

**DEVELOPMENT OF AN INTERNATIONALIZATION  
STRATEGY TO EFFECTIVELY MARKET PAKISTAN SMEs  
PRODUCTS TO EUROPEAN COUNTRIES**

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## ABSTRACT

In many countries, small-medium enterprises (SMEs) play a vital role in creating jobs and economic development, especially in developing countries like Pakistan. However, despite possible internationalisation benefits and strategic importance, numbers of Pakistani SMEs are not actively serving the international market because of their weak business strategy and market barriers faced in the global marketplace. This study focuses on the strategy and methods used by the SMEs of Pakistan to enter the international market. The upstream and downstream internationalisation model is used for the technological knowledge and acquisition of the market and the foreign customers' insight and foreign market insight. The dimensions, SMEs are required to focus for internationalisation are investigated in this research, such as market, product, and time and operation mode. This is the main focus of the study. To solicit the opinion of sampled Pakistan SMEs managers from the list provided by the Small and Medium Enterprises Authority (SMEDA), a qualitative research design was employed and interviews were used for data collection.

Findings reveal that SMEs' current strategy is the major challenge and obstacle for them entering the internationalisation process. Results show that market choice and region is not a part of the deliberate strategy but an unexpected opportunity outcome. Furthermore, the findings revealed that a lack of market knowledge makes it difficult for SMEs to gain access and assistance, as the government institutions' policies and regulations are not supportive. In addition, financial constraints make it challenging to manage this internationalisation process efficiently. The current research contributes to identifying the challenges required to be solved internationalisation process. Government institutions, skilled workforce, R&D, logistics, market access, and financial support are more likely to play a role in SMEs' journey to achieve internationalisation effectively.

## Haniaethol

Mewn llawer o wledydd, mae mentrau canolig bach (BBaChau) yn chwarae rhan hanfodol wrth greu swyddi a datblygu economaidd, yn enwedig mewn gwledydd sy'n datblygu fel Pacistan. Fodd bynnag, er gwaethaf buddion rhyngwladoli posibl a phwysigrwydd strategol, nid yw niferoedd busnesau bach a chanolig Pacistan yn gwasanaethu'r farchnad ryngwladol oherwydd eu strategaeth fusnes wan a'r rhwystrau marchnad a wynebir yn y farchnad fyd-eang. Mae'r astudiaeth hon yn canolbwyntio ar y strategaeth a'r dulliau a ddefnyddir gan fusnesau bach a chanolig Pacistan i fynd i mewn i'r farchnad ryngwladol. Defnyddir y model rhyngwladoli i fyny'r afon ac i lawr yr afon ar gyfer gwybodaeth dechnolegol a chaffael y farchnad a mewnwleidiad cwsmeriaid tramor a mewnwleidiad i'r farchnad dramor. Ymchwilir i'r dimensiynau, busnesau bach a chanolig i ganolbwyntio ar ryngwladoli yn yr ymchwil hon, megis y farchnad, cynnyrch, ac amser a dull gweithredu. Dyma brif ffocws yr astudiaeth. Er mwyn ceisio barn rheolwyr busnesau bach a chanolig Pacistan o'r rhestr a ddarparwyd gan yr Awdurdod Busnesau Bach a Chanolig (SMEDA), defnyddiwyd dyluniad ymchwil ansoddol a defnyddiwyd cyfweiliadau i gasglu data.

Mae'r canfyddiadau'n datgelu mai strategaeth gyfredol busnesau bach a chanolig yw'r brif her a'r rhwystr iddynt fynd i'r broses ryngwladoli. Mae'r canlyniadau'n dangos nad yw dewis a rhanbarth y farchnad yn rhan o'r strategaeth fwriadol ond yn ganlyniad cyfle annisgwyl. At hynny, datgelodd y canfyddiadau fod diffyg gwybodaeth am y farchnad yn ei gwneud hi'n anodd i fusnesau bach a chanolig gael mynediad a chymorth, gan nad yw polisiau a rheoliadau sefydliadau'r llywodraeth yn gefnogol. Yn ogystal, mae cyfyngiadau ariannol yn ei gwneud yn heriol rheoli'r broses ryngwladoli hon yn effeithlon. Mae'r ymchwil gyfredol yn cyfrannu at nodi'r heriau sy'n ofynnol i'w datrys yn y broses ryngwladoli. Mae sefydliadau'r llywodraeth, gweithlu medrus, Ymchwil a Datblygu, logisteg, mynediad i'r farchnad a chymorth ariannol yn fwy tebygol o chwarae rôl yn nhaith busnesau bach a chanolig i ryngwladoli'n effeithiol.

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## **LIST OF ABBREVIATIONS**

B2B	Business-to-business
B2C	Business-to-consumer
BDSPs	Business Development Service Providers
CEO	Chief Executive officer
COO	chief operating officer
EPZ	Export Processing Zones
GDP	Gross Domestic Product
GNP	Gross national product
GSP	Generalize Scheme of Preference
HRD	Human Resource Department
LTFP	long-term financing facilities
MD	Managing director
ME	Medium enterprises
MNEs	Multinational Enterprises
PBS	Pakistan Bureau of Statistics
SBP	State Bank of Pakistan
SE	Small enterprises
SECP	Securities and Exchange Commission of Pakistan
SMEDA	Small and Medium Enterprise Authority
SMEs	Small and Medium Scale Enterprises
STRF	Secured Transaction Reform Framework
TADAP	Trade Association and Development of Pakistan
UNIDO	United Nations Industrial Development Organization

# CHAPTER 1

## **1.0 Background of the Research Study**

Nowadays, due to the globalisation of the firm and trade liberalisation, the companies have been focused and forced to look further from the domestic market to a worldwide global market and develop their business. The entire small and large firms will be affected by this internationalisation. With the international competition and challenges, the Small and Medium Scale Enterprises (SMEs) are forced to play a vital role in the international bazaars and markets. There are many forms of internationalisation, such as international collaboration, export, import, and foreign direct investment (FDI). The SME's competitiveness and the improved performance of globalisation or internationalisation are often accompanied as indicated by several international research and studies. Although, the extant research provides thoughtful insights for SME's growth and potential improvements, new opportunities and challenges have been created for SMEs to get internationalised due to changes in the business environment.

Significant challenges are faced by the cash strapped firms with small resources for internationalisation by choosing the appropriate mode of entry and rapidity of post entry. A firm must choose the most suitable entry mode for international operation to seek distinctive upper edge and competencies. The small firm growth and survival in the market will get threatened by using an inappropriate global method of entry choice. SMEs looking to accelerate in the international market have the level of risk and control and are considerably weaker due to moral hazards, legal issues and biases. SME's today are facing problems in the light of increased business links and the complexity of international trade, and maintaining and creating suitable competitive advantage is the main critical issue for the small firm. The pressure of trade liberalisation and the increase in global competition face all sizes of strategically imperative facing firms and how to respond to that. The firms must look for new solutions as the orthodox way of competing, based on the price difference of the product, and the technology change is fastly disappearing in the market. Firms that use traditional style and use old assumptions of doing business in the current world scenario are decimated by those firms who can access the international market benefits by correct marketing and distribution, production economies of scale, and catering

for low-cost production (Lloyd-Reason and Mughan, 2002). The domestic market is under attack by the international competitors, and the indigenous companies are no longer competing in the market, and survival is precarious. SMEs need strategic change and response, as they are not immune to international competitors and market dynamics. This response will increasingly motivate the firm to access the global markets and give a strong push to see the grey areas and the difficulty facing in the domestic market and give motivation and pull factor to the firms to move away from their indigenous market towards targeted global markets. Many authors write about the challenges faced by SMEs from the internationalisation process and their importance for any country's economic development, especially developing countries (e.g., Syed et al, 2011). SME's activity, while moving across the border, faces challenges. Nowadays, the SME's growth is an excellent point of concern, and a well-discussed topic and the growth factors of small firms on an individual basis are determined by different studies (Tahir and Mehmood, 2010).

### **1.0.1 Impact of Globalisation**

The internationalisation process has been acknowledged with the main challenges and barriers faced by SMEs: professional capabilities, lack of knowledge, and capital (Arzeni, 2008). Moreover, he writes that for any country, government plays the leading and pivotal role in outsourcing the SMEs for import/ exports and provides the current market information and financial support to help with their business hurdles (Arzeni, 2008). Some researchers and intellectuals defined internationalisation as the means of product exporting to other foreign countries. Although we cannot deny the importance of shipping products and making the trade for the survival and growth of any firm, there are different ways by which SMEs can gain competitive advantages. For example, SMEs can do business by cross border networking, partnership, and joint ventures with other international firms (Calof & Beamish, 1995). The product, structure and strategy, and different elements of the firm can be applied by internationalisation. Many researchers defined SME's role for economies, but the critical area to be focused on in detail is the issues and problems faced by SMEs for internationalisation. Due to an increase in competitors in the international and indigenous markets, the main problem faced by SMEs is how to maintain, create, and sustain the competitive advantage. The orthodox approach is to compete with the competitors by using technology, price and product otherwise it will not attract the

competitors and maintain the competitive edge to tackle and overcome this situation SMEs have to go for innovation and solutions (Lesáková, 2004). Over the last few years, the economic environment and the process of internationalisation have affected many companies and their activities, irrespective of firm size and growth. The current globalisation process presents small and medium-sized enterprises development opportunities and challenges, while a large firm is involved and successful in cross border operations (Ruzzier, Antoncic and Hisrich, 2007).

The entrepreneurial firms and SMEs drives (80-90%) the current scenario and modern economies (Elfu, 2018; Chaimahawong and Sakulsriprasert, 2013; Day and Reynolds, 2011; Ullah and Taylor, 2007; Wolff and Pett, 2006). Due to continuous rapid expansion and vast flow in the technology innovation globally, the threats from the cross-border competitors, the enthusiastic, and the competitive firm cannot be isolated (Anokhin and Wincent, 2012; Cassiman and Golovko, 2011). Early and timely decision taken by the firms is the trendsetters and lead movers (Bartlett, et al., 2008; Lu and Beamish, 2006; Prashantham and Young, 2011). The firms not taking care of the current business strategy and domestic market and becomes isolated will realise with time, sooner or later that they have not to place for their growth and survival in the indigenous market. The entrepreneurial managers of SMEs should consider the implication and importance of internationalisation to maintain performance and a high degree of SMEs internationalisation (Majeed, 2014).

### **1.0.2 Current trend in internationalisation**

Internationalisation is this century's hot topic. SMEs that operate internationally must consider the economic, social, and political context (Musteen, et al., 2010; Wolff and Pett, 2006). With the key barrier removal and the increase in massive demand of foreign services and goods, the local firms are facing challenges to restrain going internationally and cope up with foreign competitors who have grabbed and snatched maximum local business market share and are inevitable to compete (Shah, Javed, and Syed, 2013). Furthermore, the decision to take the business into the international market is propelled by geographic and demographic diversification (Ball et al., 2004). Before going and establishing a business in the international market, it is essential for a firm to consider the pros and cons

of globalisation. SMEs face more challenges and hindrances than multinational enterprises (MNEs) or large firm (Etemad, 2004). Many researchers are initially of the opinion and believe that due to lack of resources and financial constraints, SMEs cannot expand their business compared to large firms (Melen, 2009, Rowden, 2001). Later, the researchers concluded how SMEs could go into the international market and compete with foreign competitors. SMEs can only get a competitive edge from foreign competitors if they can look for more considerable prospects and sell the product beyond the indigenous market and national territory (Etemad, 2004).

An innovative and efficient strategy should be used by a small business to expand internationally to gain the development and desired growth. Moreover, in the global context, to fully comprehend the situation, it is mandatory to do preliminary research (Lu & Beamish, 2001). Many theorists believe that although many small firms flourish and successfully launch their business into the international market, the respective process is different from large firms (Shah, Javed and Syed, 2013). The term umbrella is used to describe globalisation as establishing and making business contacts with other countries' cultural, personal, or business relationships. This term and process changed the view of the world as a bond and community. Interaction of companies and people is getting more in terms of personal communication with the people living around the globe. Companies, instead of delivering domestically their services and product are striving more to open their business share and market in developing countries (Syed et al., 2011).

Many economists thought that a large amount of earning from foreign exchange and participation is by the large firms and shares the maximum economy. But countries like Korea, Taiwan, and Japan change their viewpoints due to the small and medium businesses they developed (Murat and Michael Isaac, 2019). These countries boosted up their economy and set their country from the grassroots level. In the growth and production of the large firm, the contribution and share from the small firms and vendors can never be neglected though some believe that the economic growth is only due to large firms. The reality is to attain the large firm targets, the small firms are held responsible. All classes of society prosper, progress, and benefited from the lower level. On the world's economy, the spill-over of SME's impact proves their worth (Syed et al., 2011).

### **1.0.3 The Pakistani Scenario**

In Pakistan, the situation is very different. It has been two decades that the government of Pakistan established the Small and Medium Enterprise Authority (SMEDA) as an institution to look after and promote SMEs. The Pakistan economy is affected as the government neglected the role of SMEs in boosting the economy. Within no time, Pakistan's economy can be boosted if the firm works systematically, as there are loads of potential in the domestic market. In economic literature, the primary concern is SMEs. Various authors have defined SMEs differently. Some define SMEs as firm turnover level or labour skill, and some describe them as capital assets (Ali, 2013).

For the robust industrialisation establishment, the prerequisite in Pakistan is the SMEs efficient network. SMEs have been declared by the government of Pakistan as an important driver for Pakistan's economic growth. In Pakistan, for employment generation and value addition SMEs play a vital and pivotal role (Ali, 2013). To provide poor rural workers' employment, there is a great importance of SMEs located in far-flung areas of rural localities (Qureshi, Ghani 1989).

In a more open economy, a modern and well-developed SME sector is a compliment. This sector helped many developing countries to reap export orientation benefits (Berry, 1998). The predominant job opportunities and role in employment by SMEs', is an indisputable contribution to the whole economy. In the EU economic development, SMEs have influenced deeply for the creation of job around the continent by more than 67 per cent (de Kok et al., 2011). According to the United Nations Industrial Development Organization (UNIDO) typical report, 50 per cent of total employment around the world is by approximately 80 per cent of the SMEs' private businesses (Hosseini, 2016).

SMEs built the foundation of the economy in the EU (Wymenga, Spanikova, Derbyshire, & Barker, 2011); SMEs with non-financial businesses are about 99.8 per cent of 20.8 million with fewer than ten employees of the nearly 92 per cent of the micro-business (de Kok et al., 2011). The firms that sell domestically have less sale growth than SMEs with international sales (Burgel et al., 2000). SME's internationalisation means constant transformation and grows naturally in the local environment. This brings threats to other competitors in the form of short life cycles and greater competition, as well as greater opportunities in the form of new suppliers and a larger exposure of the market (European



Commission, 2007). SMEs from a nation with small economies sooner or later will look to extend their market share from the domestic market to the foreign market. Their geographical activities will be expanded as they have a different level and type of support and encounter other barriers with varying motives, internationalisation and models. For many decades large multinational firms were dominated by internationalisation research. Nowadays, due to more participation of SMEs in internationalisation, scholars call for more SMEs internationalisation research. In stimulating the advancement in the previous socio-economic studies, emphasised SME's crucial role in providing opportunities for employment through internationalisation (Osei- Bonsu, 2014). For the successful SMEs development, not for survival, determines the internationalisation significance and engagement in business activity internationally (Kujala, 2015). For accurate studies of firm performance, the suggestion generally held in strategy research in international business that firm performance and international involvement have a positive relationship, e.g. (Katsikeas et al., 2000; Leonidou et al., 2002). However, mixed results have been reported by empirical studies and research (Pangarkar, 2008; Sullivan, 1994). Some researcher found the positive effect of performance by the degree of internationalisation (Daniels and Bracker, 1989; Vernon, 1971), while many other researchers found no effect (Buckley et al., 1984; Morck and Yeung, 1991) or have a destructive and negative impact (Kumar, 1984). The firm degree of internationalisation is represented by the firm scope and scale for internationalisation. The internationalisation process dynamic aspects are mentioned by the speed of internationalisation and that's the time an international operations takes to attain and reach a certain degree (Hilmersson, 2014).

In the activities of international business, SMEs grow and open new prospects by trade liberalisation. On the other hand, the domestic firm confronts direct threats from international competitors due to trade liberalisation. The Pakistan trade liberalisation policy adopted by the government for international competitors to trade freely has impacted the domestic market and firms (Jabeen, 2014). This forces the domestic firms to change their current strategy and compels them to go into the international market.

In light of the above, developing countries focusing on industries have emerged to be a global market. Therefore, in countries like Pakistan, they focus on the advanced industrialised economy to grow by continuing research work the firm internationalisation

which is possible by taking into account the mode of entry, strategy to export internationally, barriers of export, and global motivation. Moreover, the firm's internationalisation varies and depends on environmental factors, internally or externally and is not always the same. SMEs, rather than large-scale enterprises, have been considered because, in the Pakistani economy, the role of SMEs as a driving force towards economic growth needs more attention.

### **1.1 Problem Statement**

For national economic development, internationalisation always has a significant role. It recuperates in creating employment, increase and improve productivity and helping in national industries development. Most of the SMEs in Pakistan, as a strategic option, never considered internationalisation for business expansion, despite the internationalisation benefits and strategic importance and widespread globalisation in countries with the advanced industrial system. To go for internationalisation, some barriers and challenges are associated which need to be addressed for those who consider themselves to internationalise. It seems that they were not regular and active in fulfilling the international market needs. According to Tsui (2004), some firms feel that to go into the international market, there are barriers and obstacles, and keeping that in mind, they never took the first step to consider themselves to be recognised internationally. These obstacles may be perceived or real to exist. To handle these barriers in most cases, the difficulty is mainly faced by medium and small-scale enterprises.

#### **1.1.1 Barriers, Obstacles and Challenges**

1. Export barriers are originated due to management, or issues relate to human resource (export manager, intercontinental entrepreneur), specific product resources and capabilities and product limitations (international product suitability, sites of production, firms, human resource, and finance), network access limited (logistics, distribution, and customers) concerning the target and domestic market issues and factor related to environmental and strategic issues (Altintas, Tokol, & Harcar, 2007; Da Silva & Da Rocha, 2001; Leonidou, 1995).
2. Following international standards to ensure the quality of the product produced under healthy environmental conditions.

3. Logistics and shipping of goods include transportation of goods, physical infrastructure, the performance of customs and government officials and efficiency in cargo handling.
4. Socio-political hindrances which adversely affect the business and working environment such as political interference, market imperfections, corruption, lack of infrastructure and injustice etc. (Amjad, Ghani, Musleh ud Din and Mahmood, 2012).

### **1.1.2 External Barriers**

1. Procedural barriers the firm faces, operational challenges that are called the procedural barriers that include the slow payment collection from the foreign market, procedures, and unfamiliar techniques (Narayanan, 2015).
2. Governmental barriers, the attitude of the government to exporter either unsupportive or supportive, refers to governmental obstacles. The governmental barriers have two facets/ pertaining issues, (i) potential supporters get limited incentives and assistance, (ii) on export practices framework the restrictive role of regulatory (Narayanan, 2015).
3. And the other form of governmental barriers is the tariff and nontariff barrier with very tight and restricted regulatory protectionist measures and framework (Tsegay, 2003).
4. Task barriers refer to clients, potential customers, and competitors in the international marketplace.
5. Environmental barriers associated with and related to the foreign markets include a) socio-cultural, b) legal, c) political, and d) economic environment barriers.

### **1.1.3 International Barriers**

1. Lack of foreign market experience, resources, and knowledge are some of the SME's significant barriers to their expansion with the help of internationalisation (Welch & Luostarinen, 1988).
2. The liability of an outsider ship needs to be overcome before the company enters into a new market, i.e. difficulties face by the firm further exposure entering the new foreign market where they have not to establish before any network related to business (Johanson & Vahlne, 2009).

3. The sub-national and national tax policy of the government is another area that affects international marketers.

Because of the weak and ineffective marketing strategy, some companies proceeded to internationalise at a slower pace with a lack of self-assurance.

#### **1.1.4 Marketing Strategy and Entry Modes**

1. The strategy of entry into the market consists of a "marketing plan" and "entry mode". To penetrate a foreign target market, a foreign market plan is used, and penetrating the target country is the mode of entry (Muli, 2019).
2. Contractual entry modes include licensing, franchising and joint venture.
3. The licensor offers some proprietary assets to a foreign company. The contractual transaction is a licensing and licensee exchange for a royalty fee (Kotabe and Helsen, 2016).
4. The contractual arrangement and relationship between two independent firms/parties is a franchise agreement. The franchisor gave the right to sell the franchisor's product to the franchisee for a certain period at a given place to use the franchisor's trademark (Dinu, 2018).
5. When two or more owners create a separate entity, that business agreement is a joint venture. A joint venture in its own right can be issue corporate securities, can be partners, or closely held corporation (Durmaz and Taşdemir, 2014).

Pakistan has the potential to improve the living standard of the people by boosting and developing the economy. The SME's progress slows down the pace of development due to critical challenges and problems. In the late nineties, the main focus of the government in the manufacturing units with a large scale in the corporate sector and SMEs were businesses neglected. SMEs were given less priority, and a large sector of the business has been offered more weight by the financial institutions, banks, and the government (Dar, Ahmed, & Raziq, 2017).

A large corpus of studies is available on the internationalisation of the firms in developed countries, but this picture is incomplete without considering the underlying mechanism in developing countries. Scholars have investigated different strategies to go internationalisation (Syed et al, 2011; Veleski, 2016; Okpara and Koumbiadis, 2011). For example, Syed et al (2011) have suggested that SMEs organisation should overcome the

poor management system, obsolete technology and machinery, and activity should be designed for the international market. Narayanan (2015) concluded that organisations required emphasising customised products based on the choices of customer such as taste, topography, the economic condition of the countries, and climatic conditions. Whereas, Mariosole, Varum and Pisicctelo (2013) argued that SMEs lack intensive technologies and financial management such as organisational resources and human resources. There is a cumulative body of evidence available that studies the internationalisation process and made initial steps to understand the internationalisation challenges. However, these studies mainly focused on narrow aspects, and few scholars focused on internationalisation in developing countries like Pakistan, revealing the gap in internationalisation. The researcher still knows little about this phenomenon, its drivers and this research study bridge this gap by investigating the challenges facing the Pakistani' SMEs concerning current marketing strategies. Moreover, it helps to devise an internationalisation strategy to sell its products in European countries.

According to Khawaja (2006), the government of Pakistan's development of large firms is more in numbers. According to the growth of the SMEs sector, the Pakistan regulatory and environment policy is not very focused and conducive, as mentioned unleashed in his article. For a long, the focus and concentration of government are more on a large industrial scale, and SMEs have given the least priority and access to the resources. The strong point for the SMEs' success is quick communication with their circle, innovation, strong bonding within their network, skilled labour, good flow and market trend, very well close internal and external contacts with less bureaucracy. The success of SMEs, according to other groups of researchers and scholars, the leading cause that influenced SMEs is the skill and management of the owner with experience and knowledge (Dar, Ahmed, & Raziq, 2017). SME's progress will be affected by the physical and financial capitals, which are tangible resources whereas, for the significant growth of the firm, utilisation of intangible resources is the proper key.

## **1.2 Scope of the Study**

In this study, the effect on SMEs of Pakistan to become internationalised will be assessed, and the market entry strategy that they will employ to go into the international market. From various industries, the selected firm of Pakistan will be considered for this research

study. The researcher will also examine the Pakistan government's role in promoting SMEs to internationalise.

