of the internationalization on one hand, and at the same time, following the review of literature and the insights from the case firms, we infer that small firms do not have enough resources even for exporting successfully. Therefore, similar to Johansen & Vahlane (1977), we argue that it would make sense for them to not plan for foreign direct investment (FDI) during the first few years, as it will take away all their available resources. In general, small firms need to focus on internationalizing with a focus on exporting, even though high-tech small and medium enterprises (HTSMEs) could follow the process of accelerated internationalization, as suggested by researchers (Moen, 2002; Knight & Cavusgil, 2004; Bonaglia, Goldstein & Mathews, 2007; Ciravagna, Lopez & Kundu, 2014). Following the findings of previous research studies cited in the literature review, we firmly argue that the small firms in the non-HTSME sectors could minimize risk if they focus on exporting, instead of involving in FDI.

CONCLUSION

In this paper, we provide evidence on the barriers faced by small firms, with a focus on exporting challenges and problems. On the basis of literature review and interviews of case firms, we found that the major barriers for internationalization of small firms include: lack of capital, insufficient information, selection of a reliable partners and distributors, lack of negotiating power, insufficient resources, lack of knowledge of foreign markets, little international experience under the category of internal barriers and challenges from large firms (including multinational firms), lack of protection from the government, and demand insufficiency for the products of small firms under the external challenges. These findings corroborates with the results of Kaynak et al. (1987; Ghuari & Kumar, 1989; Pulg, Gonzalez-Loureiro & Ghauri, 2014).). In the light of the insights derived from the participating small firms in this study, and taking into account the challenges and problems discussed in the review of literature, we expect that our new “SCOPI” model will allow researchers and practitioners to analyze and explain the growth phenomenon of small firms and carry out industry analysis.

Besides, we argue that this model is generalizable, allowing small firms (regardless of their industry and country) to follow the 5S pentagon strategies proposed in this paper to compete in the era of globalization. The management students can also use SCOPI as a framework for carrying out industry analysis, as an alternative framework to the traditional SWOT model.

MANAGERIAL IMPLICATIONS

Based on the literature review, we discovered models and approaches to the process of internationalization. Uppsala theories postulate that firms go through stages as they progress toward becoming international. Network approach of internationalization proposed that networks are a bridging mechanism that allow for rapid internationalization of business firms. The theory on International New Ventures (INVs) or “Born Globals” is that some firms internationalize soon after their inception. Recently, Kim and Alguiera (2015) argued that those extant theories focused more on country level determinants and called for developing new models.

However, after analyzing the responses of the three SMEs in our study, we found out that the SMEs have been undergoing crucial changes in response to the manifold imperatives of globalization. Taking into account the challenges and problems we propose “SCOPI” (Strategies, Challenges, Opportunities, Problems and Internationalization) framework for small firms for real life business analysis as well as for further research in academia. This model will facilitate explaining the growth phenomenon of small firms and compete in the era of globalization. This model will not only help SMEs, but also the management students for carrying out an industry analysis.

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Table 1: Review of Literature - Highlights

S.NO.	Author (Year)	Objective/ Methodology/ Sample	Background Variables	Main Findings
1	**Fillion (1990)**	Impact of firm size on perception of trade barriers and problem of exporting firms	Firm size, perception of trade problems and barriers	Firm size is an important factor in shaping exporters perceptions of trade problems and barriers
2	**Bagchi-Sen (1999)**	An empirical analysis of Canadian small and medium manufacturers to identify financial constraints and Firm export behavior	Information about foreign market, attitude of owner-manager, insufficient resources; and strategies to gain a market share in new markets	The internal and external problems of small exporting firms include the obstacles such as insufficient information on the possibilities and constraints of foreign markets; the narrow attitudes of owner-managers who prefer to concentrate on domestic markets; insufficient resources; and poorly developed strategies to gain a market share in new markets.
3	**Leonidou (1995)**	Export marketing problems	Internal problems and external problems	Internal export problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing
4	**Ughetto,. (2008)**	The impact of internal finance on R&D of small exporting firms - Evidence from a panel of Italian firms	Internal funding and Innovation in smaller firms	Internal funding was more important for innovation in smaller firms than for larger companies
5	**Sarıaslan (1996b)**	Study of medium Scaled enterprises in Turkish economy	Demand standards, prices, quality, competitive advantage capacity, law and politic problems and diversity of customer's choice and habit.	Demand insufficiency, Standards, goods and services with reasonable prices and quality which provide competitive advantage on foreign markets, low capacity, adaptation problem of market entry, law and politic problems and also the diversity of customer's choice and habit are some of the external trade problems of a small exporting firm
6	**Kaynak, Ghauri and Olofsson-Bredenlöw (1987)**	A Cross Regional Comparison of Export Performance of Canadian firms	Export performance, firm size, export intensity	The two most frequently cited problems of small exporting firms are selecting a reliable distributor (55%) and communicating with customers (39%)