For a long time in academics, the issue has been argued regarding strategies used by the firm for internationalisation. Still, very few researchers focused on the internationalisation strategy used by SMEs in developing countries. Hence, the main focus of this research paper/thesis will be the strategy used by the SMEs to go into the international market to sell the product and highlight the factors, which will affect the internationalisation strategy for the firms of developing countries. This is because the main reason for Pakistani SMEs not going internationally is because of lack of market acquaintance, human resources, and financial constraints. These barriers can be overcome by creating a niche market for comparative advantages by the SMEs to quickly give their services and sell their products at a meagre cost. The main purpose of this research thesis is to develop an internationalisation strategy for SMEs of Pakistan, so after implementing the new strategy, they can compete in the international market. As in our research, only a partial strategy will be analysed. The global market explored by SMEs is due to having a natural advantage over competitors in the business with low labour workforce, raw material with cheap rates, and some government support. However, SMEs have to face an intense challenge from foreign competitors as the competition is lingering everywhere. The researcher will consider a different firm in Punjab and some parts of Kashmir ranging from manufacturing, industrial and commercial services for the study. The researcher will also examine the role of the government department and the government for SMEs in Pakistan.

### **1.3 Significance of the Study**

This study will give many SMEs firm a chance and assist them and will serve as an authentic document to support the government agencies. **This research study finding will sensitise and provide benefits to entrepreneurs of Pakistan to develop their interest to become internationalised despite barriers and obstacles. To go into the international market, this research study will act as a guideline to choose the right strategy for SMEs.** For successful internationalisation and to choose the right market at the right time, there is a dire need to give Pakistani entrepreneurs a clear picture and make them well informed. The government of Pakistan will take prompt measures with the results of the research to formulate the policy framework after seeing the needs and make

them flexible that Pakistan business firm can easily respond to any complexity face while competing globally. Moreover, the benefits of this research will facilitate the SMEs of Pakistan, which generate 40 per cent of the annual GDP. The manufacturing products are according to international standards and are selling in the domestic market instead of the foreign market. This research will give the actual idea of the strategy they should go for before entering into the global marketplace and the main barriers they can encounter during the process of internationalisation. And, how to overcome these challenges, how, and to whom they should target, and how individual managers should play a pivotal role in taking the firm to the international market.

About SMEs, there is a lack of studies, which support the internationalisation process of developing countries. Most of the studies and previous research support the emerging markets and developed countries, focusing on large firms. **This is one of the unique studies for the SMEs of Pakistan that will help them to analyse the process of internationalisation. So, this research study aims to assist the Small and Medium Enterprises Development Authority (SMEDA) by identifying the challenges posed to SMEs in the business sector of Pakistan during internationalisation.** To turn every possible weakness and threats into opportunity, the literature analysis of this research will impact SMEs by driving and restraining force from building upon the strength to overcome the weakness. To make the SMEs stronger and flourish in their field, the SMEDA should formulate some plans to make the SMEs activities at a larger scale to boost up the country's economy and Gross Domestic Product (GDP), and ministry of development and high authorities should also dovetail these strategies in their practical policies. This will help in maintaining the cordial business atmosphere and creative ideas to boost the start-up. This will aid in the earning of foreign exchange, and enhance exports by Pakistan. The focus will be on increasing the small-scale activity of the business in the domestic market and the economic growth of the SMEs (Syed et al., 2011). Across the world, developing and developed countries have almost the same challenges of the exact nature. Generally, the flawed management system, obsolete machinery, and not updated technology, and these SMEs' weaknesses are miss-perceived of the firm size (Mustaghis-ur-Rahman and Jalees, 2015). Further, in the emerging and indigenous market, late beneficiaries' of these technologies follow large enterprises for the advancement (Levy, 1994).

These shortcomings make government and international support agencies throw light on and expand their support for SMEs. The mainstream economic activity and the economic development will be benefited the country's economic growth if the government and donor agencies support SMEs intending to promote local people and indigenous entrepreneurship. Scholars in Pakistan believe that the system has been designed such that it supports the large firm by giving easy access to trade licensing, for import and traffic official exchange rate, and for the small firm it was regulated for a disadvantaged position (Bari et al., 2005). Furthermore, they observed that the SME's primary constraint for growth in the country is access to credit facilities and taxation. Irrespective of the size of the firm, the entrepreneurs of SMEs in Pakistan are dissatisfied with government support and policies (Rahman, 2010). To get benefit from internationalisation, Pakistan has the upper edge over the most developing countries due to natural resources, skilled workforce, and good contacts internally as well as externally. Despite the poor government policies and stance, multinational companies rank Pakistan amongst the strong and future emerging economies.

SMEs can sell their products in real open possibility by entering into other country's global retail systems, joint venture or franchise with the operation of the same retailing chain. The firm will achieve different benefits if the SMEs internationalise, collaborate, and operate in the international market with the same global system. And that will enhance the standard of business, the productivity of the business will increase, technical performance of the firm will be raised, employment will be increased with the knowhow of transferring, etc. The exact relationship between the internationalisation strategy and the SMEs' product marketing in this research is the subject of interest. This research thesis aims to provide results for policymakers and practitioners and fully achieve the mission to contribute to the academic milieu. The research topic was carefully designed and planned to obtain and acquire deep knowledge from the findings and results. All the steps undertaken in this research were analysed correctly, summarised, and recorded systematically.

The results and the research process were kept in mind and are not only exclusive to the scientific world but it is determined by all the people who were involved in handling the result. For this reason, the researcher has taken serious note and made this research more attractive and encouraging for those who will practically use the results and is more



creative. SMEs will be more benefited from the results of this research as it will help in creating their stance and policy towards the large retailers and the foreign market. Furthermore, the creation of the support of the institution and the international activities, the study findings and results may have important implications for the government institutions. The direction of this research can contribute and stimulate further researchers and the scientific consideration of the process. The SMEs will have practical implications from the findings and results and will boost international performance. This research will assist and serve Pakistani SMEs as well as SMEDA and its support departments and agencies in the following way:

1. Pakistani entrepreneurs will be informed of the process and benefits of internationalisation and, despite many challenges, will develop the interest for the followers.
2. This study will guide the beginners as well as the SMEs already thinking of going into the international market with the right strategy. Pakistani entrepreneurs and SMEs owners need awareness and the current market trend to select and choose the right market with the correct approach and optimal entry strategy and mode for successful internationalisation.
3. The research findings and results will prompt the Pakistani government and key stakeholders to formulate a suitable policy, which will help the Pakistani business face all the uncertainty and complexity while competing in the foreign market.
4. The solutions and recommendations of this research will help the Pakistani SMEs to encounter any problem confronting the internationalisation process.

#### **1.4 Research Questions**

How to develop an internationalisation strategy for effectively marketing products of Pakistan SMEs to European countries?

1. What are the benefits and challenges to internationalise Pakistani SME products?
2. What are the current marketing strategies with regard to internationalisation used by the Pakistani manufacturing SMEs?
3. What internationalisation strategy can be recommended to effectively market the products of this sector to European countries?

## **1.5 Aim and Objectives of the Research Study**

To evaluate the effectiveness of current marketing strategies with regard to internationalisation used by Pakistani SMEs and to recommend an internationalisation strategy for effectively marketing the products of this sector to European countries.

1. To evaluate the current marketing strategies with regard to internationalisation used by Pakistani manufacturing SMEs.
2. To identify the requirements and challenges to effectively market the Pakistani products to the European markets.
3. To recommend an internationalisation strategy to effectively market products of Pakistani SMEs to European countries.

## **1.6 Methodology overview**

### **1.6.1 Research Approach, Design and philosophy**

Considering the aim and objective of this qualitative research approach and its essence will be used for SMEs internationalisation. To describe aspects of internationalisation in a better way, the multi-methodology qualitative approach will be taken into consideration. As a unit of research, different SME firm's multi-case studies were used. Pragmatic philosophy was the main focus, including interpreting philosophy elements. An inductive approach based on cross-sectional research methodology was used as the study focus on cases and employees. To analyse multiple companies and their process, there are no ideal strengths and numbers of cases (Eisenhardt, 1989).

### **1.6.2 Research Strategy**

As the current research is an exploratory study enabled the researcher to seek insight and gain a rich understanding of SMEs using the strategy. The case study gave the researcher a platform to research with intensive study. Hence, for the data collection from the social actors, this strategy served the researcher to address the objectives of the research.

### **1.6.3 Data Source and Sampling**

To gain information and knowledge about the population, researcher decided the best suitable sampling method was non-probability. As the researcher has time constraints and a workforce, so for the entire population, random sampling will be unmanageable. The

researcher will go for judgmental sampling, which is also recognised by many authors as purposive sampling, which will allow a researcher to select rich case studies (Merriam, 2009). For the focus groups, stratified sampling was used, and the subject was randomly selected for the analysis.

#### **1.6.4 Data Collection Methods**

The data collection interview will take place with semi-structured questions. Four SMEs were used for the interview comprised of CEOs and the strategic level management staff. The time for the interview was between thirty minutes to one hour, depending on answering the question as desired. Two members from a chamber of commerce were also interviewed for a chamber perspective regarding SMEs and their internationalisation. The focus group comprised five persons from different SMEs and chamber of commerce.

#### **1.6.5 Data Analysis**

As the researcher will use the inductive approach and the collected data is qualitative, the analysis process will also be qualitative. During the analysis, the data, which is not desirable and not valid for the research, will be ignored. Semi-structured questions will give companies external and internal validity, developing problems, and, in this way, the company's profile will be reflected. The researcher used a template analysis to get the overarching themes. The focus group data will produce qualitative data, and for that NVivo computer software will be used for the description and analysis of the data.

#### **1.7 Expected research contribution**

To develop an internationalisation strategy, the current research study contributes to effectively marketing products of Pakistan SMEs. Hence, this research thesis provides novel insight into the process of internationalisation and strategy used by the Pakistani SMEs to market their product and further contributes to this research gap. A rich amount of qualitative data was analysed and collected through four case companies, and valuable in-depth perspectives were provided by the detailed interviews of the CEOs and top management. In addition, interviews with the chamber of commerce president and member also bridge the gap between the practice and theory by contributing their practical experience and knowledge.

## **1.8 Structure of the thesis**

The main criterion of the DBA thesis to set up the structure is the consistency of the work followed by clarity and concision. Many researchers used a different structure, as there is no such said pattern, which should be followed, but the priority as many researchers followed for their thesis as a structural setting is as under:

1. First, the essence of the planned research is the study or the research title, which should be comprehensive enough and incorporate all areas and fields related to the title's central theme and objectives.
2. Second, the research should be totally in function in the structure.
3. Third, the study structure should consider the peripheral details and the relevant scientific work covering all the immanent fragments and fields.
4. Fourth, from the title to the final findings and conclusions, structure chapters should give natural flow and fluidity to work.

This research study is organised and planned into seven chapters.

### **1.8.1 The First chapter**

The **first** chapter of this research study covers the introduction and background of the actual theme and variable of the title. It will determine the objectives and defines the topic of relevant material and the problem statement followed by the research question's aim and objectives. It also defines the scope and significance of the study, which will reflect the main essence of the research. The benefits of the research will also be expressed to give the reader why this research was carried out and why I am doing this? What is the motive behind this? What exactly am I focusing on and discovering? An overview of the methodology will also be defined to give the reader a glimpse of the methodology used for the thesis to achieve the desired results. In the end, the structure of the thesis covers all the chapter overview.

### **1.8.2 The second chapter**

The second chapter focused on a review of the literature. This part of the thesis comprised of four themes or subsection which provides the current knowledge as well as the previous important work carried out by different authors in a different era with different demography

and geography. The first part of the study was the **internationalisation process** that covered the definition and types of internationalisation followed by a suitable model, which would fit in with the current scenario of the research. It discussed the reasons for Pakistani SME's internationalisation and the small and medium-sized enterprises' current and previous knowledge, proactive and reactive motives. Dimensions for SMEs internationalisation have been explained in which product, market, operational mode, and time were emphasised. In the last subsection, one of the literature reviews highlights the support of SME's internationalisation process. The second subsection of the literature was a **marketing strategy** that covered the strategies used for entering into the international market and the factors that need to be considered before entering into the international market that will include, economic factors, legal and political factors, socio-cultural factors and competition. The international marketing barriers emphasised the Pakistani SMEs' trade barriers, export barriers, and external barriers. The third subsection of the literature review covered the small-medium enterprises from the European context. The SMEs in the United Kingdom and the internal factors of the business and the barriers of SMEs growth aiming to encounter the growth barriers, internationalisation barriers, SMEs internationalisation factor of success, European union SMEs, macroeconomic and business condition faced in the year 2016, issues and challenges faced in the year 2016, SMEs general overview of the economic performance of EU-28 in the year 2016, International SMEs entrepreneurship, Business-to-business internationalisation.

### **1.8.3 The third chapter**

The third subsection of literature was **small-medium enterprises from the Pakistani context, which** will cover the introduction, general view of the Pakistani economy that will give a brief synopsis for a better understanding of Pakistani SMEs and the neighbouring countries. Pakistani agriculture sector, Pakistani manufacturing industry sector, and Pakistani service industry in which all the data will be used from the official government websites for a better picture of the Pakistani business scenario and the current business environment and potential of the country to support the small-medium enterprises. The importance of Pakistani SMEs and the background will be covering the aspect of the importance of Pakistani SMEs from foreign markets and competitors. The anatomy of Pakistani SMEs will give the structure of Pakistani SMEs and the problems confronting

Pakistani SMEs. It covers the definition of SMEs from different previous authors and academicians, the definition of SMEs within Pakistani context, challenges, and critical Pakistani SME sector, the contribution of SMEs in Pakistan economy, in the end, the summary of the chapter.

#### **1.8.4 The fourth chapter**

Describes the research methodology and the research study phases are listed starting from the philosophy and then the research approach and the reasons for the approach selected. Then the research strategy for the study and then why the case study approach was selected. Then, the research design and the general plan for the execution of the study and why the qualitative methodology was selected as a method to investigate the research. After that, the researcher determines the data collection method using semi-structured interviews to achieve the objectives of the current study.

Then the researcher selected the sampling techniques for the study and the qualitative data analysis approach. Research reliability and validity were determined. How is the researcher going to discover? The answer to this question this chapter gave.

#### **1.8.5 The fifth chapter**

This chapter introduces the sampling process, methodology, and objectives of the study applied in the thesis. The profile of the respondents and the process of data collection were introduced. They were compared with the literature review and construction of the main theme generating the sub-themes. This chapter aimed to provide the responding firm international activity and the challenges faced during the internationalisation process. And the insight of how CEO grows their company with the internationalisation process to market their product. This chapter answers the question of what the researcher has unearthed.

#### **1.8.6 The sixth chapter**

This chapter gave the company case studies cross-analysis and findings and addressing the research objectives by analysing the case studies collected data. And by the deep analysis of the interviews, the generated themes were answered. And to write the recommendation for the research study, this chapter helped the researcher to achieve the thesis objectively.

### **1.8.7 The Last, seventh chapter**

This chapter summarises the concluding remarks and the key findings of the research thesis. This chapter aims to explain the discussion result and the managerial and policy implications, recommendations, research contribution to the theory and knowledge, limitations of the study, and the scope of further work.

## CHAPTER 2

### **2.0 Literature Review**

The review of previous internationalisation literature is presented in this chapter, specifically concentrated on the research that relates to the current research study and emphasises the focused area of the present study. Some gaps and areas are not adequately addressed despite substantial literature on the internationalisation process.

The main areas, which are identified and are of special importance: strategy used, the motive for internationalisation, and the barriers to the internationalisation of a firm. Selecting the strategy to internationalise the product by the firm is a necessary process which the majority of the small firm doesn't cater for and resultantly not self-possessed to go for the internationalisation. It is, therefore, essential to have some strategy before going to the international market. Besides, the firm's motive, which forced the company to go global, either proactive or reactive, needs consideration and impacts international process of the firm. The barriers the firm will face in the international process for marketing the product needs to be addressed before going into the global market, which is considered important for small firms looking for a new opportunity and platform.

### **2.1 Definition of Internationalization**

While defining the term "internationalisation", many authors explain different ideas with similar thoughts in their definitions. Internationalisation can be described as the international operation in increasing international involvement (Welch and Luostarinen, 1988). According to Calof and Beamish (1995), in international environments, the firm adopting the strategy, procedures, and operations is more likely to succeed in the international market. Towards the world economy, internationalisation is an interdependent and integrated shift (Hill, 2005).

The researcher considers the abovementioned definitions and concludes that to go into the international market and to recognise internationally, the term "internationalisation" is the concept, which explains the entry process, and the efforts involved to become more and more successful and committed to fulfilling the needs of these global markets.



An incremental process is also referred to and described as a process of internationalisation (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Cavusgil, 1980). According to (Seifert, 2010) regardless of so many phenomenon and definitions, there are several variations which are expressed and linked with the characterised internationalisation process and most link with the cross-border engagement in international working and operations, sale and entry into new global market with international transactions and across the border's transference of resources. However, despite so many variations in the definitions used and investigated by different researchers, and many scholars, the author thinks that anything in terms of doing business outside the domestic market and the process related to this immanent phase starting from the initiatives and ideas, barriers and factors involved and the motives are contributing the cross border market is internationalisation.

Therefore, companies' overall strategy and behaviour should not be considered isolated and distinct in this context of SMEs internationalisation, strategy, and behaviour but as a result and integrative part of a general strategy of the company (Welch and Welch, 1996; Veleski, 2015). The aim to grow is also used to define the strategy process of internationalisation (Dana et al., 2008). A firm by its degree of internationalisation (DOI) can be expressed by the number of activities taken cross border in a global market (Oesterle et al., 2013).

The author critically compares the previous literature and different definitions of internationalisation as the term internationalisation has been used for centuries but gained popularity in the early 1980s. However, as seen from the explanations given by different authors, the term internationalisation has different meanings interpreted due to diverse ideas and thoughts in their minds. Therefore, the term internationalisation has a broad sense as few authors said it's the process of increasing worldwide involvement, which is properly fit with the word internationalisation. Whereas, the other author said in a different perspective related to the global environment in which the procedures, operations, and the strategy adopted by the firm defines as internationalisation. So, in this case, the complete procedure for the international environment of the firms is expressed and taken into consideration. The author described and characterised internationalisation as the entry into a new market, cross border engagement, and transference of resources and international

transactions. So the researcher thinks, after critically examining the different authors' definitions of internationalization, that things in terms of business doing outside the country have to follow all the points and ideas expressed by various authors. And they are interconnected with each other regardless of their different meanings of definitions, but the general point of interest is the same internationalisation.

## **2.2 Internationalization Models**

According to Kuada and Sorensen (1999), the process of a firm being internationalised reflects two research dominant streams; either the activity can be viewed upstream or downstream. Within the organisational model or structural framework, the relationship between partners of two or more organisations taken place where the upstream and downstream activities are carried out as international activities in different markets and countries where their partners are located. The employed definition of a strategy is to equate strategy to the activities carried out by the firm rather than to those activities which according to manager should be carried out by the firm (Mintzberg, 1978). The firm performs cross-border upstream and downstream activities because of international strategy of the firm. The firm buys and produces or sells these products which can be manifested in the market, and the firm partners work together with the employed modes.

### **2.2.1 Downstream model for Internationalization**

Internationalisation downstream models ensure the firms on assumptions in sequential and gradual manners. Exporting and marketing abroad is an international downstream activity that gives the foreign country and foreign customers essential insight into the SMEs (Lucia and Shaker, 2007). In a field like fashion, the firm's internationalisation increases the ratio to move to the next stage with adequate knowledge and experience. Each stage will give the expertise for improvement, and the uncertainty of every stage will be reduced substantially (Bilkey and Tesar 1977; Cavusgil, 1980). The author thanks for every stage the preceding experience counts and enhances the confidence level of the firm. Furthermore, the downstream for internationalisation includes comprehensive training efforts, cross-cultural sensitivity and differences, performance management relationship and its establishment and responsiveness to local conditions (Vance, 2006).

During the initial stage of the export business of the firm, the export managers tend to approach in an unplanned and informal manner (Leonidou and Katsikeas, 1996). But in

handling the export operations, a higher degree of efficiency, professionalism, and internationalisation level is increased. The researcher supports Leonidou and Katsikeas that with the experience and enhanced professionalism, the levels of internationalisation increased. Large multinational firms accumulate knowledge of international downstream activities, trickier and complex than SMEs, such as marketing and exporting abroad, and better insight into foreign users, customers, and the global market (Naldi and Zahra, 2007). Cavusgil (1984) cites evidence supporting the idea that the active exporters, compared to the marginally functional or non-exporting for the risk evaluation of the profit and cost, are more pessimistic.

Market knowledge is difficult to circulate and pass on to others held by the subsidiaries in large multinational firms (Bjerre & Sharma, 2002). Downstream activity is mainly focused on export by customer support, marketing, delivering and selling the product into the international market. By downstream and upstream digitalisation and value chain activity to further improve the firm's performance, managers can identify the strategy (Vadana, 2020).

The firm believes to be at less risk if the firm selects the market deliberately with the psychological and geocultural proximity regarding making a market selection decision (Kuada and Sorensen, 1999). In contrast, less rigid and complex structure and processes are used by SMEs and are very renowned for that (Coviello & Martin, 1999) and favouring market knowledge sharing (Carson & Gilmore, 2000). The author ascertains that for SMEs to go into an international market is much easier and smooth going with the small structure, which is less multifaceted and is easy-going than the larger firms where passing knowledge from subsidiaries to others is complicated. It has been argued that market knowledge outside the domestic market has no value as the knowledge of global consumers and customers and the foreign market trend is market-specific (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004; Johanson & Vahlne, 1977), yet there is a contrary to the evidence. Similarly, according to (Eriksson et al, 1997), it is a market experience that varies from firm to firm not implement and relevant to all the markets. All the international knowledge is not related to the specific market of the country and the experience accumulated by the firm regarding the customer and the market. The foreign customer and market are not limited to the firms' knowledge acquired from the downstream activities. It

might also include how export barriers can be overcome (Yang, Leone, & Alden, 1992) and the information on trade regulation of foreign market (Eriksson, Johanson, Majkgard, & Sharma, 1997). An SME selling a unique product can have strong bargaining power with no apparent substitutes and can integrate into large firms business protecting from invading its niche market from large firms (Hennart, 2020). Another downstream activity is formal market research investment and acquisition of market knowledge. More importantly, downstream activities enhanced the ability of the firm to identify the trend in the foreign market and foster the ability of the firm to gather information, develop and coordinate such activities in the global market (Chetty & Eriksson, 2002). When exposed to unfamiliar and new global markets, the firm's capability to enter the international market, the stress, and focus on acquiring concerned market knowledge is probably one reason Eriksson et al. (1997) gave.

### **2.2.2 Upstream model for Internationalization**

The upstream focuses on the later stages after properly entrenched into the international market. Many firms decided to outsource their value creation activities in the internationalisation process by locating some parts of their business operations and production abroad. Dunning's eclectic paradigm reflects these studies' theoretical foundations (Dunning, 1988), production, and international value chain networks (Gereffi, et al, 2005). Downstream value chain activities can increase upstream activities of the firm by driving innovation based on input from the customers, improving technology and R&D and behavioural data (Vadana, 2020).

Learning of technology is affected by international upstream activities, as demonstrated by gathering know-how and skills to handle new technology (Zahra, Ireland, & Hitt, 2000). The literature on learning curves gives the link and evidence between technology and upstream activities engagement. This literature focus on the increase in production decreases the average cost of production and the production skills effect of cumulative production experience (Argote, 1999). It also shows that other upstream activities such as sourcing and R & D come from productivity improvement (Malerba, 1992). In SMEs, the common way of getting the know-how, learning, and understanding of new technology is by practically doing. Through personal experiences, the SMEs of the host countries acquire technological proficiencies and skills (Buckley, 1997). Also, through learning by doing

occur the international technologies transferring (Buckley, 1997). The upstream and downstream activity offers a firm to improve the performance by growth and provide access to a different type of information and knowledge from different sources (market, competitors, suppliers, partners and users) (Vadana, 2020). The author consolidates that until the SMEs or a firm is not practically involved in the learning process by physically doing and acquiring the new technology and learning, the upstream activities will not achieve the desired goals. The problem of transferring and attaining the technology knowledge can be offset by learning-by-doing. The know-how, sharing, and acquisition of technical knowledge will be facilitated by learning-by-doing. Indeed, the mutual adaptation and call for small group interaction for transfer are not easily replicated and transmitted by just maintaining the know-how (Kogut & Zander, 1992). Secondly, SMEs takes international knowledge bases and advantage with learning-by-doing (Zahra, Ireland, & Hitt, 2000), and the problem associated with the cultural distance will be neutralised in parts. Learning-by-doing, for instance, overcomes the newly imported technology acceptance (Teece, 1986), especially in countries from culturally distant (Andersen, 1999; Sapienza, Autio, George, & Zahra, 2006).

SMEs' technology learning, depth, and breadth are influenced by upstream internationalisation. Research shows that new and smaller firms get a broader and deeper understanding and technology knowledge by fully owning and having high control over international market entry modes (Zahra, Ireland, & Hitt, 2000). However, production overseas is not only related to technology learning. For instance, the company's technology development and the international supplier importance has been confirmed by many studies (Andersen, 1999) and technology learning activities by cross-border R & D (Kim & Inkpen, 2005). Also, the importance of upstream activities is reflected by the SMEs' motives and intention for going internationally for technical knowledge acquisition. According to a survey on SMEs in Europe, the need for complementary competencies and accessing new technology is due to the engagement of foreign sourcing, foreign production, and traditional cost-driven motives (The Observatory of European SMEs, 2003). To achieve the significant conclusion of the upstream activities, until a firm does not understand the international market, they will not grab the new technology. And for value creation, outsource their business activities abroad for better production.

In the immediate economic changing environment, the theoretical internationalisation logic of upstream states that the capabilities needed for customers value creating there is no single SMEs or firm holds all the resources. The home-based resource quality will make the export successful if the entire value-added would generate by the firm using domestic resources. With the more strong and superior local resource bases in the key export market, this may limit the firm competitiveness. For local firms, it is essential to seek resources from abroad. The innovative capabilities will be greater if the foreign leveraging resource opportunities will be more diverse.

The author consolidates by clarifying and comparing the downstream and upstream model for internationalisation as an organisational growth as these models have a different way of working and activities. A downstream international activity is more about market knowledge and provides a deep insight into the foreign customers, foreign market and exporting. This knowledge accumulation is easier for SMEs than for big firms/ large multinational firms. SMEs have a less rigid, complex structure and processes, which favours market knowledge sharing. Whereas the subsidiaries, in the case of large firms, have the market knowledge and is difficult to disseminate to others.

Furthermore, the author concludes that an upstream international activity is more of technology know-how and affects technology learning and sourcing. With the opportunity to grasp the new technological skills and know-how when engaged with the upstream activity, the SMEs acquire more specialised knowledge and become more experienced and efficient in supply and production-related activities. Hence a firm can get high-quality technical know-how when interacting with the foreign suppliers and lesser understanding of the foreign market in the upstream activity compared to the downstream international activity where SMEs learn more about market knowledge than technological knowledge.

### **2.3. Dimensions for SMEs Internationalization**

SMEs with accumulated experience efforts to internationalise follow a specific pattern that has high success rate in the past. The scheme for the enterprise to internationalise and develop a strategy (Ruzzer and Konecnik, 2006). It is based on the resources available, which can either de-stimulate or encourage the process. In the overall business strategy, the integral part is the internationalisation strategy because it is a general firm strategy extension and consequence (Welch and Welch, 1996; Andersson, 2000). To further

understand the development of international strategy, the strategy firm's dimensions need to be understood.

Ansoff (1957) focused on the firm's market and product by corporate growth strategy established called "Ansoff Matrix". During the firm strategy designing and incorporating processes of internationalization, Ansoff's two-dimensional product market model was upgraded by Luostarinen (1979). This consists of three-dimensional internationalisation called a POM model. First, (P) product refers to what firm offers (services, product), second (O) operation mode how the firm will operate the method (joint ventures, licensing, direct or indirect), third (M) market where the firm operates in which environment and market. In the last few decades, SMEs have fast time going international due to drastic technological, political and economic changes. Therefore, (Ruzzler & Konecnik, 2006) proposes the fourth strategic internationalisation dimension is the time dimension. Following are the detailed Ansoff Matrix and dimension for SMEs internationalisation:

### **2.3.1. Product-related**

The most essential aspect for SMEs to internationalise is the product they have selected for the foreign market and their services, which is an important strategic decision (Welch and Luostarinen, 1993). The SMEs to go into the international market gradually and sequentially introduces its product. Because of the lifestyle and cultural difference, firms adapt and mould their products according to local market needs, standards, and regulations. Due to differences in lifestyle and culture, many companies focus on the requirement of the local market product and have adopted accordingly to implement various regulations and standards. Trade is increasing in the international market due to the unifying taste of consumers and customers and the market homogenisation. The category of services and product representation is due to the individual category of business through standardisation and adaption such as employee training, marketing, services, and the product (Ruzzer & Konecnik, 2006).

Asset utilisation made it possible to enhance and boost diversification (Lichtenthaler, 2005) in comparison by the firm type of industry to single segment firm whether present activities are related or unrelated (Martin and Sayrak, 2003).

According to Porac, Pollock, and Mishina (2004), the firms' growth and new product development have a significant relationship. Therefore, Pakistani SMEs by market

development and market penetration cannot achieve the desired objectives have the same positive and meaningful relationship in this situation of new product development and firm growth.

### **2.3.2. Market-related**

The target market is the second dimension of internationalisation. The foreign market differs from each other as well as from the domestic market. For developing the international strategy for marketing, these differences will have an imperative impact on the selection of foreign markets (Ruzzer and Konecnik, 2006). Many authors argued that SMEs in the initial phase, to enter the international market, must select the market closest to the home market, and managers can easily understand (Johanson and Vahlne, 1990). This concept implies that more excellent knowledge will be required for long-distance foreign markets.

This means that identical products for a new targeted customer will be marketed. An idea is to market and hit a new region by exporting new products. Porac, Pollock, and Mishina (2004) argued that for market development and product expansion, more assets are required for a significant firm's growth and efficient business. Likewise, in the food business development, franchises play a vital role (Hussain et al., 2013). This looks at alternatives by posting blogs and geographical reach by selling your hand product by amplifying sales in the fresh and new market (Kwate et al., 2009); through market development, different options are used for your product and other industries and the language difference. The current market segments and unexplored needs and wants can be fulfilled by exploring markets outside the current business market (Johns and Pineb, 2002). Entering into a new unknown market is the most dangerous and unwanted strategy choices for using diversification strategy through growing. To get things right, this is possibly the toughest one by selling a new and different product in a new and different market through a diverse line of business (Hussain et al., 2013). The decisive factor for SMEs, for initial entrance into foreign market selection with the nearest distance for the business (Luostarinen, 1979). Market distance has a different and broader meaning, such as a difference in political, cultural, economic, and legal matters but not only means the physical market distance (Johanson and Vahlne, 1977 and 1990). The researcher concludes his notions and his ideas imply that more excellent knowledge is required for greater foreign market distance. But



as a result, many distance dimension mentioned are related to the ongoing process of globalisation, since the mode of communication of information and transport by SMEs to target the far-flung foreign market is encouraged by uniform customer habits.

### **2.3.3 Operational mode**

The first part and mode to enter into the international market is selecting the operation model and is the vital decision of global activity (Ruzzier and Konecnik, 2006). The future of the enterprise could be strongly affected by this decision. Unfortunately, the entry mode varies depending on the available resources and market type.

The phenomenon of multiple modes emerges quite strongly in several studies of foreign operation mode. For example, research on international operations and management contracts by Brooke (1985) indicates that both aspects are part of the foreign market broader servicing strategy and are mainly utilised (see also Sharma, 1983; and Welch and Pacifico, 1990).

Likewise, foreign direct investment (FDI) and joint ventures (JV) are employed in association with foreign licensing (Contractor, 1981; Luostarinen and Welch, 1990). Arranging master licensing, joint ventures, and personal subsidiaries are the other modes that support franchising operations in a foreign market (Welch, 1990). Roots (1994) categorised these entry modes into three groups: direct export, investment, and contractual. The most common resource used by SMEs to go into the international market is export, which has low risk and is simple to handle. The second entry mode is contractual, including the transfer of human skills and technology between the companies for a long-term foreign entity and foreign companies' non-equity association (Root, 1994). This entry mode further includes alliance, franchising, and licensing. The third entry mode group incorporates investment in the targeted foreign country with certain facilities of partial or full ownership or the direct investment.

During the operation mode of entry used by SMEs for internationalisation, the above-given ways will be used. The demand, increase in resources, and the other side will cause the more significant risk as SMEs to increase the international level of involvement and gain greater control of their foreign marketing activities (Root, 1994). The researcher analyses all of the operation mode and concludes that whichever mode suits the SMEs with all the advantages and disadvantages, they should formulate the international strategy

accordingly. It depends on the decision-makers which entry mode they should select for their firm to gain market control, share, and position.

#### **2.3.4. Time-related**

The most important strategic decision is time as the fourth dimension of SMEs internationalisation in terms of quality analysis. Most of the SMEs get internationalised gradually and step by step in exploring the phenomenon of internationalising and increased interest. That is why time is not considered by internationalised theories (Johanson and Vahlne, 1977; Luostarinen, 1979). Soon after the inception of SMEs, the wave and attention of globalisation begun with the internationalisation process (Oviat and McDugall, 1994). The interest in the SME's time dimension has increased with the increase in a number called "born global" companies. Therefore, in SMEs, strategic decision of internationalisation time dimension is considered as one of the essential aspects. It implies that SMEs and firms enter different intensities in different periods in the foreign market (Veleski, 2015). So the author suggests that enterprises should look for the "best time" to go into the international market keeping in view all the entry modes and aspects without which they cannot smoothly outrival and gain competitive advantages in the foreign market.

#### **2.4 Reasons for SMEs Internationalization**

For various reasons, firms are embarking and motivated on internationalisation. To go international through export, the major motives of the firm can be characterised into two groups, reactive and proactive motives (Czinkota and Ricks, 1983). The proactive motives relate to the internal interest of the firm to influence the new potential market by its resources and capabilities. In contrast, the reactive motives relate to the external interest of the firm, such as the saturated domestic market and the competitors' pressure. The author thinks both motives have their importance and cannot undermine any motive.

The company has to initiate international operations into the international market, whether from inside or outside (Hollensen, 1998). The factor of internationalisation stimulation exists if the domestic market has limited business opportunities and foreign subjects encourage and domestic competition presses and the firm identifies foreign market opportunities and has the free operative capacity with unique characteristics.

Internationalisation can only take place if the company decision-makers get attention (Miesenbock, 1988).

According to Czinkota and Ronkainen (2001), the firm that want to go into the international market are proactive and the firms that have to go international have reactive motives. The author thinks that some factors and motives drive the proactive and reactive motives where few firms want to go into the global market to search for good opportunities. In contrast, few firms want to internationalise because they have no choice for their firm survival to stay in the domestic market.

#### **2.4.1 Proactive Reasons for internationalization**

The main motivation for SMEs is to go into an international market is growth and profit goals (Gereffi et al, 2004). Suppose the firm has a strong ambition for profit and growth. In that case, it may likely involve seeking cross-border business opportunities and the potential market and customers to fulfil its desired goals. After spending an enormous amount on its operations, the firm in the initial state may decrease the initial profits. The SMEs will look for the long-term solution for the export rather than the short-term strategy (Hollensen, 2004). He further points out the desire towards global marketing activities, and the urge of managerial management give additive advantages to SMEs to go into the international market.

The essential factor for the firm to compete at the international level in a globalising economy is creating employment opportunities, enhancing firm growth and profit, improving productivity, and the strategic decision of firms and SMEs to go international and export. Internationalisation opportunities through export to achieve the economy of scope and scale benefit the SMEs. The increase in volume can reduce capital investment, the cost for research and development, and the cost of production, which gives SMEs a competitive advantage in the international market (Knight, 2002).

The tax benefit and the exchange rate advantage given by the foreign market will embark on the SMEs to internationalise their export and business (Hollensen, 2004). The SMEs will benefit if the foreign market exempts the tax. This will make the firm reduce its product price to compete in the international market to get higher profit (Knight, 2002).

According to the enterprise resource-based view, the proactive motives concept states that through enterprise resources and centralised employment, competitive advantages can be

gained (Stewart and McAuley, 1999). In comparison to this, the reactive motives reflect the internal pressure and domestic or foreign market threats. The internal pressure from the enterprise environment with passive behaviour is the cause to go international (Hollensen, 2008; Stewart and McAuley, 1999).

Some researcher also explains the effects of multiple motives on the usefulness and success of the export. They further gave example of Baldauf et al. (2000) who explored the proactive external motives; such as physical closeness to the client in foreign markets; which have a positive influence on the export functioning and intensity (e.g. in domestic market pressure of competitors). According to Voerman (2003), the export performance did not improve by the foreign market opportunities and responded to a negative pressure of competitors (Kubíčková, Votoupalová, and Toullová, 2014).

A company's important proactive element is when the foreign customers are attracted by the exceptional competence of the firm, including a skilled and qualified employee with an edge over foreign technology and knowledge. Lowering the unit cost and production capacity are associated with scale and accepted benefits. However, advanced technology drives the concern services (Pluta-Olearnik, 2012).

The following are the factors of proactive motives and the internal drivers for internationalisation.

1. **Goals of Profit and Growth.** According to Hollesen (2004), those who desired profit and are exporting the initial stage are looking for a short-term profit for the SMEs. Furthermore, the growth motivation of the firm is required to start export (Hollensen, 2004). Hollensen (2004), in his book 'Global Marketing', continued that greater activity would be generated if the firm were strongly motivated to grow, to excel and search for new opportunities and possibilities to attain the desired ambition of profit and growth. The author thanks for getting the desired goals and ambition, the main thing that drives are motivation, which brings the firm to a different level of achievement.
2. **Managerial Attitude and Urge.** Besides many other factors for the company to go into the international market, another proactive motivation is the managerial urge. The attitude of management is reflected in managerial urge towards the cross-border market. And for internationalisation, it may only be the idea and thinking of

a single decision-maker (Wu, 2015). Thus, in determining the firms' export activities, the managerial attitude and urge play a decisive role. However, for market expansion and continuous growth, the general entrepreneurial motivation for internationalisation reflects the managerial urge (Hollensen, 2004). Both the others focused on the managerial urge and motivation for the growth is in the hands of the management and their attitude and desires for the market expansion and growth.

3. **Product Uniqueness and technology Competence.** In addition to other factors that drive and motivate companies to internationalise is the uniqueness of their product or the competence in handling the technology (Wu, 2015). Business success abroad, can be achieved if the firm provides sustainable results and a competitive edge through unique product and technology competence (Hollensen, 2011). According to Hollensen (2011), the firm having unique products in the domestic market with superior quality will be attracted more by the foreign market and have better edge and possibility to take their product into the overseas market. The author further identifies that many proactive motives have a link with each other, so combining all will bring something unique for the firm, which is the things that bring success in the primary business abroad as a well competitive edge over other domestic competitors.
4. **Opportunities and Foreign Market Information.** Furthermore, one of the stimuli for the company is the market opportunity. As evident from the previous research, the firm will get the attraction if it responds to secure those necessary resources and opportunities. Generally speaking, the top management and decision-makers, focus on the limited number of options in the international market. And the preference goes to those opportunities in a foreign market that has some similar traits to the domestic market opportunities. Besides, specific information and knowledge about the foreign countries' market is a stimulus for the firm to enter the international market. (Wu, 2015).
5. **The scale of the economy.** Moreover, the firm can become more competitive and reduce the cost of the economy of scale by increasing its output by participating in a foreign market.

6. **Tax Benefits to the Firm.** The firm makes higher profits by offering the product at a lower cost as tax benefits play a motivational role for increased profit.

#### **2.4.2 Reactive Motives for Internationalisation**

As mentioned earlier, the important factor that compels the firm to enter the international market is the foreign and domestic market competitive pressure. Due to competitors' activities, many SMEs decide to internationalise. The pressure to overtake the market share by the competitors makes them frightened both in the domestic and international markets (Knight, 2002). However, Nakos (2004) argues that the key that triggers internationalising SMEs from a domestic to a foreign market is not the competitive pressure since every market competitor already exists. Therefore, keeping in mind, SMEs focus on goals of profits and growth rather than other company's actions.

Furthermore, another factor that forced the firm to internationalise is the domestic market's small size (Hollensen, 2004). Companies facing the domestic market with fewer sales of their products seek the new market, as the SMEs owners are afraid of losing the market share (Nakos, 2004). He further suggests that the product life cycle of the firm in the declining stage might use export to increase product life with new customers in the new market. If the firm in the domestic market faces overproduction, the firm may need to look for a new suitable market. To reduce its inventory, the firm may use export as a strategy to overcome the domestic market declining (Hollensen, 2004). However, the author thinks this remedy for the firm is not suitable for the long-term as this gives the customers a kind of temporary business sales. The neighbouring countries with similar characteristics may motivate the firm to enter a new market in a foreign country. The difficulties to target the market will be reduced as factors like culture, language, legal, and political and industrial development is already familiar (Johanson and Wiedershiem, 1975).

In summary, both proactive and reactive motives play a vital role in firm internationalisation. The abovementioned studies are either focusing on developing or Western countries or conducted outside the Asian continent. So, possibility in terms of culture, political, legal, and business management may vary and support differently. The author thinks that these two motivation groups should be worth investing in SMEs of Pakistan.

Various environmental factors cause reactive internationalisation, including the firm's growth hampered by the saturated market and the international market presence of rivals and the similar product and services offered by the target market on to the national market with small psychological distance. Also, encouraging motivation to search and look for the new foreign market or the neighbouring market is not utilising the firm's production capacity (Pluta-Olearnik, 2012).

Another reactive motive factor is the specific information and knowledge possessed by the firm and has its specialised marketing that will have the edge and difference from the competitor. For competition in the foreign market, the entry barriers can be served by marketing advantages (Albaum, Strandskov & Duerr, 1998).

Following are the factors of reactive motives and the external drivers for the internationalisation of the firm:

1. **Economic and Competitive Pressure.** Reaction to competitive pressure is the reactive motivation prime form (Hollensen, 2011). Stimulating the firms' internationalisation, the primary external factor is competition. Through internationalisation and gained economy of scale benefits, the firm may face challenges from the competitors to lose domestic market share. Those who explore these markets initially can have an edge on the domestic competitors, and the other will lose the foreign market permanently. Knowing that competitors give and provide strong incentives for internationalisation to the firm.
2. **Indigenous Market.** Saturated and small in size domestic market compels the companies to explore a better external market to sustain the home market sufficient scope and economy of scale. A small and saturated market has the same motivating effect. For example, in the domestic market, a particular product life cycle is declining (Wu, 2015). However, the foreign market might still have great demand, which provides those options and opportunities for the firm. The author suggests that before going into the foreign market from the saturated domestic market, all the motivational factors must be considered for getting the edge over the competitors and gaining strong incentives from the foreign market.
3. **Excess Capacity and Overproduction.** The firm looks for the opportunity in a foreign market when the domestic demand is less than the production, and the

- supply exceeded the normal requirement. And firm overproduction can be a powerful motivational factor. If the machinery is not fully utilized in its capacity, for the broader achievement of fixed cost distribution, the firm looks for international expansion (Hollensen, 2011). So, both overproduction and the saturated and small domestic market motivate the firm for internationalisation.
4. **Unsolicited Product Foreign Orders.** An initial order of the large percentage of a firm that exports are unsolicited (Hollensen, 2011). Unsolicited foreign order motivates the firm to internationalize and become aware of foreign market opportunities (Wu, 2015).
  5. **Seasonal Products Extended Sales.** Furthermore, according to the season varies the demand for seasonal products. So different season at the same time in another part of the world can extend the sale and the need of the product and gives incentives to explore the international market may result, over the years, stable demand. So, when the researcher process the study, all these reactive motivations must be considered (Wu, 2015).

## **2.5 PESTLE Analysis before Going International**

The world of international marketer's significant characteristics is the marketing environment diversity in which business is to be done. The following factors SMEs to be considered after deciding to go internationally.

### **2.5.1 Economic Factors**

The economic forces at any point in market time actualization affect the impact of international marketers on the potential market (Albaum, 2005). The firm can be encouraged or discouraged by the country's macroeconomic indicators to enter that particular market. These indicators include the foreign exchange rate, inflation, and interest rate. Potential international marketers want relative macroeconomic stability to enter the market. The entry chosen by the likely global marketers for the country is influenced by the rate of a transaction and the economic system in place. For example, all the productive activities in the pure market economy are privately owned (Isaac, 2011). Demands of the product make the company decide what to produce through the price system the supply forces are signalled. The price and supply increase if the demand exceeds and other things being identical and equal (Isaac, 2011).



In such an economy leading to high efficiency and high competition, market restrictions are not there. The firm ensures better practices for management in such an economy, and SMEs aim to develop and process more efficiently by aiming to improve the product. To penetrate such market business environments, SMEs must consider the competitive nature and the challenges ahead. When the government controls the pricing and productions under a socialist economic system, entrepreneurs have no incentives and are a handicap to serve the market. Entrepreneurs are leading to low profit. As a result, the absence of innovations and dynamism (Kotler and Armstrong, 2004).

The economic system in which the firm operates is referred to by the economic factor as the direction and character to run the economic system. Within the population, the fiscal policies of the government, the distribution of the income, business cycle state, and balance of payments include economic factors. This part of the economic factor will give the analyses of overall economic prospects. Economic factors are often affected by the political factor; for example, in general, as practised in almost all countries, politicians decide the tax based on a mix of economic and political factors. In many countries globally, the central bank or the state bank decides the interest rate, but the importance of political factors is still existing. Other economic factors that impact the consumer, business confidence, and capital available are the income growth factor, debt, level of saving, level of inflation, and currency exchange rates. A typical example of the current state of the world's stock market is the economic factor volatility. Key economic factor measures include the monetary policy, the country unemployment figures, wages and control in price, inflation, Gross domestic product (GDP) and Gross national product (GNP) (Turner, 2002).

### **2.5.2 Legal and Political factors**

The government body's actions at all levels affect the firm international marketing entering decision. The economic system in a country specifies the extent to which the government is involved in international marketing, for example, communism, capitalism, and socialism (Albaum et al., 2005). A stable government and business-friendly environment are ideal for SMEs to exist. The change in political power in the government can pose threats to the firm business environment and needs careful consideration. The firm should look for a friendly and stable government environment in the target country. Other points of concern can be the government policies for export. The law encounters, when entering into the

international market regarding the product, meets the standards and the international quality requirements (Isaac, 2011).

The political and legal constraint of the institution is the economic barrier for internationalization of the SMEs. Also, to maintain the government state of affairs, the value and the interest the people hold, and give the country the future direction, politics is the combination of other groups and bodies and the current government (Daunton, 2011). Through the legal and political framework, the government generally develops day-to-day life rules and procedures. Business cannot be conducted against the political and legal system as it is considered a daily life integral part (Sethi et al., 2012). Political stability in a country finally has a massive impact on the way business is conducted and the contribution. Internationalization of the firm might get assistance from the political forces, such as setting up export processing zones (EPZ), international trade embargoes and barricades removal where the firm can freely produce and favourably trade (Rahman, Uddin, and Lodorfos, 2017).

Similarly, political instability and legal factors, inadequate legal support, and other malpractices become foreign market entry barriers (Bhatti and Awais, 2012). Before going into the international market, the author suggests that the firms must acquire the proper knowledge of the current political and governmental environment and policies with regards to business. Therefore, the political and legal factor is the backbone for the internationalization of the SMEs.

### **2.5.3 Socio-Cultural Factors**

The customers' cultural background includes their work habits, ethnicity, languages, and many other socio-cultural factors (Isaac, 2011). The indicators for change can be provided by home country organizations within social structures and cultural norms. The target market requires establishing procedures, processes, and products as declared by (Beato et al., (2000). There is a need to manage cultural differences. It should not be considered an obstacle for business across cultures. It can be used as a competitive strategy and can also provide tangible benefits, as Albaum et al., (2005) argued. The author differs from the argument by Albaum et al (2005) as it can be a tremendous obstacle or barrier in terms of business process to the countries where the language is the main challenge for communication and striking business deals.