		from two Regions		
7	**Kneller & Pisu (2007)**	Impact of exporting experience on firm's export performance	Overseas Trading Costs, number of years of export, export performance	The number of years the firm has been exporting is the best predictor of whether a particular firm identifies exports barriers and problems as relevant.
8	**Olander, Hurmelinna-Laukkanen and Mähönen (2009).**	Factors influencing innovation protection possibilities and the subsequent incentives to innovate in SMEs	Protecting Intellectual Assets (human capital and innovations), Value Creation	The limited resources of SMEs simultaneously create the need to disclose their knowledge to varying partners.
9	**Johnson (2002)**	Role of Lifelong learning to SMEs Performance	Employee Development, Lifelong learning, Workplace learning	This paper suggests a number of directions that should be taken by researchers' policy makers, to promote lifelong learning among SMEs.
10	**Lange, Ottens, & Taylor (2000)**	A Scottish perspective to SMEs barriers	SMEs Culture, Training, Finance	Highlights the difficulties that SMEs face in deciding to advance the skills of their workforce more formally, some government strategies are also discussed.
11	**Carlson, et. al. (2006)**	To examine the consequences of five human resource practices on sales growth performance.	Training & Development, Recruitment Package, Morale, Performance Appraisals, Compensation	The results suggest that training and development, recruitment package, maintaining morale, use of performance appraisals, and competitive compensation were more important for high sales-growth performing firms than for low sales-growth performing firms.
12	**Musteen, Francis & Datta (2010)**	To examine the influence of networks on the speed and performance of internationalization of 155 Czech SMEs.	Personal Contacts and international networks, Diverse network, Social Capital, Common Language, Superior Performance	Firms with common language and network with partners internationalize faster. Geographically diverse network contribute to performance.

Table 2: Major Barriers of Internationalization for Small Firms

Internationalization

Internal Barriers

- Selecting Reliable Distributor
- Lack of Negotiating Power
-Insufficient information
-Narrow attitudes of owner-managers
- Lack of Capital and Insufficient resources
-Poorly developed strategies
-Poor organization of export departments
-Lack of competent personnel
-Inability to finance exports
-Little understanding of target market and its challenges
-Lack of knowledge of foreign markets
- Short International Experience
-Acquisition, Retention and Development of Competent People

External Barriers

-Lack of proper Trade Institutions
-International Agreements
- Lack of Protection from the Government
-Political Instability
-Demand insufficiency
-Inability to provide competitive advantage on foreign markets
-Low capacity
-Adaptation problem of market entry
-Law and Politic Problem
-Diversity of customer's choice and habit

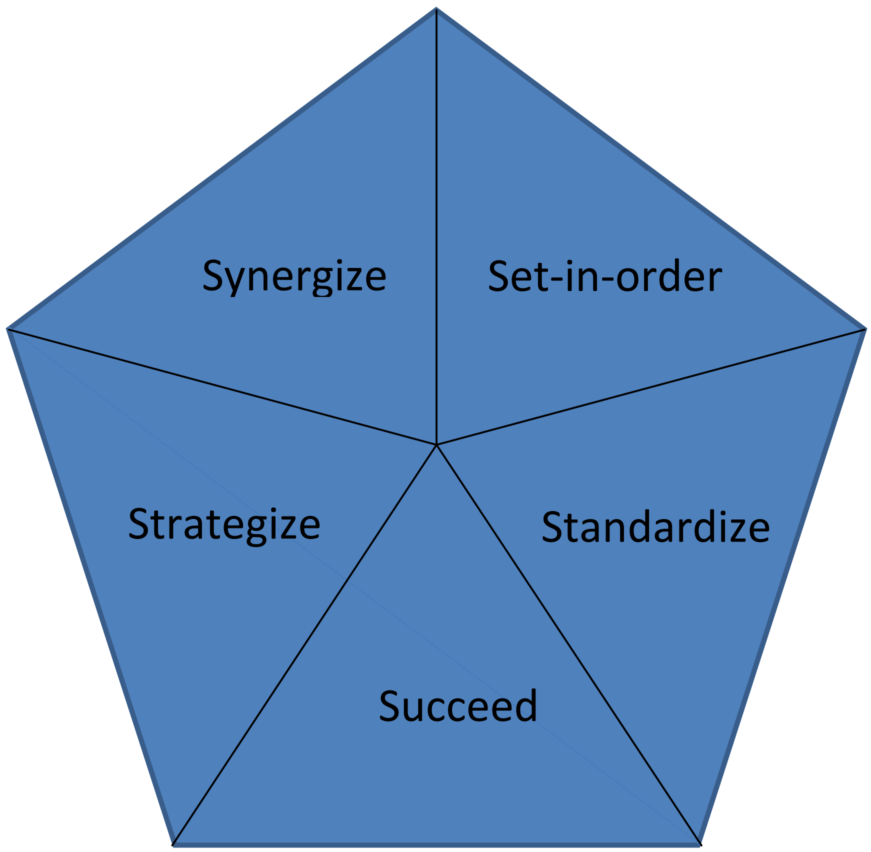
Table 3: Key Information of Sample (Case) Firms