According to Hansen and Kanuk (2008), the internationalization process of a company is influenced by the country's cultures. Culture is considered the total sum of learned beliefs, customs to serve a particular consumer behaviour society, and values. Similarly, cultural distance as reported by Barkema and Vermeulen (1997) as one of the most influential internationalization barriers.

Similarly, there is a strong link between internationalization and cultural dimension, as identified by Rothaermel et al. (2006). Understanding the impact on international advertising strategy by culture and reaching a different conclusion has been developed by several studies (Nasir & Altinbasak, 2009). According to Boddewyn and Grosse (1995), for example, the two major standardization obstacles are the habit and taste of the consumer, which is further concluded by Mueller (1991), and the creation of a promotion mix has a high impact on the culture. The firm should analyze the variables of socio-cultures, as consumer behaviour is influenced by and also compared with the home country's socio-cultural environment with the target market (Usunier and Lee, 2005). The existence of non-standard practices in the target market may influence the adaption strategy of the firm (Nasir & Altinbasak, 2009), so the firm should examine the business community attitude when starting its internationalization process with possible sanctions applied to the unethical code of the behaviours (Keegan and Green, 2005). The firm involves itself with different traditions, cultures, and societies as soon as they start the internationalization process by crossing the national boundary (Gomes et al., 2011).

#### **2.5.4 Competition**

Competition is the most vibrant environmental force that affects the individual exporters or international marketer strategy for marketing. To make the business standing in the market, every SMEs should work hard (Isaac, 2011). To make the firm unique in the global market, the competition comes in for the place to search. The result of differential advantage gives a firm edge over the other firm offering in the same market (Albaum et al., 2005). In terms of their product quality improvement, SMEs in Pakistan have not established themselves in the domestic market. To favourably compete in the global market, the firms charge competitive prices to make them enable to contest. The trade liberalization policy in Pakistan is facing tough competition from the developed country's industries. Due to globalization, the integration of a worldwide competitive market and the

export by the SMEs are getting pressure while the production and market conditions are changing rapidly (Hill, 2005).

A significant obstacle for exporting is identified as the competition between domestic and foreign markets in the reviewed literature. Few researchers reported the export barrier as (Cardoso, 1980; Fluery, 1986) focused on price competition and in the foreign market aggressive competitors (Cardoso, 1980), competition fierce in the export market, and lack of competitive prices (Kaleka and Katsikeas, 1995). The limited human resources and financial support hindered small firms from collecting adequate information (Burgess and Oldenboom, 1999). The author concludes that small firms can only compete with large enterprises and foreign competitors if they have good human resources and finances to compete in price with aggressive foreign competitors.

## **2.6 Strategies for Entering the International Market**

The entry strategy into the market consists of a "marketing plan" and "entry mode". To penetrate a foreign target market, a foreign market plan is used, and penetrating the target country is the mode of entry. SMEs must use the method before entry into a foreign market that is consistent with the company's strategic objectives. The same international strategy may not vary for all market entry.

Political risk and market potential are the two major factors identified by Hill (2005) that need to be considered when deciding the entry mode for the market. He argues for their services and products, and the marketers must determine the potential and current market. The big market will support the significant investment by the firm. The researcher argues that a stable government minimizes the risks and creates healthy and positive environments regarding political risk. The firm will be less likely to invest if the government is not stable. There are other alternatives strategies as assumed by (Albaum et al., 2005) for entering into the international market. They identified the alternative modes and channels as entry modes: strategic alliance, exporting, joint ventures, licensing, and assembly operations.

Before making the project, development, investment plan, target market environment, and particular entry mode complexity need to be evaluated. Nevertheless, when comparing to marketing advantages of export, there are several advantages of foreign direct investment which support to lower the cost such as (custom duties, the cost of manufacturing, transportation) for foreign country product supplying and better adaptation of the services,

product features, and better post-sales. Due to the high demand for capital and increased demand for market information, SMEs usually hesitate to enter the international market through foreign direct investments and are more vulnerable to risk (Root, 1998).

The entry modes used in the past by the enterprises have a significant impact on the choices of the entry mode (Benito, Petersen, & Welch, 2009). However, the criteria set up at that time and the circumstances and place of the process influenced the final decision (Albaum, Albaum, & Duerr, 2008). As exporting involves less capital and has a low-risk entry, lower exit barriers with less capital investment viewed as the excellent starting point for the enterprises (Gooderham, Grøgaard and Nordhaug, 2014) entry mode will be gradually changed by the company i.e. in the target country it will choose the one with better operational control (Muli, 2019). The export profile of the developed firms with high potential exporters can be used by the export promotion bureaus or organizations. In this way, the non-exporters agency gets management assistance, export training, and business funding.

## **2.6.1 Contractual Entry Modes**

### **2.6.1.1 Licensing**

The firm may consider other methods like licensing and franchising if not ready for the joint venture (Dinu, 2018). The licensor offers some proprietary assets to a foreign company. The contractual transaction is a licensing and licensee exchange for a royalty fee (Kotabe and Helsen, 2016). Licensing further influences the firm to a great extent to achieve business stability and increase sales and brand awareness (Muli, 2019), licensing further required partners with more technical expertise and absorb technology to produce the product to sell in the market (da Silva Lopes, Casson and Jones, 2018). Licensing grants the right to make and sell the firm's product to a foreign entity and offers more control than exporting and every unit sold by a foreign entity in return for a royalty fee (Sooreea, Sharma and Luong, 2012). As licensing does not entail equity participation and is considered a low control and low involvement entry mode, exchange for a lump-sum payment licensee is granted control over strategy and operations and committed to abide by the licensing contract by already set terms (Durmaz and Taşdemir, 2014).

### **2.6.1.2 Franchising**

The contractual arrangement and relationship between two independent firms/ parties is a franchise agreement. The franchisor gave the right to sell the franchisor's product to the franchisee for a certain period at a given place to use the franchisor's trademark (Dinu, 2018). The franchiser brand name typically leases under the franchising method, and the franchisee gets the technical advice training for staff, marketing support (Muli, 2019). Managerial assistance typically offered by franchisors, for example, selection of site, advertising to the franchisee, training related programs, physical layout and design, and franchisee according to franchisors stipulation agrees to run the business. The franchisee is substantial control and exercise by the franchisor (Sun, Park and He, 2019). The method of choice is often master franchising to snap up opportunities in foreign markets. With this system, a local entrepreneur gets the master franchise from the franchisor, who will, in turn, within his territory, sell a local franchise (da Silva Lopes, Casson and Jones, 2018). The firm use franchising to get into the market with limited risk and subsequently formed the platform for learning for further foreign direct investment (da Silva Lopes, Casson and Jones, 2018). Over the given time horizon, the master franchisee agrees to establish a certain number of outlets. At a moderate extent of the business, the firm performance is influenced by franchising (Muli, 2019).

### **2.6.1.3 Joint Venture**

The joint venture has become an essential element of many firms with international strategy continued world economy internationalization and influence the firm to a moderate extent (Muli, 2019). When two or more owners create a separate entity, that business agreement is a joint venture. A joint venture in its own right can issue corporate securities, can be partners, or closely held corporation (Durmaz and Taşdemir, 2014).

As a means of the global competitive arena or competing within multi-domestic, an alternative to wholly-owned subsidiaries firms commonly uses joint ventures (Aydoğan, 2020). Joint ventures in many industries not only decrease the total investment but also share risks. The entire development cost is no longer required as the parties have different capabilities in their domain (Da Silva Lopes, Casson and Jones, 2018). Expanding in risky markets and investing in a joint venture is an attractive mechanism due to its benefits of reducing overall investment cost and risk-sharing (Durmaz and Taşdemir, 2014). Due to

the elimination of specific entry barriers and through international joint venture, entering into foreign industry diminishes the investment risks such as (a) from foreign capital certain industries are protected by government policies (b) in the new context, characteristics and condition lack of knowledge (c) lack of supply channels and distribution access (d) elevated capital need. A good marketing channel gives the firm confidence to sell its product cross-border and lower its dependence on a particular joint (Dhir, 2017). This need for international joint ventures covers the learning curve of the local partners and access to experience and knowledge (Muli, 2019).

## **2.7 Barriers to International Marketing**

In different host countries, to regulate business activities, there are various laws. According to (Albaum et al., 2005), human rights, tax policy, corruption, labour rights are the major concerns for SMEs. The sub-national and national tax policy of the government is another area that affects international marketers. Establish tax systems in place by the most developed countries, such as value-added tax VAT, corporate tax, import tax, etc. Global marketers will have profound implications if they fail to comply. A barrier to the international marketer also depends on favourable or unfavourable opportunities (Albaum, 2005).

A perceptual view of export barriers can be identified within companies aiming to go for internationalization but are currently not doing any export. Furthermore, amongst the companies already doing export in the international market, the barrier can be identified as well. Lastly, the experiential viewpoint on export barriers can be acknowledged by the companies, which were part of exporting (Leonidou, 2004).

Different studies highlighted that three groups of companies have a broader impact on these barriers (Keng and Juan, 1989; Kedia and Chhokar, 1986; Yaprak, 1985; Tesar and Tarleton, 1982). Additionally, over the companies' various stages, these barriers differ in the process of export development (Naidu and Rao, 1993; Barrett and Wilkonson, 1985; Vozikis and Mescon, 1985). The researcher compares the barriers for both firms: one which already has experience and facing the challenges and obstacles; second foresees the barriers and challenges faced by the company going to export in the international market.

According to Leonidou (1995), internal and external barriers distinguished the export barriers. The organization or company's capabilities and resources are associated with the

internal barrier, whereas the firm operates and face barriers due to home and host environment falls into the category of external barriers. Furthermore, sub-classifications of the internal obstacles are informal, barriers related to marketing, and functional.

An external barrier can be further divided into subgroups as procedural barriers, environmental barriers, governmental, and task barriers (Leonidou, 1995). However, due to the increase in market growth and competition, the number of SMEs is also increasing, and the impact on international business is due to globalization. The firm before going into foreign market needs to manage resources and organizational skills as many times a series of a problem faced by SMEs during entry into a cross border market.

Due to tariff and non-tariff barriers and between the states, different administrative and official schemes business atmosphere stem due to obstacles of an international character (OECD, 2009a). European Union SMEs during exporting and services in the global market face different barriers. European SMEs' major barriers are related to standards, entry into the market, human resources, finance, and other barriers (European Commission, 2011).

### **2.7.1 Export Barriers**

Any obstacle towards attaining the export performance is represented wider in the sense of an export barrier. In developing countries, the internationalization of a firm is an export-led phenomenon (Kuada and Sorensen, 1999). However, the term export barrier is associated with some challenges of exporting. The term export barriers defined by Leonidon (2004) is that "all those constraints, structural, operational or attitudinal that hinder the firm's ability to sustain the international operations." He further categories external barriers as the obstacles that happen overseas and those managed and controlled by management as firm internal barriers.

There are many insufficiencies due to which barriers originate concerning capabilities and management, or issues related to human resource (export manager, intercontinental entrepreneur), specific product resources and capabilities and product limitations (international product suitability, sites of production, firms, human resource, and finance), network access limited (logistics, distribution, and customers) concerning the target and domestic market issues and factor related to environmental and strategic issues (Altintas, Tokol, & Harcar, 2007; Da Silva & Da Rocha, 2001; Leonidou, 1995).



Exporting barriers are often put forward as the impact of a negative attitude towards the activities taken internationally and business failure resulting in significant financial loss in the foreign market. A helpful definition of export barriers suggested by Leonidou is all the constraints related to structural, attitudinal, or operational that affect and hinder the firm's ability to develop, initiate or sustain international operations (Leonidou, 1995).

External export barriers examples are lack of external financing (Suarez-Ortega, 2003), restrictions on export or import, in target market domestic competition, in target marketing strong international competition, high cost of transport (Bauerschmidt, Sullivan, & Gillespie, 1985), inadequate incentives from the government, administration for the export requirement in the target market (Bauerschmidt et al., 1985), political risks (Hill, 2003), undesirable volatility on exchange rates (Basile, Giunta, & Nugent, 2003; Murugiah, 1996). Many exporters profitably operate in any scenario and situation with severe resource constraints related to export barriers. Many studies investigated that the management interventions depending on available resources agreed to manage export obstacles (Peng, 2001; Shoham & Albaum, 1995).

### **2.7.2 External Barriers**

An external barrier originates and operates the firm from the host country (Leonidou, 2004). Further different categories are as under:

1. Procedural barriers
2. Governmental barriers
3. Task barriers
4. Environmental barriers

#### **2.7.2.1 Procedural Barriers**

The firm faces operational challenges called procedural barriers that include slow payment collection from the foreign market, procedures, and unfamiliar techniques (Narayanan, 2015). Export barriers related to procedural, according to some studies, can be classified into uncontrollable and controllable barriers (Leonidou, 2004). The managerial experience can overcome controllable barriers as they learned to be taken as routine tasks and can control with expertise and time. On the other hand, issues vary and handled on a case-to-case basis (Ramaswami & Yang, 1990). Overcoming these operational barriers can be possible by taking support from a consulting firm (Narayanan, 2015). This procedural

barrier to export behaviour has a high impact and deals with the connection of foreign customers. It includes a lack of communication failures, unfamiliar procedures and techniques, and the payment slow return. Procedural barriers are more often considered as obstacles related to a transaction with foreign customers operating aspect and the communication difficulties with the unfamiliar procedures and techniques and the slow-going mode of receipt of payment (Kedia and Chhokar, 1986; Moini, 1997). For exporting, there is a requirement to get the knowledge on export matters and procedure.

Regarding export, the most cited obstacles are the requirement of domestic and foreign market paperwork, regulations, and time. The domestic or foreign market government does not solely impose these procedural requirements. All the organizations, independents, have procedures such as shipping organizations, banks, and insurance companies. In many studies, the lack of export procedures, information, and knowledge have mentioned as an export barrier (Haidari, 1999). The firm that wishes to increase the export activity or intend to enter into the export market needs the skills and knowledge to deal with procedures related to administration. The managers who are not very experienced will feel challenged to cope with foreign paperwork and documentation (Dymsza, 1983).

The negligence and cumbersome professional attitude cause delay for paperwork and the lack of time which causes delay in payments due to documents not being properly completed, thus creating exporters' problem of cash flow. The author suggests that the firm going to export must assign the job to an experienced person who can look for all the paper formalities and the procedures adopted for the smooth functioning of export. Haidari (1999) showed that in Pakistan, many small tanners are affected by the cash flow due to delays in duty and sales tax refunds. Because SMEs have very limited working capital, a serious constraint in export operation will be caused due to delayed reimbursement of the funds.

According to Brooks and Frances (1991), government's high involvement may lead to official procedures into red tape for those who have just started export will cause difficulties to manage. Adjusting the firm into different cultures, customs of business, and the foreign market attitude was also mentioned as SMEs' major cause of the problem (Weaver, 1988). For exporting, the regulation and export procedures vary from country to country. SMEs need to spend a lot of time preparing business related documents to export

required by the host country (Tesfom & Lutz, 2006). The major problem SMEs considered operating in a foreign market is the payment delay from the overseas market. The restriction from the state or central bank and the geographical distance hinder collection payments from the foreign market (OECD, 2012).

### **2.7.2.2 Governmental Barriers**

The attitude of the government to exporter either unsupportive or supportive refers to governmental barriers. The governmental barriers have two facets/ pertaining issues, (i) potential supporters get limited incentives and assistance, (ii) on export practices framework the restrictive role of regulatory (Narayanan, 2015). On the one hand, the weak policies by the government give incentives and support to the potential current exporters. And the other form of governmental barriers is the tariff and non-tariff barrier with very tight and restricted regulatory protectionist measures and framework (Tsegay, 2003).

Direct export barriers can arise from government agencies and authorities. Tariff and non-traffic barriers are related to government regulations. In the literature review, export problems are mentioned as domestic government export regulations (Figueiredo and Almeida, 1988), the inadequate substitution of import, diplomatic support, and barriers for protection (Cardoso, 1980; Figueiredo and Almeida, 1980; Dymysz, 1983). In developing countries, an export problem noted to SMEs is the lack of government sponsors on export promotion and assistance programs (Kaleka and Katsikeas, 1995; Figueiredo and Almeida, 1988). Government assign itself supreme priority for foreign exchange allocation (Ortiz-Buonafina, 1984).

Due to government inadequate export policies, exporters often suffer (Tsegay, 2003). This includes the ineffective overseas promotion of the country's exports and lack of available report opportunities and information provision and information gathering (Naidu et al., 1997). In a survey in Taiwan, Morawitz (1981) reported that government agencies for export promotion sources are as least useful of market information for seven sources. Similarly, in a study in Columbia, he noted that he interviewed many exporters, and none of them gave credit to the export promotion office of the country (Schoen, 2009). The severe bottleneck for SMEs in developing countries is the inadequate export promotion services from the government as marketing skills and export market knowledge are lack by many potential exporting companies (Tesfom and Lutz, 2006). The actions or inactions

activities by the home government create barriers for the exporters. Most academics treat the domestic government barriers within which the firm conducts the business as part of the international environment (Gebrewahid and Wald, 2017). According to Leonidou (1995), obstacles found in the host country or raised in exporter home countries are essential to distinguish between them. Due to high government involvement, the export promotion program available, becomes ineffective.

Naidu et al. (1997) concluded that international entrepreneurship is effectively inhibited by a high level of government interference. In general, the previous literature showed that the major export barrier in the developing countries for SMEs is frequent change in policies related to export and ineffective assistance by the governmental agencies and different regulations set by domestic and foreign markets. And in the international market, SMEs operating are facing problems from both ends. For the SME's growth, the major barrier is the lack of guidance and support from home organizations and the government. The SMEs performance related to export gets slow by set rules and regulations of the home government and the restriction about national or international interest on exporting product (OECD, 2012).

The growth of SMEs is hindered by unfavourable export policies and the lack of support from the home government (Karelakis, Mattas, and Chryssochoidis, 2008). The author believes that until the time the home government will not make a good platform for the SMEs to support and guide in the export matters, and make the rule and regulations friendly, which can support both ends domestics and foreign. If any side policy favours the firm's business of home or host country, the business situation will remain the same. So, the government agencies and policies play the role of a backbone for export and entrepreneurs.

### **2.7.2.3 Task Barriers**

This barrier refers to the clients, potential customers, and competitors in the international marketplace. Task barriers emphasize the problems that might appear due to firm competition in the overseas market and the taste and customer differences in the foreign market compared to the response from the domestic market (Leonidou, 2004; Cateora and Graham, 2001; Agndal, 2004)). The author suggests that before a firm goes for internationalization, complete knowledge and information must be gathered regarding the

customer demand and choice. Likewise, the competitors' threats should also be catered for and make the strategy, which works, in the entire scenario with the contingency plans e.g. Due to customer product requirements and various reasons vary worldwide such as taste, climatic condition, countries economy, topography, etc. And the firm will need to spend a considerable amount of money and time to accommodate all these changes (Narayanan, 2015).

#### **2.7.2.4 Environmental Barriers**

The issues associated and related to the foreign markets include a) socio-cultural, b) legal, c) political, and d) economic environment barriers. These barriers received great scholarly attention in the existing literature, especially in the overseas market where the company wishes to operate, referring to economic, socio-cultural, legal-political, and environmental (Kedia and Chhokar, 1986; Moini, 1997). In emerging or transition market like Pakistan these barriers change rapidly and are very hard to control. Examples related to barriers of host countries are the unknown practices of business, rules, and regulation of the country, unstable political environment, risk of currency exchange, deficient and deteriorating economic condition, differences in language, the difference in socio-cultural behaviour, and tariff and non-tariff barriers (Leonidou, 2004; Bauernschmidt, Sullivan, and Gillespie, 1985).

#### **2.8 Critical evaluation of Support for SMEs Internationalization process**

The SMEs' internationalization process is full of high economic risks, challenges, and uncertainties demanding resources and substantial capabilities (Mariosole, Varum, and Pisicctelo, 2013). In general, the possibility of process failure in small and medium-sized companies is more than the large ones, and the SMEs lack the technology and organizational resources, financial and managerial aspects. For the national economies and successful internationalization that give SMEs importance, adequate institutional support policies implementation is crucial. In favour of government support, the most potent argument lies in the vital role of SMEs' instability of any national economy. In two directions, the public is supporting first, entering the international market encourage the new firm, secondly, stimulating exports of the firm already exporting (Spence, 2003; Gorg and Strobl, 2008).

The drivers and barriers of the process must be taken into consideration when supporting the successful internationalization policy. The short-term results will be produced by barrier removal, while the long-term internationalization policy can create a platform by stimulating the drivers of internationalization (Veleski, 2016). The key mechanism to develop the support policy is coordinating activities between SMEs, banks, and government support agencies. With different degrees of commitment to export, the support should be tailored to SMEs.

Implementing the institutional support policies for the national economy is crucially essential for the success of SMEs for internationalization. For the potential and stability of any national economy, the potent argument and fact lie to support the government is the key role of SMEs in nation-building. To acquire the capabilities, they need to be supported to compete in the international market successfully (European Commission, 2007). Therefore, the key challenge for any government is to eliminate the obstacles hindering efficient internationalization and give incentives and support mechanisms for SMEs. And the government is to develop such policies, which help firms to globally integrate their business activities. Mainly the public support is in two different directions, firstly the encouragement and support for new firms seeking the international market, and second, motivates and stimulates the firms already exporting (Spence, 2003; Gorg & Strobl, 2008). This means that international drivers and barriers must be taken into consideration for successful supporting policy for internationalization. For the long-term internationalization policy, the platform could be formed by stimulating drivers of internationalization, and the results can be produced by removing barriers in the short and medium periods (European Commission, 2007).

## **2.9 Small Medium Enterprises in the European Context**

The EU-28 SMEs have outshone the whole economy after the financial and economic crisis and declining for 2008/2009 following the number of years. From the year 2013-2016, the employment of EU-28 grew by 5.2 per cent, almost 50 per cent quicker than EU-28 overall employment and same period economy (Muller et al., 2017). The three different categories of SMEs comprise small enterprises, medium enterprises, and micro enterprises (see Table 1).

**Table 2-1: Definition of SMEs**

<b>Company Category</b>	<b>Employees</b>	<b>Turnover</b>	<b>Balance sheet total</b>
<b>Micro</b>	< 10	< €2 million	< €2 million
<b>Small</b>	< 50	< €10 million	< €10 million
<b>Medium - sized</b>	<250	< €50 million	< €43 million

*Source: (Muller et al., 2017). Annual Report on European SMEs 2016/2017 Focus on self-employment.*

In the present annual report, the SME performance analysis focuses on the non-financial business sector. All the economies sector of EU-28 member states consists of this broad sector except fishing and forestry, 'government services', 'health and education', 'financial services', 'culture', 'arts.

Overall SMEs in 2016, the non-financial business sector in EU-28 is accounted for:

1. 99.8 per cent of almost all the non-financial enterprises of the business sector of EU-28.
2. The non-financial business sector generated the value-added of 2/3 of the EU-28 total employment and slightly 56.8 per cent less than 3/5 of total employment.

**Table 2-2** SMEs and Large Enterprises in the EU 2016 non-financial business sector

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>SME</b>	<b>Large</b>	<b>Total</b>
Number of enterprises						
In thousands	22,232	1,392	225	23,849	45	23,894
In % of total enterprise population	93.0 %	5.8 %	0.9 %	99.8 %	0.2 %	100.0 %
Number of persons employed						
In thousands	41,669	27,982	23,398	93,049	46,665	139,7141
In % of total employment	29.8 %	20.0 %	16.7 %	66.6 %	33.4 %	100.0 %
Value-added						
In EUR Trillion	1,482	1,260	1,288	4,030	3,065	7,095
In % of total value added	20.9 %	17.8 %	18.2 %	56.8 %	43.2 %	100.0 %

*Source:* (Muller et al., 2017). Annual Report on European SMEs 2016/2017 Focus on self-employment.

The most common SME type of all the enterprises accounting for is the micro SMEs with 93.0 per cent and in the non-financial SMEs business sector 93.2 per cent (see table 2-2) However, in the non-financial SMEs business sector, micro SMEs total employment accounts for 29.8 per cent. In comparison, 20.0 per cent of small, and medium-size SMEs accounted for total employment of 16.7 per cent. In contrast to the three SME size class and the number of employees across and the enterprises' uneven distribution, in terms of value-added, their contribution is broadly equal, ranging from small SMEs 17.8 per cent to micro SMEs 20.9 per cent (Muller et al., 2017). In the European countries like Portugal, Latvia, Cyprus, Greece, Bulgaria, Italy, Malta, Lithuania, and Estonia, the importance is



due to non-financial business sector contribution of employment generated by SMEs, wherein 2016, in the non-financial sector, the total employment of SMEs accounted for three quarters (Figure 2-1). Similarly, in Luxembourg, SMEs are notably more important from a perspective of value-added in many southern member states ('Portugal', 'Cyprus', 'Malta', 'Italy' and 'Greece') and smaller European member central states (Lithuania, Estonia, Latvia, and Bulgaria). In these countries in 2016, the non-financial business sector total value added accounted for SMEs are more than two thirds (Figure 1).

**Figure 2-1** SMEs contribution to employment in 2016 EU non-financial business sector



Source: (Muller et al., 2017). Annual Report on European SMEs 2016/2017 Focus on self-employment.

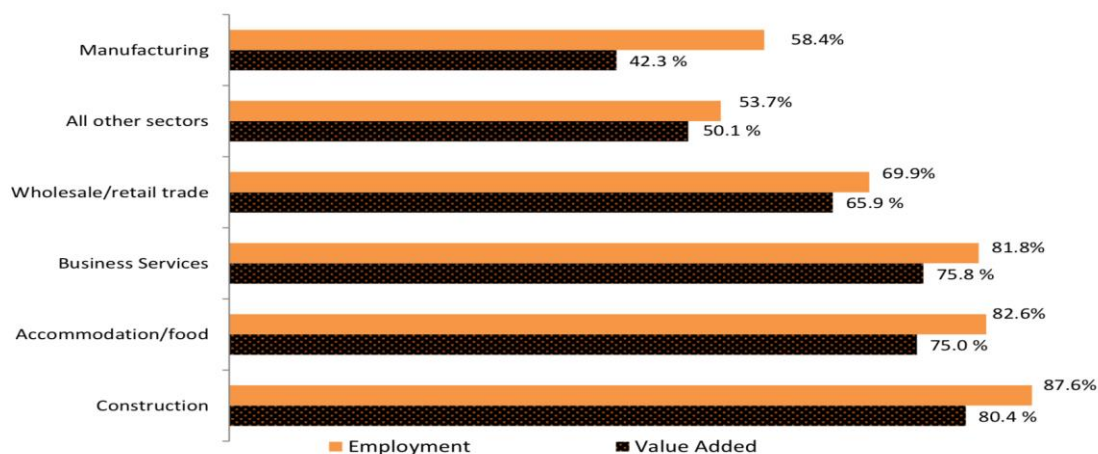
As already noted, the total employment accounted for by micro SMEs of EU-28 in 2016 was 30 per cent, and in the non-financial business sector, 21 per cent of total value-added. However, across the member states, the SMEs group varies from value-added and contribution of employment:

1. In the non-financial business sector, the micro SMEs shares total employment 17 per cent in the UK and 57 per cent in Greece in case of employment in the year 2016 (Appendix Figure-3).

2. In the non-financial business sector in 2016, the micro SMEs generated a share in value-added from 16 per cent in Germany to 36 per cent in Malta (Figure 4). Less dispersion is shown around the average EU-28, in contrast, to sharing generated by small SMEs for value-added and employment by the non-financial business sector.
3. Small SMEs in case of employment share, ranged (Poland) 14 per cent to (Luxembourg) 25 per cent.
4. Small SMEs in the case of value-added share, ranged (Ireland) 8 per cent and (Malta) 25 per cent. As observed in the 2016 EU-28, average in the employment with similar small variation shares by small-sized SMEs.
5. The medium size SMEs' employment share, ranged from (Greece) 11 per cent to (Luxembourg and Malta) 25 per cent.

The medium size SMEs value-added share ranged from (Ireland) 8 per cent and (Lithuania) 28 per cent (Muller et al., 2017). SMEs are the most important size class enterprises in terms of value-added and contribution to sectoral employment such as to a lesser extent in 'business service', 'construction' sector, 'food and accommodation services', 'retail and wholesale trade'. The contribution of overall SMEs in 2016 ranged in these four sectors in terms of employment from 70 per cent to 88 per cent and in terms of value-added, 66 per cent to 80 per cent (figure 2).

**Figure 2-2** SMEs contribution to value-added and employment of EU-28 key sector



Source: (Muller et al., 2017). Annual Report on European SMEs 2016/2017 Focus on self-employment.

In the manufacturing sector of EU-28, the large enterprises are dominant that small enterprises with total employment of 58 per cent and total value-added 42 per cent in the year 2016. In the overall non-financial business sector, the large share of value-added and employment in particular sector accounts for SMEs, but Still it does not imply that SMEs will have correspondingly large share of the non-financial sector. This is because of a relatively small sector concern. For example, in 2016 for EU-28 as a whole non-financial business sector, SMEs accounted for total employment as 12 per cent and value-added as 11 per cent whereas, the construction sector employment SMEs accounted for 88 per cent and value-added for the entire construction sector for 80 per cent (Figure 3).

**Figure 2-3** SMEs share in different industries, employment and value-added in EU-28



Source: (Muller et al., 2017). Annual Report on European SMEs 2016/2017 Focus on self-employment.

The author believes that the European SMEs' performance in other sectors like construction, business services, wholesale or retail trade is excellent compared to the EU-28 non-financial business sector where large firms are progressing well compared to small firms.

For the EU-28 member states, the most recent data is available in 2014 in the non-financial sector on unpaid employment. Total employment of 13.8 per cent of non-financial business sector workers were in unpaid EU-28 employment (see figure 4 appendix). Typically, those were the majority of self-employed workers. It is important to note that the information collected from structural business statistics on paid and unpaid employment somewhat differs from the self-employment data used. Those individuals, who are regular respondents of the labour force surveys of the Member states, were taken as participants for concluding data collection (Muller et al., 2017).

In the non-financial business sector, the share of employment unpaid in the total employment across the member state in Romania was 2.9 per cent to Greece 34.6 per cent (see figure 4 appendix).

1. The unpaid employment share exceeded 20 per cent in six member states (Slovakia, Czech Republic, Italy, Belgium, and Poland), and the unpaid employment share in further four-member states (Sweden, Malta, Spain, and Portugal) range 15 per cent to 20 per cent.
2. In the non-financial business sector, the unpaid employment share is less than 5 per cent in contrast in five member states (UK, Latvia, Romania, Luxembourg, and Estonia) whereas, the share of employment unpaid in six member states (Denmark, Germany, Croatia, Finland, Cyprus, and Lithuania) ranged from 5 per cent to 10 per cent.
3. The unpaid employment share went from 10 per cent to 15 per cent in the six remaining member states (Slovenia, Austria, Netherlands, France, Hungary, and Bulgaria)

Moreover, the increase from the year 2009-2014 on the average EU-28 with 0 employees in the number of enterprise activities accounted for 83 per cent (See figure 9 Appendix). For any country's economic and business growth, small and medium enterprises play a key role in maintaining and developing. According to European Business Observatory, today, in one of the studies in the EU, 98 per cent is SMEs out of 19.3 million enterprises (Lukács, 2005). After realising the SMEs' importance and their key role for all the members' countries, the European Commission set a single definition in 1996. After taking into account the economic changes, the SME's definition was revised in 2003. The firm fall in the small-medium enterprises' category was having an annual turnover of less than 50 million and 250 employees. The single definition motives are benefiting the SMEs so that large organisation doesn't get their share. According to (Lukács, 2005) for any country, the role of SMEs in the development of the economy and the challenges faced by SMEs during the international process have been written and discussed by several authors. SMEs' activities across the border face challenges and barriers. The growth factor of SMEs on an individual basis has been determined in different studies, and today the well-debated topic is the SME's growth. Sergio Arzeni articulates that the main challenges and barriers

in the international process of small firms are the lack of professional capabilities and finance and knowledge. The key role for providing SMEs help and support in outsourcing or export/import, market knowledge, and information and financial funding can help out by the active role played by the government agencies. (Arzeni, 2008) according to some academicians and researchers, the term internationalisation means the product export to foreign countries. Although we cannot deny the trade importance as significant factors for any firm's growth in export, SMEs can gain competitive advantages by using other ways and means. The other methods include networking cross border, partnership with other firms, foreign investment, and joint ventures (Calof & Beamish, 1995). For different organisational elements, internationalisation can be applied as a firm product, strategy, and structure. For the country economy, the vital role of SMEs are well defined, but the key areas which need consideration in detail are the issues and problems faced by the SMEs. In today's world, the critical issues faced by SMEs is due to global and domestic increased competition how the firm can create a sustainable competitive advantage over other firms. To tackle the traditional way, competition is no longer the main competitive advantage like price, technology, or product SMEs had to bring innovation to come up with new solutions (Lesáková, 2005).

The factors, which put more pressure on SMEs, are an increase in global competition and trade liberalisation. In turn, a strategic response is needed from the firms. Push or pull factors usually causes result in access to a foreign market (Tahir & Mehmood, 2010). The attraction of an increase in profit, lower production and supply cost, and expanding market attraction pushes SMEs to access a foreign market and move away from the domestic market. In contrast, they take into account the pull factor, which includes low profitability and supply, high-quality product, and saturation in the market (Gibb, 2000).

In 2014 with approximately 5.2 million businesses estimated, the increase in the number of UK private sector SMEs despite the recent recession, small business was 99.3 per cent (Rhodes, 2015). It is important to note that despite boosted and encouraging statistics, over half of the businesses more than five years do not survive (Anderson, 2014). In 2014, the total business deaths recorded were 246,000, and the birth of the business 351,000 and the business failures amounting to a staggering 70 per cent (Office for National Statistics, 2015:5). According to Department for BIS (2013), the internal factors that cause the death

of the business are manager and employee's capabilities, aptitude towards business, deficiencies in organisation and lack of innovation in business whereas, the external factors such as unsuccessful business export activities, getting the funds and finances and knowledge spillover. The government recognised the reality to reduce the business death rate by support measures implementation. Indeed the turnover by small private sector firms is 33 per cent, with supporting 48 per cent of employment (Young, 2015). It is not astounding that SMEs get support from the resources provided by the government. The complete online access to advice portals the use of professional network advisers promoted by the government for better use and understanding (House of Lords, 2013).

Besides, to access the existence of agencies of the government such as UK export finance (UKEF) and UK Trade and Investment (UKTI) are recommended for communication to SMEs (House of Lords, 2013). It is undeniable and common knowledge that business links and the Chamber of Commerce are the support networks. The matter relating to support for a business start-up online, guidance and coaching, finance raising as well as how to innovate the assistance is available but only 30 per cent engage for aid as they do not trust the advisors and they do not see the value and output (Young, 2015). The authors think that if the department gives their best to all the concerns whenever they come for guidance and assistance, the standing operating procedure should be the same for all the users. The percentage for the engagement and contribution should be more, reflecting the efficiency of these departments. As pointed out by Hankinson (2000), the external advice is for the managers, and the challenges convince the owner.

A study in the fashion sector for SMEs in London on support provision revealed that the organisations providing targeted support business are more efficient and effective by the fashion business incubators (Virani and Banks, 2014). This suggests that rather than the organisation offers specialised help to the SME's support and low engagement results from the generic. Furthermore, there are thousands of different and unique businesses to tailor advice on an individual basis. It would be very different for the organisation and the government. The profile of small and medium businesses is not homogenous. They vary from sector to sector, age, size, decline, failure, and growth (Burns, 2011). Compounding the problem is that SMEs are not always free of charge to obtain these services (Bennett *et al.*, 2001); this may focus and lead them to the advice, which is not applicable, and of more

inferior quality (Mole, 2002) to cash-poor business start-up this would act as a warning/deterrent.

### **2.9.1 Barriers to SMEs Growth**

Aiming for development and growth, SMEs encounter barriers. These barriers further fall into the main three categories namely operational, financial, and competitive business marketplace. Operational barriers include are (not enough support from government and red tape) financial (the cost for a business to run, tax, rates, utilities and cash flow, bank lending) and a competitive business marketplace (too many competitors and competition in the market) (Anderson, 2014). In essence, the main barriers for SMEs are finance issues, particularly lack of finances lent by the bank, running an actual business cost, red tape too much, and the tax system. Burns (2011) adds that the customers leading to overreliance to cut the cost. Small firms nurture close relationships, and that way, they reduce the operations and product ranges. He further comments that irrational behaviour is due to the result of risk and uncertainty.

Nonetheless, these common characteristics of SMEs are more responsive, risk and entrepreneurship qualities, development of a product, opportunity creation, and flexibility (Lloyd-Reason and Muga, 2002; Margi and Philip, 1998; Aloulou and Fayolle, 2005). SMEs can take advantage of this flexibility for new opportunities (Burns, 2011). These can adapt to changing circumstances combined with a structure of streamlined management (Storey, 1994). SME's internationalisation goals may be facilitated by such qualities. Market pressure increasing means by channelling the employee's creative ability, SMEs must embrace innovation and move beyond continuous improvement (McAdam *et al.*, 2000; Harvey *et al.*, 2010).

### **2.9.2 Internationalization Barriers**

Lack of foreign market experience, resources, and knowledge are some of the SME's major barriers to their expansion with the help of internationalisation (Welch & Luostarinen, 1988). The liability of an outsider ship needs to be overcome before the company enters into a new market, i.e., the firm's recent exposure entering the new foreign market where they have not to establish before any network related to business. In this scenario, to build trust and make the deals of business with the new network members, they usually prefer within the network for collaboration (Johanson & Vahlne, 2009). According to Suarez-

Ortega (2003), when the firm starts the internationalisation process, the main knowledge barriers are:

1. Lack of potential market knowledge.
2. Lack of skilled and qualified managerial staff.
3. Non-economic and economic barriers.
4. Lack of export assistance awareness and availability.

### **2.9.3 SMEs' Internationalisation Factors of Success**

To pursue cross border activities, SMEs will struggle without a firm commitment from leadership for internationalisation (Lloyd-Reason and Mughan, 2002). Additionally, businesses must be aware of the unforeseen costs and difficulties by trading and challenges from variations in business and customer value in remote areas (Varley, 2014). Therefore, SMEs must be aware of the cultural differences and must evaluate the market before penetrating business operations. Exposure to a range of factors like foreign culture experience, foreign competitor's knowledge, an international network and contacts, and language skills are the ability of entrepreneur willingness and dependency (Lloyd-Reason *et al.*, 2004).

This means to operate successfully outside the UK. It is crucial and challenging to nurture and find trustworthy partners (Balabanis *et al.*, 2004) as these international contacts become the SME's success key factor. Due to difficulties in finding suitable and reliable partners for SMEs exporting, they must consider the market entry mode that is well committed to the business (Bennett, 1993).

Indeed, in an environment where the essences are the quality and price forgoing, finding a genuine relationship with reliable and suitable intermediaries can be advantageous for significant business (Zhang *et al.*, 2003). However, to determine the market entry strategy, the choice of such intermediaries is influenced by market environments variations (Samiee and Walters, 2003; Bennett and Blythe 2002). Therefore, SMEs in the UK need to look for intermediaries committed and understand their domestic market, then determine the entry mode for the market and see how the product range will properly be trenced in. However, SMEs must not look for a single market entering which means a standardised taste of the customers and culture, as culture is not homogenous (Hofstede, 1997).



## **2.10 SMEs faced Macroeconomic and Business Condition**

### **2.10.1 General Economic Context**

In 2016 EU-28 economy of overall SMEs faced a relative environment better for the economy after adjusting for inflation and at moderate pace growing and aggregate demand of all EU-28 components (export, consumption of a household, investment, and government expenditure) (See figure 10 Appendix). With investment exceptions, which includes (commercial and housing construction, infrastructure and industrial properties and institutional), in real terms, aggregate demand by the other components and the level of spending (i.e. after inflation adjusting) reached before the economic/financial crisis and well above the peak level (Muller et al., 2017).

All the SMEs industries in 2016 benefited from demand for services and goods from a foreign and domestic sources for more balanced growth. Only SMEs got favour with a heavy focus on export compared to a few years ago, an export-led pattern of economic growth. However, in 2016, the services and goods volume of export was 24 per cent higher than in the year 2008, consumption of a household, i.e. (final private consumption) and spending of government excluding (investment physically) was more increased in the year 2016 than the year 2008 by 5 per cent and 8 per cent (See figure 11 Appendix). The main drivers of EU-28 economic growth were the services and goods export, even though in 2016 the contribution by aggregate demand component to EU-28 economic growth (See figure 10 Appendix).

### **2.10.2 SMEs Issues and challenges faced**

In the year 2015-16, the participant of the safe survey 2016 cited the significant challenges and issues faced by the SMEs were finding the right customers is the most pressing issue in the case of 2015 (see figure 5 Appendix). While the issue as the most critical was highlighted by 25 per cent of SMEs, others identify experienced and skilled staff as the most pressing issue by 20 per cent of SMEs. In contrast, 9 per cent of SMEs specified access to finance as the most pressing issue. Perhaps in many member states, the consequences of financial scheme availability for numerous focused SMEs and improved market financial conditions have been implemented. The author thinks that the survey conducted in 2016 highlighted the issue by the participant is the same in the developing countries. So, there is a significant gap in the policymaker to support and take measures to

cope with the same issue as noted by a different researcher in the previous studies for SMEs in the developing countries.

### **2.11 SMEs General Overview of the Economic Performance of EU-28**

In EU-28, employment of SMEs increased by 1.6 per cent in 2015, following a 1.5 per cent increase in 2014. The value-added generated after 5.8 per cent growth in 2015 is increased by 1.4 per cent by the EU-28 SMEs in the year 2016. The large swings of pound sterling vis-à-vis euro in 2015 and 2016 slowdown the value-added growth development in the year 2016 (Muller et al., 2017). In 2015 the aggregate value-added level generated by the UK SMEs was boosted by the weakening of pound sterling vis-à-vis euro when denominated in euros. In contrast, the opposite occurred in the overall EU-28 value-added level of SMEs. SMEs in the EU-27 (i.e. minus the UK from EU-28) the value-added generated and grew by 3.6 per cent in 2015 and 3.2 per cent in the year 2016. At the same time, the UK SMEs value added increased by 16.4 per cent in the year 2015 as measured in euros and fell by 6.7 per cent in 2016. Across the two years, the average growth rate 12 provided by the EU-28 SMEs value added is a better underlying development measure. The latter indicators show the annual average rate by the value-added grew by EU-28 SMEs by 3.5 per cent in the year 2015 and 2016 (see figure 6 Appendix). During this period, the inflation remained very low as the increase in SMEs business activity actual volume reflected in the rise in EU-28 value-added. Labour productivity SMEs defines as (value-added per person employed) in 2015 and 2016 increase on average by 1.9 per cent reflecting labour productivity real increases.

In the year 2016, as a result of SME employment in EU-28 continuous growth, the financial and economic crisis faced by the level of EU-28 SMEs in the year 2008/2009 has been fully recovered so that in the year 2016 it was marginally higher than in the year 2008 (see figure 7 Appendix). Moreover, the level of value-added generated and the numbers of SMEs of EU-28 in the year 2016 were both 11 per cent higher than in the year 2008. The author thinks that the overall value-added generated and the number of SMEs in 2016 has improved the financial crisis of the year 2008, which was having the worst effect on the UK economy as a whole. It means some measures have been taken by the UK government stakeholder to cope up with the previous year's financial losses.

More variation has been shown in the year 2016 in EU-28 employment annual growth, which is most important for SMEs across the six sectors ranging in 'construction' from 0.9 per cent and 2.8 per cent in business services.

Except for Latvia, all the other member state shows employment growth of SME in the year 2016. The UK SME's underlying value-added performance reflected by a 2 per cent growth (see figure 8 Appendix).

## **2.12 International SMEs Entrepreneurship**

The firm needs to act strategically to turn an internationalisation process of SMEs into success, which means internationalisation literature should integrate strategic thinking and entrepreneurship. "What a firm can do entrepreneurs can find a match and can be seen as strategists (weaknesses and strength of the organisation) what it might do within the universe (threats and opportunities by the environmental situation)" (Matlay, Ruzzier, Hisrich, & Antoncic, 2006). To create the organisational value by combining cross-national border risk-seeking behaviour and the innovation is international entrepreneurship (McDougall & Oviatt, 2000), and according to Knight (2001), the fundamental corporate posture is the orientation of international entrepreneurial which is strongly contributing to SMEs international performance. International entrepreneurship development is stimulated by expanding the market by global competition and rapid technology change (Etemad and Lee, 2003). To internationalise the propensity of young small firms are focused on this approach, in the course of internationalisation, the differences between the action and the cognitive individual entrepreneurs' characteristics and demographics and the performance of new international firms (Keupp & Gassmann, 2009). The entrepreneurial decision that led the firm to internationalise can be seen by the capacity to learn and manage the new concept of a complex network (McDougall & Oviatt, 2000). According to Birley & Westhead (1993), the network's two critical assets and the new company's experience will get from the entrepreneur. To recruit qualified employees and establish future investors' relationships, it is important to have contacts in the network (Shane & Cable, 2002).

The major impediment of the firm is the cultural difference, and the conclusion is so evident when empirical pieces of evidence are analysed as indicated by the literature of traditional international business (Turnbull, 1987). The author supports the conclusion by Turnbull that the firm international expansion of the major impediment in the business process is the

cultural difference, as also mentioned by many scholars in the previous literature. Before a firm increases, its international activities must focus on the domestic market as a marketing product, and adapting different cultures will significantly involve the cost factor. However, few companies are "born global" to overcome the inherited socio-institutional and cultural constraints in various countries by expanding into the international market at an early stage (Fan & Tan, 2015). In some particular markets, product consumption can be more sensitive than other international markets due to cultural differences. Consequently, in the different international markets, the sale will be affected (Fan & Tan, 2015).

### **2.13 Business-to-Business (B2B) Internationalization**

Business-to-business (B2B) refers to business between the firms rather than between individual consumers and a company. Thus, in the Business-to-Consumer (B2C) environment, the marketing will be different in this type of market. The new important and competitive form of business-to-business companies is the Internet. Regarding the firm's internationalisation, the availability of relevant information and choosing different languages are competitive advantages, two practical examples. The control of intellectual property will be put at risk by the B2B firms.

In contrast, the creation of a new virtual market and improvement in supply chain management can be facilitated by E- internationalisation (Samiee, 2008). Especially in the B2B market, the trade show is the mode of attraction. For the internationalisation of SMEs, it is an important marketing strategy and defined as an "event in a single location that bring a group of suppliers together with services and physical exhibits of their product from a given discipline and industry" (Black, 1986).

Outside the entrepreneur world, the trade shows enable and create the relationship, which is long-lasting being a cost-efficient mechanism in the same place allow suppliers and a large number of potential customers to concentrate (Rik and Johan, 1997) As this is a temporary type function but "stimulates the process of dissemination and creation of knowledge" (Maskell, Bathelt, & Malmberg, 2006), selling opportunities can be seen by the start-up SMEs, but it might lead to sales in future as a network entry point (Matthyssens, Kirca, Pace, Evers, & Knight, 2008). The marketing strategy success relies on the specific industry skills and the company situation, execution of strategic planning, and reliable obtainment of information (Ames, 2001). The international market entry strategy is a

comprehensive plan. That will guide the international business operation of a company and forth sets the policies and resources, objectives, and goals to achieve growth sustainability in the world market for a future period (Root, 1998). According to the company's goals, the target market's target and objectives can be considered a strategic decision by making an entry mode choice for the foreign market and is a critical commitment to control the system of the target country.