	Jay	**S&J**	**Berro**
Year of Establishment	2004	2001	1995
Start of Export Operations	2009	2011	2006
Industry	Automotive, marine and industrial lubricants, technical fluids, chemicals, paints, auto-care products, parts and accessories.	Ceramic tiles for walls, flooring and decorative purposes	Manufacture of machines catering to the steel industry, main products being Roll forming machines, Cut to length Lines and Slitting lines.
No. of Employees	9	65	20
Export Sales (%)	Approx 95%	Approx 30%	Approx 80%
Key Target Markets	Russia, Ukraine, Central Asia, Singapore and Taiwan	Saudi Arabia and United Arab Emirates	Middle East, Africa
Exporter Category	Merchant Exporter	Manufacturer Exporter	Manufacturer Exporter

Table 4: DATA of CASE FIRMS IN SUPPORT OF BUILDING SCOPI MODEL

SCOPI	**Jay**	**S & J**	**Berro**
Strategies (S)	Standardized Strategy (Advance payment) Internationalization to countries with less psychic distance. Hiring people with different nationalities	Expanding into markets with less cultural and geographic distance (Middle East)	Standardize Expanding into countries with less geographic distance Value for Money to clients
Challenges (C)	Relying upon Quality perception about Japanese products Relying upon ex. USSR & Europe	Competition from Domestic & International rivals	Competition from domestic as well as Chinese firms
Opportunities (O)	Prior Experience in Exporting	Opportunities from foreign markets as they had reached saturation point in domestic market.	External Opportunities Outside India Focus on Quality & Technology
Problems (P)	Lack of Capital	Lack of international exposure Increasing production cost due to higher cost of fuel	Lack of capital Lack of Negotiating Power to ask for either advance payment or Letter of Credit
Internationalization	They took 5 Years for exporting	10 years for exporting after the establishment.	10 Years for exporting after the establishment

Figure 1: 5S Pentagon Model for Small Firms to Follow and Compete



QUESTIONNAIRE USED-

Semi- Structured Questionnaire used for conducting Interview for developing SCOPI Framework for Small Firms

Key Information

Company Name	
Year of Establishment	

Are you into Imports/Exports/ both?	
Industry	
No of Employees	
Export Sales as % of Total Sales	
Is your firm a small one/Medium size/multi-national?	
What are the countries where you have done business?	

Qs on Strategies

Do you have Standardized rules for doing business?	Yes	No	Somewhat (Not Sure)
Do you believe in Strategic Planning?			
Have you ever prepared Business plan for Importing/Exporting?			
Do you Set-in-Order the work ?			

Qs on Challenges (Threat) - External

Do you face challenges in international business?	Yes	No	Not sure
Do you feel threat from multinational	Yes	No	Not sure

firms?			
Do you have competition from small firms	Yes	No	Not sure
Is there any other external challenge?			

Qs on Opportunities

Do you think that international business brings more opportunities than domestic business?	Yes	Yes	Not sure
Is Inter Business more rewarding?	Yes	No	Not sure
Do you get tax benefits when you do Exporting?	Yes	No	Not sure
Does International business help you to build better brand?	yes	No	Somewhat
Do you think the field of Export-Import is amazing?	Yes	No	Somewhat

Qs on Problems

Is your firm financially viable?	Yes	No	Somewhat
Do you rely upon Import Finance (In the case of importer)			

Do you avail pre-shipment or post-shipment finance (in the case of exporter)			
Do you problem arising out of poor marketing strategy?			

Qs on Internationalization (Exporting / Importing etc)

Do you manufacture your product?	Yes	No
Do you have plan to license your product in a foreign country		
Do you think it's feasible to start production in a foreign country?		
Does exporting/going global help you to grow?		

Qs on Mode of Payment

Do you like Full Payment in Advance?			
Do you believe in Sight Payment			
Do you like the idea of Usance Bill to Importers?			
Do you believe in			

Open account?			
Do you hedge foreign exchange risk?			

General Questions

1. What are the goals you have set to increase your business next 2 years?
2. Could you please share some strategies that you have in mind, to build up this company as a big one, 10 years down the line?