#### **2.14 Conceptual model of Internationalization and strategy to effectively market Pakistani SMEs Products**

With the objective to evaluate the effectiveness of current marketing strategies with regard to internationalisation used by Pakistani SMEs and to recommend an internationalisation strategy for effectively marketing the products of this sector to European countries. This section summarises the conceptual framework of the present research study. The literature review presented in the previous sections is a summary synthesis. This study's key concept, which provides the theoretical framework of this research and their inter-relationships, is shown in Figure 2.4.

SME's Internationalization Process Conceptual Framework

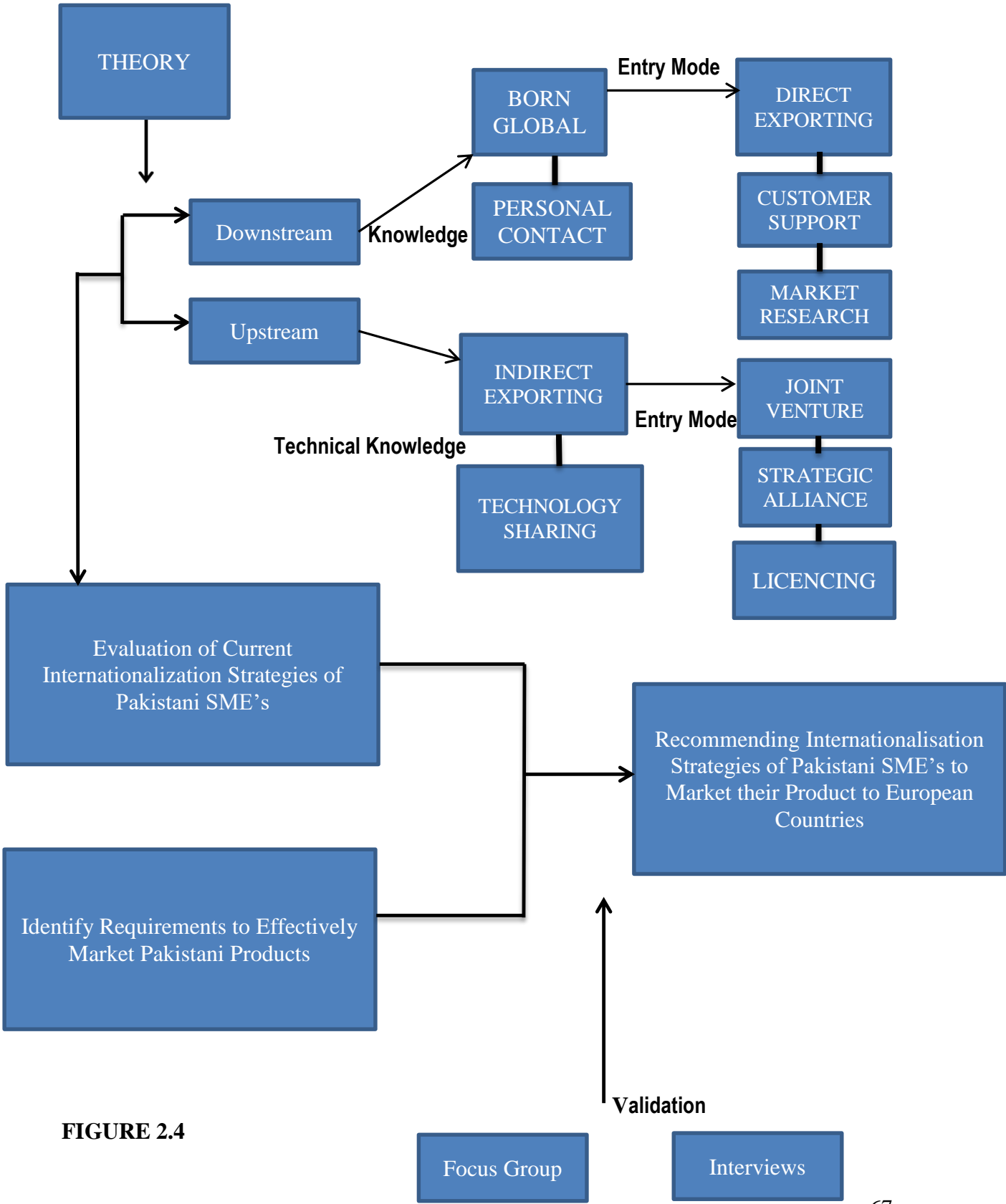


FIGURE 2.4

### **2.14.1 Context**

The context in the current study consists of the business environment and current internationalisation strategy in which the firm's business operations internationalise their product takes place. As literature reviews notes, a firm that uses the strategy of entry into the market consists of a "marketing plan" and "entry mode". To penetrate a foreign target market, a foreign market plan is used, and penetrating the target country is the mode of entry (Muli, 2019). According to Calof and Beamish (1995), in international environments, the firm adopting the strategy, procedures, and operations is more likely to succeed in the global market. Towards the world economy, internationalisation is an interdependent and integrated shift (Hill, 2005). Within the organisational model or structure framework, the relationship between partners of two or more organisations where the upstream and downstream activities are carried out as international activities in different markets and countries the partners are located. In the emerging markets, particularly for such a market, the overall characteristics may contribute to defining the barriers and obstacles they face during the internationalisation process. Thus, the context may provide the model and strategy for the firm to go into the international market and the motive behind this internationalisation activity.

The internationalisation process also consists of the internationalisation model. Exporting and marketing abroad is an international downstream activity that gives the foreign country and foreign customers important insight into SMEs (Lucia and Shaker, 2007). However, during this process, the firm in their initial stage of the export business firm, the exporting managers tend to approach in an unplanned and informal manner (Leonidou and Katsikeas, 1996). In this research study context, internationalisation strategy is viewed as an important aspect of the internationalisation process to globalise their product into the international market. As in a developing country like Pakistan, SMEs are relatively less resourceful their financial resources and knowledge about the international market are limited, making it more challenging to gain knowledge about the international market trends. In this study, the context of the internationalisation strategy is viewed as an important aspect of the internationalisation process for various reasons firms are embarking on and motivated on internationalisation. To go international through export, the major motives of the firm can be characterised into two groups, reactive and proactive motives (Czinkota and Ricks,

1983). The proactive motives relate to the internal interest of the firm to influence the new potential market by its resources and capabilities.

In contrast, the reactive motives relate to the firm's external interest, such as the saturated domestic market and the competitors' pressure. It is essential to emphasise this to go into the international market. The motives for the firm to compete at the international level in a globalising economy is by creating employment opportunities, enhancing firm growth and profit, improving productivity, and the strategic decision of firms and SMEs to go international and export. It further suggests that for entering into the international market there are other alternative strategies as assumed by (Albaum et al., 2005). They identified the alternative modes and channels as entry modes: strategic alliance, exporting, joint ventures, licensing, and assembly operations.

#### **2.14.2 Critical evaluation of Support for SMEs Internationalization process**

The SMEs' internationalisation process is full of high economic risks, challenges, and uncertainties demanding resources and substantial capabilities (Mariosole, Varum, and Pisicctelo, 2013). In general, the possibility of process failure in small and medium-sized companies is more than the large ones, and the SMEs lack the technology and organisational resources, financial and managerial aspects. The drivers and barriers of the process must be taking into consideration when supporting the successful internationalisation policy. The short-term results will be produced by barrier removal, while the long-term internationalisation policy can create a platform by stimulating the drivers of internationalisation (Veleski, 2016). Finally, the key challenge for any government is to eliminate the obstacles hindering efficient internationalisation and give incentives and support mechanisms for SMEs. And the government is to develop such policies, which help firms to globally integrate their business activities. The developed conceptual framework was used for data collection and a guideline in drawing and arriving at the theoretical and practical conclusion of the study. It served as a lens, in other words, through which the specifics of the case and view the data which was collected. The model of internationalisation also assists in clarifying either the firm is going for a downstream or upstream internationalisation strategy, whether the motive was proactive or reactive. Finally, in the developed framework, emphasising the conceptual significance of the firm's internationalisation from the domestic market to an international market can be studied in



detail, particularly for managerial implication. In the next chapter, the research strategies will be discussed.

## **2.15 Conclusion**

This study explores the effect of internationalisation on SMEs to give them a sustainable competitive advantage over domestic and foreign competitors. For example, it has been found that SMEs organisation should focus on customised products and overcome the poor management system, obsolete technology and machinery, and Human resources should be trained for the international market. However, there is a lack of research on internationalisation in developing countries like Pakistan, revealing the gap in internationalisation. The author still knows little about this phenomenon, its drivers, and the challenges facing the Pakistani' SMEs to current marketing strategies. The main focus of the current study was to devise a strategy for SMEs to penetrate the international market, thereby reducing the barriers and challenges.

Furthermore, the motivation for SMEs to go internationalisation, the current study focused on upstream and downstream activity which have not yet been studied in developing economies' contexts such as Pakistan. In particular, the dimension for SMEs to internationalise their product and the target market which needs to addressed and the best time of penetration into the market keeping in view the economic, political, legal, and socio-cultural factors. The role of government policies and rules regulation is considered to be the backbone for SME's internationalisation. It provides support for the smooth operations of international business and stimulates the new firm to export in the international market. Likewise, the excellent government policies for host countries will also get attracted and will try to bring new opportunities for domestic SMEs. All the barriers should be considered before internationalisation as every bit of business strategy revolves around the barrier, which can hinder export and business. Moreover, the current study helps devise an internationalisation strategy to sell their products in European countries and open a new avenue for domestic firms.

## CHAPTER 3

### 3.0 SMALL AND MEDIUM ENTERPRISES IN THE PAKISTANI CONTEXT

#### 3.1 Introduction

This chapter will briefly describe Pakistani SMEs with a special emphasis on the role and potential to go into internationalisation for economic progress of country. SMEs, for better understanding the research conducted to form a substantial base, the SME would be valuable keeping in mind their improvement and performance. For this, some recommendations and suggestions will be given. For developing countries like Pakistan, the economic growth, a tremendous contribution is provided by the SME sector for the country's progress. That's why SMEs have been selected for this research study. To maintain the quality of the product and the services, there is extreme pressure on SMEs, as they are feeding and supplying large organizations (Gulbro, Shonesy & Dreyfus, 2000). Furthermore, this chapter will provide an overview of Pakistan's economy, challenges, and issues faced by SMEs in Pakistan.

#### 3.2 Pakistani Economy General Overview

The main purpose of the section is to give a brief synopsis for a better understanding of the SMEs of Pakistan in the industrial and economic sectors with the problems and issues associated with them. In comparison to other developing countries, Pakistan is considered to be a fast-growing economy. Still, now due to the government's weak policies and stance, the other emerging countries get ahead from Pakistan in East Asia, i.e. India, China, and Bangladesh. Due to political instability and the power crisis in the last decade, Pakistan's economy suffered a lot with poor governance and unjustified economic sanctions, poor international business policy, coupled with a global recession and financial crisis.

This fiscal year 2016-17, the GDP of Pakistan grew since 2008-09 considering the highest annual growth rate. Numerous problems and challenges have been faced by the country with an emerging economy. The export of country stands in 2016 at US\$ 20.50 billion and the import at US\$ 47 billion (Jahangir Seth et al., 2017; Dar, 2017). 13.50 per cent GDP of the country is contributed by the manufacturing sector. In Pakistan, major industries rely on low tech and resource-based sector, i.e. fertilizer, construction material,

pharmaceuticals, textile, and some food processing industries ((Finance.gov.pk, 2018)). Pakistan's labour force plays a key role in the economy through properly chalked-out plans in the labour-intensive sector. It comes tenth in the world's largest, with 61.04 million burgeoning labour forces.

Pakistan is the seventh most populated country globally, with 190.29 million (Finance.gov.pk, 2018). Ninety-five per cent of the population is Muslim the remaining 5 per cent includes Hindus and Christians. The country's official language is English, and the national language is Urdu (Khan, Awang & Zulkifli, 2013). Pakistan is blessed with abundant natural resources and enriched human capital, encouraging climatic conditions with high, semi, and unskilled labour (Khan et al., 2013). In Pakistan, many people live below the average human standard with these abundant aforesaid resources, as the government has no plans to develop and use these resources for nation-building. In Pakistan, the economy is due to the economy of SMEs. The bulk of the business landscape in Pakistan is constituted by SMEs. Pakistani business environment is being portrayed by the nature and reality of the SME sector. Therefore, it is significant to categorize them into various types of enterprises under one definition (partnership or local small enterprises). There have been critical arguments and lengthy debates on the definition and threshold of SMEs (Soomro & Aziz, 2015).

Across the world, many countries struggled to impede progress and overcome the challenges of SMEs and determining the appropriate size (Kushnir, Mirmulstein & Ramalho, 2010). To elevate the growth of the economy many practitioners, economist and academicians believed and verified SMEs role (Khan and Ali Qureshi, 2007), to reduce poverty by creating job employment (Ali, 2013) and boost foreign exchange earnings (Berry, Aftab & Qureshi, 1998; Soomro & Aziz, 2015). The government of Pakistan is least interested in giving importance to Pakistani SMEs and is not facilitating in handling hurdles and crisis (Haque, 2007). However, Pakistani SME's tremendous potential can be tapped. To facilitate the SME's new definition and the country's development and economy, genuine guidance and support for the government authorities, public and private officials are required to be immensely productive (Khan and Ali Qureshi, 2007). With numerous advantages, the academics and practitioners acknowledged. Hence, to adjust the value of total assets, paid-up capital, turnover and number of employees it is significantly very

important (Soomro & Aziz, 2015), as penetration in the international market will be easy. In this era of globalization, Pakistani SMEs will flourish more as with the standard definition (Phore, & Shaikh, 2010). The research and development will be promoted with this innovation. For SMEs, it facilitates equity financing and will also support the national economic growth engine and improve access to capital (Ejaz, 2012). Pakistani development and economic growth will be stimulated by SMEs if the foremost barriers and challenges are undertaken. The author suggests that government support and good governance will boost and support the business process as many researchers and academicians emphasize the advantage of SMEs in building countries' economies and growth.

### **3.2.1 Pakistani Agriculture sector**

In Pakistan, the prime sector of the economy is the agriculture sector. In the agriculture sector, currently, 42.3 per cent of livelihood provides the total labour force employed in Pakistan (Finance.gov.pk, 2018). The agriculture sector contributes 19.5 per cent of Pakistan's GDP and is the rural economy's core foundation being a country's financial system fundamental part (Finance.gov.pk, 2018). Forty-five per cent of the country's labour force generates opportunities for productive employment depends on the agriculture sector, with about 60 per cent of the rural population. Thus, contributing to reduce poverty, providing food security, and enhancing a country's overall economic growth. To make the agriculture sector productive and profitable, several measures have been taken by the government of Pakistan (Finance.gov.pk, 2018). In the last year, the agriculture sector's general performance has been enhanced by 3.46 per cent. The better harvesting and intensive fertilizer and water reservoirs of major crops will result into greater agriculture outputs. A substantial boost in the major crop has been witnessed in the financial year 2016-17. As sugarcane, cotton, and rice industry contributed 23.85 per cent of the value-added product of agriculture and growth experienced by 4.66 per cent (Economic Survey of Pakistan, 2016-17). Table 3.1 for the agriculture growth percentages from 2010-2017

**Table 3-1****Agriculture Growth Percentages (2010-2017)**

Sector	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (P)
Agriculture	1.96	3.62	2.68	2.50	2.13	0.27	3.46
Crops	0.99	3.22	1.53	2.64	0.16	-4.97	3.02
i) Important Crops	1.50	7.87	0.17	7.22	-1.62	-5.47	4.12
ii) Other Crops	2.27	-7.52	5.58	-5.71	2.51	0.59	0.21
iii) Cotton Ginning	-8.48	13.83	-2.90	-1.33	7.24	-22.12	5.59
Livestock	3.39	3.99	3.45	2.48	3.99	3.36	3.43
Forestry	4.76	1.79	6.58	1.88	-12.45	14.31	14.49
Fishing	-15.20	3.77	0.65	0.98	5.75	3.25	1.23

**Source: Pakistan Bureau of statistics (2016-17)**

### 3.2.2 Pakistani Manufacturing industry sector

The manufacturing sector carries vital importance to any country. In the development and progress of the country, the manufacturing sector plays a considerable role in being the second-largest economy sector with foremost importance. The economy of Pakistan can characterize as semi-industrialized. In the manufacturing sector, all the largest Pakistani industries being utilized by the labour force 61.0 million (2014-15), with a 20.88 per cent contribution to the country's GDP. The industries contributed are steel mills, pharmaceutical industries, sugar, rice, cooking oil, tobacco, chemical, fertilizers, machinery, etc. (Economic Survey of Pakistan, 2016-17). Compared to the performance of many other developing countries, the Pakistani manufacturing sector was better in 2016-17 despite the unfavourable environment and turbulence with the power supply to the industries mentioned above and other hindering challenges (Economic Survey of Pakistan, 2016-2017). (See Appendix 3.2)

The performance of the Pakistani manufacturing sector has been assessed and investigated by several research studies. The different factors affecting the growth are lack of

competition and product quality, slow development and growth of human capital, lack of development and research, less foreign market exposure and required concentration in industrial manufacturing products (Ara, 2004). See Appendix 3.2.2 for Large scale Manufacturing Growth (per cent) 2015-17 (July- March).

### **3.2.3 Pakistan Service Industry**

In the current economic development era, the major contribution in the global economy and employment generation in the most developing countries and the fast-emerging sector is the services sector with the biggest share in GDP of 59.59 per cent (Economic Survey of Pakistan, 2016-17). The economic trend in the world has been shifted as observed by many researchers such as Clark (1941), Kuznets (1957), and Fuchs (1980), such as the manufacturing sector took over the agriculture sector and likewise, the services sector took over the manufacturing sector. In the case of Pakistan, over time, compared to other sectors, the share of the services sector increased. According to Ahmed and Ahsan (2011), the fastest-growing sector compared to manufacturing and agriculture is the services sector. The contribution of the service sector is 59.59 per cent to the GDP and one-third of total employment (Economic Survey of Pakistan, 2016-17). The author thinks that the services sector's significant role in economic growth contributes to trade and employment generation.

Pakistani government service sector can be categorized into four major sub-sectors, personal, social services, and distributive and producer sectors. According to (Economic Survey of Pakistan, 2016-17) the services sector account storage by 3.94 per cent, insurance, communication, transport, and finance sector by 10.77 per cent while wholesale, retail trade consists of 6.82 per cent. The country is endeavouring by offering flexible incentives to develop modern service industries and the industry of information. The service sector has main role in regular provision of support and contributes significantly in economic growth of Pakistan (Annual Reports of State Bank of Pakistan). Table 2.3 illustrate the classification of the services sector in Pakistan.

### **3.2.4 Importance of Pakistani SMEs and Background**

The worldwide acknowledged phenomenon for the social structure and economy of a country is by the key role of SMEs. Carrier (1999) observed that all over the world, the development of SMEs were given more serious consideration by the government, planners,

economists, and multilateral agencies. Evaluation by Fida (2008) that SMEs contribute to the growth and development of the country's economy; and employment of growing labour force for urban and rural areas are also generated attractively and sustainably by SMEs. Besides, directly or indirectly, a large number of masses depend on SMEs. It has been observed that in the well-developed SME sector, China prefers to establish its economy. Similarly, as Aris (2007) explored, countries like Thailand, Taiwan, and Korea establish the SME sector to develop their economy. The author supports Aris (2007) that the best approach to boost the economic growth and development of any country, the government should endeavour to make an effort for establishing the SME sector. Moreover, nevertheless, the role of SMEs in reducing poverty and creating more employment and increase social welfare is also established well in other countries like Japan, Bangladesh and all other countries that rely on the industrialized economy (Fida, 2008). SME of Pakistan contributes 40 per cent of GDP by the scale of assets, diversification of products, and generating employment opportunities (Policy, 2007).

Later, Shah, Mehmood, Hashmi, Shah, and Shaikh (2011) highlighted in their research that some economists believe the contribution in generating foreign exchange earnings, mainly large enterprises are responsible. But contrary to the other researcher's observation and support of the large firms; many countries like Taiwan, Japan, and Korea are strengthening and establishing SMEs to develop their economy. Therefore, it is acknowledged that due to the SME's contribution, the large firms achieve their set targets. So, it can rightly be said that role of SMEs in the economic raise and development is not less than larger organisations. Both large and small enterprises contribute and give their share. The evidence shows that all the strata of society achieve prosperity and economic growth from the lower level. The SMEs in Pakistan has to face consequences because of insignificant and poor national performance on United Nation Human Development Index. These include under-serving training infrastructure, poorly focused, and insufficient generic education. Human resources are mostly drawn for SMEs either from a technical training institute or higher education institutions, both of which are not properly experienced and skilled to address or cope with SMEs working. The situation limits the SME's performance, capability, and capacity to add value to the business, leading innovation or device new strategies for marketing. Adding more to these woes, SMEs

limited the option to explore new market segments, invest in technology and HRD. As a result, Pakistani SMEs are operating in limited traditional markets with outdated technology, using inefficient labour-power and engagement in low value-added manufacturing. The SME sector of Pakistan possesses neither the wisdom to exit from the enterprise low equilibrium activity nor the financial strength to cope with business needs (Policy, 2007). Adequate market support, HRD, and technology cannot alone be provided by the public sector institution. However, for the limited demand and private sector insufficient capacity and Business Development Service Providers (BDSPs) address needs and services for SMEs (because of lack of paying capacity and general awareness). To establish 'Island of Excellence' in HRD, marketing and up-gradation of technology, solid and considerable government commitment is required along with powerful and vital participation from SMEs and private business service sector. SMEs will emulate these 'Best Practice Models' once it's established. Also, investment in up-gradation of technology, marketing innovation, and HRD, SMEs should provide strong incentives to BDSPs to provide development services and innovative business (Policy, 2007). The apex institution for SMEs in Pakistan is the Small and Medium Enterprises Authority (SMEDA). According to SMEDA (Policy, 2007), SME as an organization is defined as the "firm with employment size up to 250, Rs. 25 million paid-up capital, up to RS 250 million annual sales."

Based on the Pakistani SME definition SME enterprises in Pakistan are 3.2 million, out of which sole proprietorship are 96 per cent and partnership are 2 per cent (this is the latest census in Pakistan), (CMI, 2005-06; Khawaja, 2006 and (Khan, 2017). The definition of SME of Pakistan is different from the State Bank of Pakistan (SBP). The bank defines Small enterprises (SE) as a "firm or a business entity including the contract employees does not employ 50 persons and turnover of annual sale up to Rs.150 million", and medium enterprises (ME) as "a business entity or a firm which employ less than 100 employees and more than 50 employs including contract employees and in case of service and manufacturing establishments an employ less than 250 persons and more than with sale turnover annually over Rs.150 million up to Rs.800 million." In the initial stage, the failure rate of SMEs in Pakistan is 90-95%. The main reason for the cause of these failures is lack of financial resources, intellectual capital, and political instability in the country, power



energy crisis and poor infrastructure (Beck, Demirgüç-Kunt, & Pería, 2011; Kamweru, 2011; Khalique, Isa, Shaari, & Abdul, 2011). To promote SME financing, the State Bank of Pakistan has taken several initiatives. Secured Transaction Reform Framework (STRF) has been provided to SMEs in Pakistan by SBP in the shape of long-term financing facilities (LTFF), SBP facilities for re-finance, and export finance schemes (SBP, 2015).

### **3.3. Anatomy of Pakistani SMEs**

Syed and Shaikh (2013) underlined the problems confronted by Pakistani SMEs, which are slow growth in agriculture, unemployment, industrial sector dismal performance, etc. it is recorded that in the modern high equipped industry lies the high growth prospective and the potential SMEs growth equally exists in the support by services (Syed & Shaikh, 2013). The author stressed focusing on the potential economic sector that steers the economy towards progress and provides job employment. Several other researchers and scholars, i.e. Khawaja (2006), Mustafa and Khan (2005) and Berry (1998), highlighted in line with the above arguments the important role and significance of SMEs in the economic growth of Pakistan. Similarly, the challenges faced in the domestic market and SME's pivotal role in the export generation (Husain, 2005). To achieve SME's business success in Pakistan, different factors have been explained by Coy et al., (2007).

Furthermore, recent statistics showed the existence of 3.2 million small and medium enterprises (SME) in Pakistan. The Pakistani SMEs include 1 million (retailer) trade union, 600,000 service sector unit, and 400,000 manufacturing sector units. The SMEs employ industrial sector private employees up to 90 per cent and non-agriculture labour force 78 per cent. Besides manufacturing value-added products which are giving out 35 per cent, SMEs contribute 40 per cent to the Gross Domestic Production (GDP) and in the manufactured product of export, 25 per cent share (Smeda.org, 2007).

#### **3.3.1 Definition of SMEs**

The general terms stand for SMEs is small and medium-sized enterprises, but on an SME single definition, there is no agreement it is very difficult to define SME due to this complication. Depending on the SMEs' economic development contribution, different definitions used between different government agencies and sectors within the same country and their current social conditions (Yusof & Aspinwall, 2000). Addison, Smallman, and Rujirawanich (2011) observed many firms not generally fulfilling the

criteria to be an SME still considered after getting support from the government, e.g. Taiwan. While in China, mainland village enterprises distinguish the township SMEs, Singapore, on the other hand, exporting SMEs is different from domestic SMEs (Lee, Li & Hwang, 1994).

### **3.3.2 Defining SMEs within the Pakistani Context**

SMEs in Pakistan have no uniform definition (Dasanayaka, 2008; Mustafa & Khan, 2005; Rana, Khan & Asad, 2007). Differently, the SME of Pakistan has been defined by the Bank, State Bank of Pakistan (SBP), Pakistan Bureau of Statistics (PBS). Small and large enterprises exclusively classified by the Securities and Exchange Commission of Pakistan (SECP) under the fifth schedule to Companies Ordinance 2015. For example, in Pakistan, based on the number of productive assets, the total number of employees SMEDA defines SME. Whereas the bank only uses total number of assets as a criterion for SME's. Pakistan Bureau of Statistics (PBS) only considered the total number of employees. Based on the amount of employed capital, per annum net sales business nature, and the number of employees, SBP defines SME.

In 2016 the Union of Small and Medium Enterprises of Pakistan had given a proposal to SMEDA to reconsider the old definition and the difference between SMEs so that a new appropriate drafted policy may be implemented (Daily Times, 2016). Overall, the Pakistan SME sector contributes to non-agricultural employment to 70 per cent, 30 per cent, to GDP and to export earnings approximately 25 per cent (Kalhor, Bhutto, Maari, Bibi, & Butt, 2011; SBP, 2011). However, manufacturing SMEs contributes to a GDP of 1.7 per cent (Ministry of Finance, 2014-15; Terziovski, 2010). The details of these definitions are presented 2-Source: (Adopted from Dasanayaka, 2008; SMEDA, 2011).

### **3.3.3 Challenges and critical Pakistani SMEs sector**

The performance of SMEs has been evaluated by Kureshi, Mann, Khan, and Qureshi (2009), and revealed that Pakistani business overwhelming percentage is of SMEs. Still, the large firm performance got affected by the SME's dismal performance. In the same line, it was also pointed out that the major cause for the country's economic dismal performance is the Pakistani SMEs discouraging and dismal performance. SMEs contribute to the country's economy and performance whereas the large firms mostly rely upon SMEs and their suppliers. It can be rightly said that for the country's overall progress and economic

growth, SME health has a significant direct association. For the real growth and sustainability of the country's growth and economy, there is a dire need for academia, government agencies, large business firms, and policymakers to focus on Pakistani SMEs (Kureshi et al., 2009). In developing countries like Pakistan, SMEs can create jobs and work employment and provide job opportunities for others with low capital costs (Nishat, 2000). In a study, Marri and Sohag (2004) revealed that to achieve higher competitiveness and performance, SMEs should strive hard to stay in business. The authors support the above comments that SMEs can provide jobs to low capital cost firms; likewise, SMEs need to strive hard to achieve the set goals and cope with the business. Various researchers believe that SMEs have a potential market, and in a systematic and organized way, if their potential is explored, Pakistani economy and growth can prosper in no time. The factors that create hurdles in the progress of Pakistani SMEs are well known in today's internationalized competitive economy of the world. Most SMEs are under great stress due to a lack of financial resources, infrastructure, a bigger market, and competition from foreign products.

Due to the unavailability of quantifiable and concrete data, it is difficult for policymakers and key stakeholders from the government to give the SME sector proper attention. SMEDA took the initiative during 2011-12 to bridge the information gap by publishing the research working paper (Finance.gov.pk). When SMEs beyond national borders decide to operate, both external and internal challenges have been highlighted by literature. Interestingly, the external challenges are greater for SMEs, as posited by most of the studies. Internal challenges for SMEs are more substantial, as suggested by recent studies. With the global supply chain, the domestic industry faces challenges such as delay in product up-gradation and policy, economic sector managing difficulty, adaptation and implementation, and vis-à-vis other challenges and issues including CPEC: (SMEDA, 2017). Across different sectors, there are lack of trained and skilled professionals such as in construction industry heavy machine operators.

In shaping the national growth strategies, improving living standards, SMEs play a vital role. In most countries, contribution towards growth and economy constitutes 90 per cent of SMEs. Including China in most developing and developed countries a similar situation prevails (Dar, 2017). Even though in Pakistan the largest contributor in economy and

growth are SMEs, as they operate at the rudimentary development stage, they cannot effectively play a role to boost the growth and economy in terms of skills and technology (Jahangir Seth et al., 2017).

Despite many initiatives, due to political interference cause SMEs to face challenges in financing banks, transaction rates cost too high, unfavourable policies by the government, and the overall lack of knowledge (Muhammad, 2010). This demonstrates that the initial results will not be desirable without a strong institution for SMEs. The business operation efficiency can be enhanced by having upgraded technology and, for electronic commerce, good infrastructure.

Human capital and financial constraints are the main internal challenges for SMEs. Smaller enterprises face difficulties in export expertise manager hiring, limited financial resources with a lack of managerial skills and expertise (Okpara & Koumbiadis, 2011; Stamatović & Zakić, 2010). Lacking foreign knowledge and skills in marketing is another fundamental challenge (Craig & Douglas, 2005; Pinho & Martins, 2010; Wilkinson & Brouthers, 2006). Thus, the foreign consumer market cannot be served by SMEs due to product favour differentiation. Tesfom and Lutz (2006) found that the SMEs' inadequate general knowledge of exporting affects the SMEs to establish contact and communication with overseas customers. SMEs with a lack of finance can't engage in branding the product, conduct proper market research, and explore efficient channels for distribution. SMEs in most developing countries lack support from the government and strong public institution scarcity (Haluk Köksal & Kettaneh, 2011). The systematic external challenges faced by the SMEs about the fluctuation in the exchange rate, non-traffic, and traffic barriers and regulatory control (Tesfom & Lutz, 2006).

SMEs perceive that operational export activities are less challenging than the foreign market degree of competition and the initiation of export activities (Okpara & Koumbiadis, 2011; Pinho & Martins, 2010). Smaller firms' internationalization extensive literature review for the developed countries is carried out by Pinho and Martins (2010) and Tesfom and Lutz (2006). When SMEs decide to carry out business activities beyond national borders, literature highlighted external and internal challenges during this operation. Export sector challenges of SMEs vary from one country to another country depending on the situation. An example of SMEs in Sri Lanka, where misuse of power and opportunism

and illegal activities foster by improper governance creates constraints for small firms. They incur high borrowing costs in the region due to a lack of information and resources with higher transaction costs (Priyanath & Premaratne, 2015). The biggest challenge for SMEs in India is financial availability. There is limited access to proper infrastructure for the availability of the funds and no transparent procedure and practices (Das, 2007). Natural disasters such as floods and unavailability of raw material cause hindrance in SME's operation in Bangladesh (M. U. Ahmed, 2004).

In a nutshell, the major barriers and constraints identified by the previous literature on Pakistani SMEs in the way towards the globalization journey are the weak policy and disinterest of the government towards the entrepreneur with small and limited resources, financial constraint and lack of skills and skilled managerial talent to cope up with expanding market dynamics. To ensure desired resources are acquired by SMEs, policy reforms from the government should be introduced (Khan, 2010). For efficient and effective operation by SMEs, funds should be made available for the smooth running of the business (SMEDA, 2017).

SMEs of developed countries may differ from SMEs in developing countries and perceive opportunities and challenges, and their contribution towards their economy is different (see following Table1).

#### **3.3.4 Contribution of SME in Pakistan Economy**

For poverty alleviation and boost up to the economy, SMEs are crucially, globally documented. It's a documented fact that through SMEs, economic growth and development are achieved and supporting well-being globally and became the world's economy trademark ultimately. According to SMEDA, it is noteworthy that the contribution of SMEs in Pakistan's economy and the export manufacturing sector contributes 30 per cent to export and 40 per cent to GDP (smeda.org, 2018). Batool and Zulfiqar (2011) highlighted that the four major economic growth and development drivers, as stated by the Government of Pakistan, refer to SMEs. Batool and Zulfiqar (2011) further evaluated that SMEs with flexible, innovative, and proactive qualities can help to generate job opportunities and work employment, improve workforce efficiency, and distribute technology proficiency and expertise all over Pakistan. The author suggests that the main contribution to national development, growth, and building is on the shoulders of the

government agencies and the political stability that can work together to succeed in the country's economic growth by giving full resources and support to SMEs for enhancing the economy. Few industries in Pakistan have the potential and are a key exporter and recognized in the international market as the 4th largest cotton producer and in the yarn industry, as the 3rd larger producer in the world (Soomro & Aziz, 2014). However, Pakistan shares an insignificant export share in the apparel sector compared to India and Bangladesh in South Asia countries. The major decline in the export from different industries in Pakistan is due to certain barriers related to an energy crisis in the country and environmental and marketing issues (Khattak, Arslan, & Umair, 2011; TDAP, 2017).

### **3.4 Corporate culture**

The industry in which the firm operates, corporate and business culture is heavily influenced by factors such as its history, the events that occurred, geographic location, employee's personalities, and their interaction pattern. In some of the corporate cultures, formal definitions include expectations, a framework consisting of cognitive attitude, values and behavioural norms (Greenberg and Baron, 1997), the collective behaviour pattern, attitudes, thoughts, feelings, and habits (Clemente and Greenspan, 1999), the pattern of behaviour, material adopted by society (corporation, group, or team) and their arrangement for solving the problems (Ahmed et al., 1999). Several key elements in more practical terms encompass a typically positive corporate culture. A mission statement is not merely fostered, but by a clear corporate vision that is the company's desired future clear picture (Dartey-Baah, 2013). Corporate visions are more effective when the charismatic personalities and strong values exhibited by the top organizational leaders communicate clearly (Greenberg and Baron, 1997). Adapting, and adapting quickly to the external conditions is another positive mark towards corporate culture and consistent in handling and treating all employees and workforce bodies equally and fairly (Ahmed et al., 1999).

Slogans, ceremonies, tangible symbols, and stories highlight the corporate values, and corporate cultures spread in this way (Greenberg and Baron, 1997).

### **3.5 National Culture**

Hofstede (1980) postulated that in five dimensions, a national culture could be defined as "(i) power distance, (ii) individualism, (iii) masculinity, (iv) uncertainty avoidance, and (v) long-term orientation." To discuss the impact on corporate cultures by national culture by these dimensions is explained below according to Hofstede:-

**3.5.1 Power distance.** The less powerful member's degree of acceptance of inequality in power is measured by power distance and considered normal. However, from one culture to another, degree of inequality tolerated among members varies. With high power distance in society, the issues linked with inequality with those having high power tolerate less than less powerful members. The degree of power distance at the same time can be measure by the guidance given by superiors to less authoritative members. Member seeks more directions and guidelines from the superior in the high power distance society. The author believes that in Pakistan, in the corporate sector, the power distance matters in the functioning and operations of the firm.

**3.5.2 Individualism** The main interest to which a less powerful member is primarily looked after is measured by individualism. The members of society with the high individualistic approach look after the interest of their immediate family members. On the contrary, in a low individualistic (collectivistic) society, the group made up of members assumes more interest. At the same time, more favour and loyalty in return from the group is sought by the member from a collectivistic society.

**3.5.2 Masculinity** In the social role, the degree and difference between the genders are measured by masculinity. In a high masculine society, materialistic needs are expected and obtained by male members whereas, non-materialistic needs by female members. In the collectivistic society, the differences in the social role are more distinctive in gender and tend to have a more masculine existence.

**3.5.3 Uncertainty avoidance** The extent of the situation that made the members uneasy are unpredictable or unclear. Unstructured is measured by uncertainty avoidance. Society is less aggressive and tends to be intolerant to changes and more security seeking high uncertainty avoidance. Whereas conversely, society tends to be more aggressive, risk-taking and more tolerant in a low uncertainty avoidance.

**3.5.4 Long-term orientation** Future planning and investment degree to which member embrace is measured by long-term orientation. An attitude of persevering, time to overcome the obstacle with strength or will and time perspective of society is indicated by this dimension. In a long-term orientation society, it is more difficult to make the changes and value the traditions.

### **3.5 Summary**

Small-medium enterprises in Pakistan are actively involved in nation-building and boost the economy in all sectors such as in far-flung rural areas, agriculture business inputs/outputs, within the cities other small business, food, and beverages, advancement in light engineering works and product such as machinery, computer, chemical industries, the clothing industry and in the foreign and domestic market. The government of Pakistan neglected the SME sector as the prospects of small firms in creating job employment, economic development and growth, improving the national living standard of the general masses. It is suggested that the politicians and government agencies improve the infrastructure, streamline the policies, and take that proper step to make the financial resources available to support the small firm with less capital. Department like SMEDA and TDAP should be responsible for making proper feasibilities for the companies who want to go into the international market and give proper support and guidance to start business operations in a host country with less hindrance and barriers. A proper institution in the public sector should be made available for enhancing and acquiring knowledge and managerial skills for business operations and technical institutions to train the technical person and improve their skills.



## CHAPTER 4

### Research Methodology

#### 4.0 Introduction

The current research study uses case studies through in-depth semi-structured interviews, based primarily on qualitative research methods to justify and research objective achievement through selected research methods. The researcher needs to choose a suitable research method. The appropriate research approach would help the researcher as the method used would directly affect the results and make the researcher decide whether the research questions' answers are addressed (Bryman & Bell, 2007). The qualitative and quantitative are the two different groups of methods when it comes to research analysis. According to Bell and Bryman (2007), the fundamental differences between the research strategies of qualitative and quantitative are maintained by three types of orientation. About research, the first orientation towards the role of theory is principle orientation. Epistemology is the second orientation, and the last one is the ontological orientation. Rather than testing the theories, qualitative research is commonly described and relates to the generation. The author thinks the qualitative approach is more of observation and gaining information through knowledge. The chosen methods of data collection, research design, and approach, philosophy, data analysis this chapter justify and describes.

#### 4.1 Research Philosophy

The concept can accept relevance by the pragmatist philosophy of research only if they support action. Pragmatics recognises that there may be multiple realities in interpreting the world and many different ways to undertake the research; the entire picture cannot be given by a single viewpoint (Saunders et al., 2012). The experienced, pragmatic researchers adopt modified philosophical assumptions. As emerged by many authors and researchers like Mead, Peirce, Dewey, and James with what has been called the research paradigm of pragmatism is mainly concerned with the context with American pragmatism. However, pragmatic thinking is not restricted by the traditions of Americans. There are connections and resemblance for many European thinkers, as described by Arens (1994) and Thayer (1981). With East Asian thinking, there are also clear resemblances (Shusterman, 2004).

Dewey (1931) states that action has an intermediary role. By knowledge and purpose, action must be guided in the desired way to perform changes. The world is thus changed through reason and action, and between human action and human knowing, there is an inseparable link. This means the key to clarification and conceptual/cognitive developments are the actions and their consequences. Choosing between one position is the thinking and concern of this philosophy (ontology, epistemology or axiology) the other is which position to be adopted is the research question and argued as most important determinant somewhat unrealistic in practice (Creswell & Plano Clark, 2011; Saunders et al., 2009). This is particularly relevant, particularly where it is not mentioned which philosophy should be adopted in an interpretive or positivist inquiry. It does not suggest the research question, “for example, epistemological perspective”. Therefore, in these quarrels of philosophy to resolve the world’s real-life challenges, the use of both methods qualitative and quantitative approach is commended.

The main two traditional methods in the research philosophy and methodology are qualitative and quantitative approaches. Still, today there are other approaches called inductive and deductive approaches, also known as a mixed-method approach (Creswell, 2009). The ground is provided by the pragmatic approach where issues of insignificance and engagement are avoiding by research rather than the reality, and truth issues are appealing intuitively (Creswell, 2009; Tashakkori & Teddlie, 2003). With a recognised value system, the area of interest is allowed by a pragmatic approach to be studied and use findings in appropriate embracing methods positively (Creswell, 2009). Also, the multi-purpose approach in nature is pragmatic research. Therefore, the questions do not sit comfortably and are not addressed within the research methodology and design of qualitative and quantitative approach. This multi-purpose approach is a good tactic. In recent debates of research philosophies, the pragmatics research approach tries to find the solution and focuses on the problem using mixed methods. To elucidate the data in the research interpretation process by integrating different perspectives, a basis for practical research is provided by pragmatism, as contended by Saunders et al. (2009). Therefore, the assumption that underpins the inquiry and knowledge to understand is helped by the pragmatic approach. The research does not classify as purely qualitative or quantitative with either positivist philosophy or interpretive philosophy. Hence a balanced point

between the inductive or deductive perspectives is provided by a pragmatic approach and thinks for merging different paradigms, offering practical answers. As a result, the pragmatic research approach with a strong mixed-method approach philosophical relationship seems to be the most prominent paradigm.

Therefore, for research inquires the pragmatic stance would be adopted by this research considering critically deducing from above and unique features of this pragmatic perspective. This research aim and objectives do not comfortably sit within the alternative philosophical stance, and the work and goals of the study will be undermined by adopting an alternative. The case study design strategy will be allowed by a pragmatic approach. A cross-sectional research study requires several sources of evidence and different instruments to analyse, such as NVivo for qualitative information analysis and SPSS for quantitative analysis (Ihuah and Eaton, 2013).

#### **4.1.1 Positivism and Interpretivism**

Positivism adheres to the view as a philosophy based on the sense and observation to gain knowledge on factual grounds, and the measurement is trustworthy. Objectively, the researcher's role in positivism studies is limited to interpretation and data collection (Collis & Hussey, 2014). Research findings in these types of studies are usually quantifiable and observable. About the source of knowledge and nature, the two exclusive extreme mutually paradigms are interpretivism and positivism. Within these two main paradigms, many research topics broadly fall. Seasoned researchers at the same occasional need to move to a new continuum position by modifying the philosophical assumptions (Collis & Hussey, 2014). Quantifiable observation makes positivism philosophy lead to statistical analyses. The knowledge and empiricist view stem from the experience of humans has been noted by positivism philosophy.

Positivism has an atomistic and ontological worldview that interacts in a regular, pragmatic, and determined manner as an event and comprises discrete and observable elements Collins, H. (2010). Researchers warn that your research can be purely objective if the positivist approach is assumed to your research study and you are independent of your research, and that is your belief. Independent means when you research with your research participant, you maintain minimal interaction with them (Wilson, 2010).

In contrast, interpretivism advocates for the researcher that it is necessary to understand the difference between scientific objects like computers and the role of humans as social actors (Saunders, Lewis and Thornhill, 2009). Positivism produced the single reality whereas, interpretivism allows multiple perspectives and looks through the human lens part of the study.

#### **4.1.2 Current Research Study Selected Philosophy along with Justification**

As this research study is expected to focus on qualitative aspects in encompassing experiences and perspectives of the participants, who are mainly employees or entrepreneurs of SME's in Pakistan, the researcher decided to adopt the interpretivism philosophy. It was also explored to include aspects of pragmatic philosophy as and when required, depending upon the researcher's need. However, on balance, it may be stated that the research has focused more on interpretivism philosophy, as stated earlier. Rather than the scientific experiment, the author researched with the people as they act as social actors. In the complex business nature and the environment with no strategy to internationalise and market the product and the technology obsolescence and disruption of the suitable philosophy to address and view the complexities is interpretivism. The researcher thinks that in the field of marketing and business and management research, the interpretive perspective is highly appropriate for this research to generate multiple perspectives of the reality that aided the new understanding of how to develop an internationalisation strategy for effectively marketing products of Pakistani SMEs to European countries. To understand the social actors' point of view, it was challenging to understand the social world of a current research subject. This is because definite 'law' is far too complex for the social world and management in the same way as physical science. If we reduce to a series of law, the complex world rich insights are lost like generalisations of positivism philosophy (Saunders, et al. 2012).

#### **4.2 Research Approach (Inductive, Deductive, and Abductive)**

Through deductive, abductive, and inductive, which are three types of approaches, this research study was explored. Inductive reasoning is also called an inductive approach by observing its starts and ends up with the proposed theories as a result of observation towards the end of the research process (Goddard & Melville, 2004). Inductive research developed the explanation by a pattern of observation followed by theories through a series

of hypotheses for those patterns (Bernard, 2011). At the beginning of the research study in the inductive studies, no hypothesis or theory would be applied. In terms of altering the study direction for the research process, the researcher is free to choose. It is important to stress when formulation research objectives and question disregarding theories does not imply by inductive approach. To build a theory and identify the relationship and pattern to generate meanings from the set collected data. However, to explore and formulate the research question, the researcher is not restricted from using the existing theories in using the inductive approach (Saunders, Lewis & Thornhill, 2012).

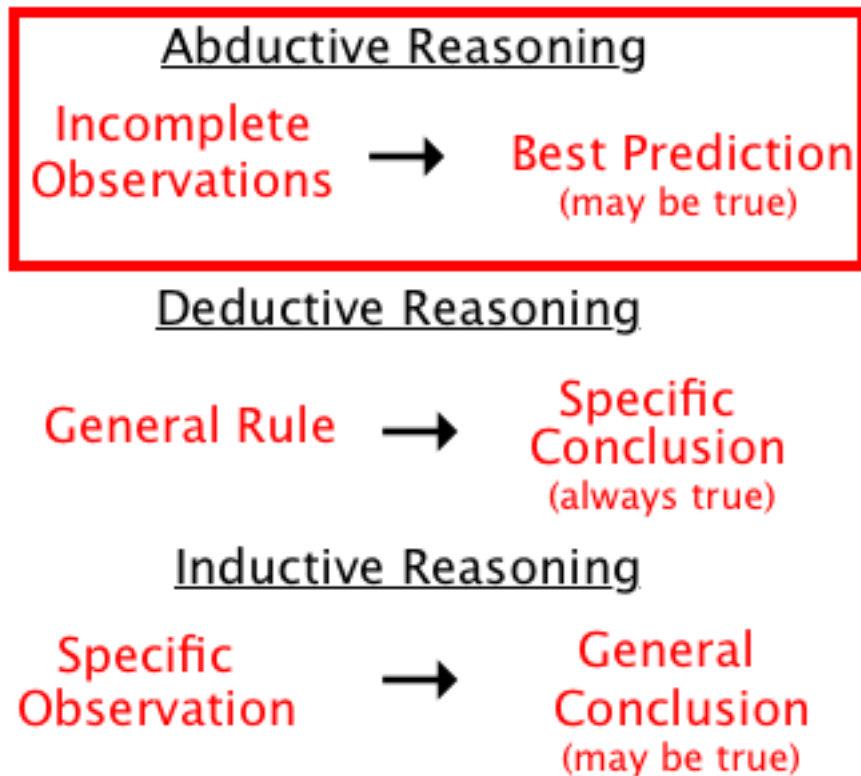
From experience and learning, inductive reasoning is based. When the researcher progresses through his research, the inductive approach tends to identify preliminary bonds and relationships and develop empirical generalisations. Until the study is completed, the researcher is unsure about the research findings' nature and type, and at the initial stage of research, no hypothesis can be found. To build an abstraction the researcher's observation is used to describe a phenomenon picture that is being studied and known as a bottom-up approach, also referred to as inductive reasoning (Alexandiris, 2006).

Deductive reasoning in the research context means the research starts with the theory associated with scientific research to test the theory developed from the previous research reading. When collecting the data, deductive approach uses number of different methods whereas, the inductive approach uses smaller samples (Saunders et al., 2016). From the previously studied events, a researcher deduces the hypotheses on the idea the deductive reasoning is built (Eriksson and Kovalainen, 2016).

The weaknesses of the inductive and deductive approach are addressed by the abductive approach and also referred to as abductive reasoning. In selecting the theory to be tested, deductive reasoning lacks clarity and is criticised in this term. On the other hand, theory-building cannot be enabled by "no amount of empirical data" criticised for inductive reasoning (Saunders et al., 2012). Via adopting a pragmatic perspective, these weaknesses can be overcome by the third alternative abductive reasoning

The main differences between deductive, inductive, and abductive reasoning illustrate below in the figure.

**Figure 4-1** Difference between the Deductive, Inductive and Abductive



Source: Extracted from Dudovskiy, 2016

#### **4.2.1 Selected Research Approach for the Current Research**

Due to the nature of this research study, the inductive approach is adopted even though the weakness associated with the inductive and deductive approach is addressed by the abductive approach. **The inductive approach is adopted as the current research started with constructing the research question, aim, and objective that needs to be addressed and achieve the research objective.** The various factors for investigation the inductive approach enabled could affect the SME's internationalisation strategy to market their product into foreign markets. In developing a capable and reliable framework, this approach supported the researcher to address the current situation. In other words, to explore and explain several perspectives on how to develop an internationalisation strategy for effectively marketing products of Pakistani SMEs to European countries, this research approach supported and helped the researcher to understand better the dynamics and impact of the strategy on the internationalisation process and its effects on marketing products.

### **4.3 The Research Strategy**

The current research study is an exploratory study that helps and enabled the researcher to seek new insight into what is happening and is a valuable means of finding the challenges, requirements and challenges to effectively market the Pakistani products in the European markets and to assess new light phenomena by achieving the objectives through assessing and questioning (Robson, 2002). However, a suitable research strategy is required to conduct the exploratory study effectively. To conduct the exploratory research, there are three principles (Saunders et al., 2012).

1. A literature search
2. Experts interviews in the subject
3. Conducting interviews with a focus group.

To guide the research objectives and questions in which the researcher employed the research strategy which should be required (Saunders et al., 2012). The research strategies include case studies, surveys, experimental, action research, archival, and ethnography.

#### **4.3.1 Case Study**

To capture both emotional and cognitive aspects and analyse and understand the interviewee's opinions and perceptions, the appropriate method is qualitative (Rasmussen, Østergaard, & Beckmann, 2006). The new empirical insight and the existing theoretical knowledge are combined by the case study research (Eisenhardt, 1989), and it is suitable for explanatory issues and exploratory (Yin, 1984). Case studies are defined as "to confront the theory with the empirical world through various data sources used and examined by research strategy in its naturalistic context phenomenon" (Piekkari et al, 2009). The focus of case studies is on multiple or single cases, and multiple levels of analysis can be employed (Yin, 1984). Greater confidence in the result and more evidence is led by multiple studies, whereas, single case study drawback is the inability to generalise the results and findings (Yin, 2012).

For this reason, in the present study, multiple cases are used. Moreover, for more generalizability, firms from different industries (manufacturing industry, health care industry and food distribution industry) are used beyond comparisons that of single case study, thereby allowing, under different conditions for greater understanding and finer distinctions, how the sampled companies may vary (Miles & Huberman, 1994, Yin, 2009).

Besides, multiple sources of evidence are required by the case study methods that include direct observation, personal interviews, physical interaction, and participants' observation, archival records, and documentation.

In the field of study, the participants' views (people) are provided and undertaken by the case study strategy to incorporate everybody's interpretations (Yin, 2009). All the varieties of evidence are dealt with fully with the help of case study methods, for example, surveys, interviews, questionnaires, and documents (Yin, 2009). Furthermore, the design of the case study does not allow a researcher or provide the opportunity to change the participant procedure, attitude, or influence them. Rather the participants' behavioural patterns are explored by the researcher (Ihuah and Eaton, 2013). The authors believe that to get the best results and better understanding, the case study permits the researcher to get a deeper understanding and knowledge of the participants' attitude and behavioural patterns, which he cannot get from a single case study.

#### **4.3.2 Survey**

The quantitative data is collected through survey research. Using inferential and descriptive statistics, you can quantitatively analyse and associate with the deductive approach and tend to be used for descriptive and exploratory research to answer how, who, what, and where this strategy is usually taken into account (Saunders et al., 2012).

#### **4.3.3 Experimental**

To study the causal link between the independent and dependent variables, the experimental research plays a vital role as natural science is indebted to experimental research (Hakim, 2000). In explanatory and exploratory research, experiments tend to answer questions like 'why' and 'how'. Often-organisational psychology, associated with business and management, is conducted in the laboratories rather than using the field (Saunders et al., 2012).

#### **4.3.4 Action Research**

In 1946, Lewin first used the term action research. In various ways by the management researchers, it has been interpreted, and within the literature, there are four common themes. First focuses on the research in action rather than research about action and emphasises the purpose of research (Coghlan and Brannick, 2005). The second theme relates to the researchers and practitioners involved in the research. The third theme



involves evaluating, planning, diagnosing, and the process of taking action with a clear purpose expressed as an objective (Robson, 2002). The fourth theme of action research suggests that the result could inform other contexts by action research implications (Saunders et al., 2012).

#### **4.3.5 Grounded Theory**

Through a combination of deduction and induction, the grounded theory is considered better for theory building. The conclusion would be too simplistic and is the best example of an inductive approach (Glaser and Strauss, 1967). To explore the wide range of issues related to business and management and consumer and employee behaviour the grounded theory can be best utilised. Through a series of observations, the data is generated to develop the theory (Saunders et al., 2012).

#### **4.3.6 Ethnography**

From anthropology, ethnography emanates and firmly rooted in the inductive approach, through participating in interviews and observation by the researcher, the ethnography research strategy the social organisation and culture employed in the study and commonly referred to as fieldwork. To gain insight into a particular context, ethnography may be appropriate for interpreting and understanding from the perspective of those involved (Saunders et al., 2012).

#### **4.3.7 Archival Research**

As the principal source of data, the archival research strategy makes use of documents and administrative records. According to Bryman (1989), archival is a term that refers to historical and recent documents and has historical connotations. Either the research question is explanatory, exploratory, or descriptive, an archival research strategy focuses upon the changes and past overtime to be answered. The nature of administrative documents and records will inevitably constrain answering such questions (Saunders et al., 2012).

#### **4.3.8 Cross-Sectional**

It is often probable that due to the time constraint, your research will be cross-sectional at a particular time and study of a particular phenomenon. The researcher says it because academic courses based on research projects are time-constrained. However, the longitudinal study does allow many courses provided you start the course having plenty of

time. The survey strategy often employs cross-sectional studies (Easterby-Smith *et al.* 2008; Robson 2002). However, the qualitative method may also be used as many studies based on conducting interviews are short.

#### **4.3.9 The Selected Strategy in the Current Research**

To gain a rich understanding of the strategy used by the SMEs and the challenges faced during the international process, this research employed a case study as a strategy to get the deeper insight and exploration of the events relevant in the research objective context. The researcher got the opportunity for research with intensive study and the platform provided by the case study strategy. With the help of this strategy, the researcher compared different types of facts and figures in the internationalisation process context. Hence to meet the objective of this research, the **case study strategy** comprehensively served as a method of data collection from the social actors. Due to the time constraint based on the research project, this research was **cross-sectional** based on conducting the participant's interviews of a short time.

The researcher identified the challenges and strategies used by the SMEs of Pakistan for the internationalisation process to market their product by exploring multiple interviews with the entrepreneurs and the cases. This strategy provided an in-depth analysis of different cases and the participant and the rationale for exploring the crux through conducting numerous interviews and multiple cases. With the help of this strategy, the researcher develops the strategy to internationalise the SMEs with the outcome of the product of multiple interviews and case studies based on the participants' and case consensus.

#### **4.4 Research Design**

To answer the research questions, the research design will be the general plan for execution. The importance of research question for clearly defining cannot be over-emphasised. From the clear objectives research questions are derived and the data is collected specifying the source, while discussing the ethical issues and constraint that you will inevitably face during the process (e.g. time, money, location and access to data). This reflects that you have carefully thought about choosing the specific research design (Saunders *et al.*, 2012). The common research design are qualitative, quantitative, and mixed methods.

#### **4.4.1 Qualitative Design**

A study conducted in a normal setting to focus on the informant's comprehensive reporting views, designed with words, the holistic depiction is an investigation process used by a qualitative research approach (Creswell, 2009). Therefore, when the theory base and variables are unknown, and the research study explores the subject, it is described as inductive or interpretative techniques or naturalistic or constructivist techniques (Ihuah and Eaton, 2013). However, the research approach composed of variables, based on theory while being analysed with numerical procedures that investigates the human or social problem to determine whether the hypothesis of prognostics generalisation holds true or not is called a quantitative research approach (Creswell, 2009). As a result, it is objective to lead to deductive and positivist reasoning (Saunders et al., 2009; Yin, 2009). Several definitions exist for a mixed-method approach by using both the qualitative and quantitative approach research to inquire about his research work for partnership and depth of understanding and the purpose of breadth (Johnson, Onwuegbuezie, & Turner, 2007). According to Creswell and Plano Clark (2011), to better understand the research problem and the evidence from the design of the mixed-method approach to use both qualitative and quantitative approaches rather than the use of one method alone in the research study. In today's research of pragmatic philosophical reasoning, this is argued to be one of the central pieces of evidence (Tashakkori & Teddlie, 2003).

The researcher does not agree with the above statement to use both approaches to get better results. Even if you use a single approach and the tools and techniques bring good results, you have achieved your target. The experimental and quantitative methods found that the leading scholars are insufficient in seeking the answer of questions as they wish to study and explain their phenomenon (Ospina, 2004). As a mode of inquiry and results, momentum has been gained by qualitative research. In developing new leadership schools, this trend has roots (Conger, 1999; Hunt, 1999), also viewed as a relational phenomenon on the recent approach to leadership emergence (Fletcher, 2002). The strengths of qualitative inquiry generally increased recognition. Therefore, being involved in practical experience, this method enables the researcher to gain and develop detailed knowledge and proficiency in the context of social science.

#### **4.4.2 Quantitative Design**

Through the objective perspective and positivist models, the quantitative research test the theory associated with the deducted approach. The research design, as the name implies it adopts the statistical approach and generates numerical data and works in numbers (Flick, 2015). Categorical and numerical are the two distinct groups of quantitative data. Numerically the value of the data, which cannot be measured, is referred to as categorical data. Still, according to characteristics, the variable can be described, identify and classified into sets of categories (Berman Brown and Saunders 2008). The term quantifiable refers to the numerical data whose values numerically measured and counted as quantities.

#### **4.4.3 Mixed Method Design**

In a series of studies or a single study, mixing, collecting qualitative and quantitative data, and analysing it is a mixed method. Its central premise is to understand better combining and use both qualitative and quantitative approaches to research problems than approach alone (Creswell and Plano Clark, 2011). The research conducting for understanding the phenomenon within the principles of describing, exploring, predicting, and investigating is supported by mixed-method research (Johnson and Onwuegbuzie, 2004). Mixed methods research between quantitative and qualitative research help to bridge the schism as the third paradigm. According to Williams (2011), from the relationship between the variables and the participants, the researcher can design research to answer the complex nature of the questions and the viewpoints by the mixed research method.

**Table 4- 1 Comparison of different methods**

	Quantitative Approach	Mixed Approach	Qualitative Approach
<b>Scientific Method</b>	Deductive or "top-down" Test hypothesis and theory with data.	Deductive and Inductive	Inductive or "bottom-up" Generate new hypotheses and theory from data collected.
<b>Most common research objectives</b>	Description Explanation Prediction	Multiple objectives	Description Exploration Discovery
<b>Focus</b>	Narrow-angle lens Testing specific hypotheses	Multi-lens	Wide and Deep-angle lenses Examine the breadth and depth of phenomenon to learn more about them.
<b>Nature of study</b>	Study behavior under artificial, controlled conditions.	Study behavior in more than one context or condition	Study behavior in its natural environment or context.
<b>Form of data collected</b>	Collect numeric data using structured and validated instruments (closed-ended survey items, rating scales, measurable behavioral responses)	Multiple forms	Collect narrative data using semi- or unstructured instruments (open-ended survey items, interviews, observation, focus groups, documents)
<b>Nature of data</b>	Numeric variables.	Mixture of numeric variables, words, and images.	Words, images, themes, and categories
<b>Data analysis</b>	Identify statistical relationships.	Statistical and holistic	Holistically identify patterns, categories, and themes.
<b>Results</b>	Generalizable findings. General understanding of respondent's viewpoint. Researcher framed results.	Corroborated findings that may be generalizable.	Particularistic findings. In-depth understanding of respondent's viewpoint. Respondent framed results.
<b>Form of final report</b>	Statistical report including correlations, comparisons of means, and statistically significant findings.	Statistical findings with in-depth narrative description and identification of overall themes.	Narrative report including contextual description, categories, themes, and supporting respondent quotes.

**Source: Extracted from Johnson and Christensen, 2004**

#### **4.4.4 Comparison of Qualitative, Quantitative and Mixed Research Method**

The basis on which data is treated makes the difference between qualitative and quantitative research method. According to Brannen (2016), the variable categories are defined and isolates in the quantitative method. Before the data is collected and tested, these variables are integrated to form hypotheses. In contrast, to the qualitative research method, as the research progresses, the general concept and definition change. Hence for a specified set of variables through a narrow lens, the quantitative research method is examined, whereas, for the search of patterns, the qualitative research method through a broader lens considered as examining the inter-relationship between the set of unspecified

concepts. In other words, the qualitative researcher is expected to be reflective and flexible, and from the view of the respondents, seeks to achieve imaginative insights yet to maintain some level of distance (McCracken, 1988). On the other hand, with the technological tool, quantitative research allows less reflective, flexible, and imaginative input and the instrument of this research method is fine-tuned and pre-determined (Brannen, 2005).

In the opinion of Saunders et al. (2012), data collection, the procedure of data analysis such as statistics and graphs and questionnaires, is predominantly used to conduct quantitative research. In contrast, qualitative research method data is generated and analyze through non-numerical procedures mainly data is collected through observation and employs interviews.

Meanwhile, Brannen (2016) emphasized and extended his perspective that quantitative research logic is based on generalization. It is a concern with the research findings that the research can be generalized to the general population. Thus, assessing is based on statistical correlation of the outcome of the research. While in the same way, the statistical samples in the qualitative research method do not arise based on generalization. Thus, the qualitative research method concerns research findings replication in other sets of situations or similar cases. The mixed research method enables a complementary role to incorporate the elements into quantitative and qualitative research methods.

The advantage of this approach is to mitigate the associated weaknesses of individual methods and the analysis and collection of data enables efficiency and balance. Hence, the researcher in the mixed method achieves useful results, and a large amount of data can be efficiently captured and analysed. However, mixed-method sometimes leads to duplicative data collection and could be more challenging and the cost is doubled for collecting data. Meanwhile, a mixed research method suggests that quantitative and qualitative research methods could play a complementary role but could not be considered substitutable for one another. On the research findings, however, the expected effects would determine the choice of method.

#### **4.4.5 The Selected Research Method Along with justification**

This research adopted the qualitative research method as a method to investigate the research. The researcher adopted this method for understanding perceptions and general

views. This method helped the researcher develop the concept and offer visions to the different problems faced by SMEs during the internationalization process. This approach helps the researcher look deeper into analysis problems and discover individuals' new thoughts and views. For data collection, various kinds of method and semi-structured practices were used, such as individual interviews and group discussions, to identify the problem and provide solutions by observing body language, gestures, and postures. The researcher has explored the broader coverage of SME's strategy to internationalize and market the product into the foreign market and obtain different views and interactions of the involved respondents through the interviews and address the challenges faced by the SMEs during the internationalization process. The researcher gained in-depth knowledge of the research phenomenon and the impressions and thoughts about the emerging data patterns through this research method. Therefore, to pursue different research objectives, these data patterns lead the researcher to explore the observable facts, and that was made possible to the researcher by this research method.

#### **4.5 Data collection**

The researcher accessed different data sources to achieve the current research study objectives. To obtain deep insight into various possible solutions, the data sources helped the researcher to develop a better understanding of research phenomenon. There are different methods used in research to gather the information, all of which fall into primary and secondary data (Douglas, 2015).

##### **4.5.1 Primary Data**

The first-hand data collected by the researcher is an original data source known as primary data (Salkind, 2010). As compared to secondary data, primary data is time-consuming and quite expensive. The entire sources embody the term as a primary source. The first piece of work occurred, which is further divided into two categories of sources published and unpublished. The government publication, reports, and documents are the published sources, and the memos, minutes of the conference, recording, thesis, and interviews are the unpublished sources that can be analyzed (Saunders et al. (, 2012). To meet the clients' primary research needs is often design and implemented (Garner, 2010).

#### **4.5.1.1 Primary Data Advantages and Disadvantages**

The primary data advantages include addressing the research targeted issue, especially its relevance and originality of the research topic area. Hence for better evaluation, interpretation, and data analysis, the primary data enables a high degree of accuracy. According to Salkind (2010), other important benefits of the primary data include the researcher's perspective on the topic under study and its reliability. As data is collected from the contributors/ participants that are reliable, therefore, logic to the research phenomenon gains high quality and reliable solutions.

However, the drawback of primary data is that it is more time consuming and increases cost of data collection (Salkind, 2010). Other setbacks include the situation where the vital information held back by the participant, accessibility challenges, and an outdated response that does not portrait realities. Also, primary data in some cases could not control data that is to be collected and involves higher resources. Moreover, it can harm the research due to incomplete questionnaire or if a question is misunderstood. However, for some researches, primary data could be more suitable and meaningful.

#### **4.5.2 Secondary Data**

Publication of the primary data that is common in journals, articles, conference papers, books, and other publicly available publications is the secondary data. A wider range of audiences is reached out to, and access is easy compared to the primary sources and located commonly at the tertiary domain. For the literature review, these documents are most helpful and used (Saunders et al., 2012). The re-examination of the findings is secondary research (Kowalczyk, 2015).

##### **4.5.2.1 Secondary Data Limitations and Benefits**

The convenience of accessibility and cost-effectiveness are the benefits associated with secondary data (Johnston, 2017). This is because some other researchers have done the data collection and make it easy and readily available. As a result of the data collection, many resources do not need to be devoted. And through the large data set, the high-quality data can be accessed by the researcher, which has been presented and funded by large sample size agencies. Meanwhile, more generalized findings by the targeted population having a large sample size and allows for better validity (Smith et al., 2014). Thus, the



researcher that even not gets the funding can deliver quality empirical research by accessing this data (Johnston, 2017).

Another pitfall of secondary data is that the researcher did not physically participate and does not know the reliability of the collected data. Therefore, the decision may not be reliable based on secondary data (Johnston, 2017). Another limitation of the secondary data is the fact that for the research purpose, the data were not collected, and the research question may not directly address (Boslaugh, 2007). This can cause some inaccuracy issues. In some cases, the researcher for further clarification about certain information may not be able to contact the data collector. The geographical location of the data may not cover the same population in the other region where the researcher is doing the research would negatively affect the validity and measurement of the research. The collection of outdated data is another disadvantage that can alter research results and challenges associated with the accessibility of data. Meanwhile, the copyright issue sometimes in secondary data can be raised.

#### **4.5.3 Tertiary Data Sources**

The search tool also referred to the tertiary data source and is design to locate and access the secondary and primary data and help the researcher to relate with the research core area (Saunders et al. 2012). The published data can be readily available through the Internet and libraries such as bibliographies, indexes, encyclopedias, and electronic databases. To gain knowledge and an overview of the topic and subject area, the tertiary data source is usually used for getting a large amount of information provided for better understanding.

#### **4.5.4 Data Required for This Research**

Primary and secondary data were required to achieve the current research study objectives. To access the initial necessary data related to the topic and general area of the research tertiary data source was also required for consulting. For example, from the existing literature review, such as journals, books, and conference papers published, the themes and knowledge about the research phenomenon were generated. The publicly available database (tertiary data sources) was accessed to gather the core area of research literature that includes the SME's internationalization process, strategies to internationalize the marketing product, barriers of internationalization, and other relevant keywords to this research. For the construction of the themes, the researcher gets insight from the provided

review of the literature for collecting primary data through observation, individual interviews, focus group, and group discussion.

#### **4.5.4.1 Introduction to In-depth Interviews guide designing**

The interview guide was based on the research questions, and objectives of the current study and few chunks were identified from the literature and experts' exploratory interviews. One of the important stages in a research project is the pilot study to identify the research protocols, deficiencies, and problem areas before implementing it during the full research study (Abu Hassan, Schattner, and Mazza, 2006). The interview guide content and design were assessed by the research objective. To test the interview guide applicability, the pilot interviews were conducted. From April to May 2018, the pilot interviews were carried out with the four different small-medium enterprises industries. To test the willingness and response of the interviewees, the author tried a different type of wording and modified the semi-structured interview guide based on the pilot interview. Eventually, the interview guide's final design was formulated based on the expert entrepreneurs' interviews, literature, and four pilot interviews.

#### **4.5.4.2 Recording**

As note-taking can be selective as it is partial (Breakwell, Smith, & Wright, 2012), with the digital recorder, all the case studies interviews were recorded. For the recording, all the participants of the interviews were formally agreed. Interviewee becomes more comfortable and freer interaction by recording the interviews than to make notes during the interviews would have been possible. As mentioned earlier, immediately after the interview, notes on reaction to the question and the non-verbal observation were made. With the help of digital recorders, face-to-face interviews were recorded.

#### **4.5.4.3 Transcription**

To convert the audio into written form is transcription. As for the systematic examination, the audio recording is not self-sufficient. In this way, it is made easy and accessible for analysis (Edwards, 2003). Manually, the recordings were transcribed into written form, and the VLC software helped the researcher slow down the audio speed to write into transcription form. The author has transcribed all the interviews, and in all the transcriptions, it gave the author consistency. To overlook or avoid any important statement and section from the recording, the author decided to transcribe the entire recording. The

author did not observe any indication that the interviewee's responses were inhibited by the audio recording device.

#### **4.5.5.1 Data Collection – Methods**

To gather the impact of the described phenomenon is the purpose of the interview and the interpretation of the meaning and the interviewee's descriptions. To explore the negotiable and constructive meaning of the research topic and natural setting concept, the interview serves as a valuable method (Cohen, Manion and Morrison, 2008). To obtain in-depth information about the research subject area or topic to achieve the interpretation of the phenomenon, the interview extends the interviewee and interviewer discussion and conversation as ascertain by (Schostak, 2006).

#### **4.5.5.2 In-depth semi-structured interviews**

The researcher decided to use in-depth interviews using semi-structured questions. With the help of in-depth interviews, an interviewer can pose exploratory type research questions (Johnson & Rowlands, 2012); to get the past information and deeper meaning and elicit memories, they are the best means (Rasmussen, Østergaard, & Beckmann, 2006). In the researcher's opinion, the most important data source to consider is the qualitative approach using in-depth, semi-structured questions in interviews in comparison to other resources because they provide deeper and richer insight and investigate the complex phenomena of research question by answering why and how (Easterby-Smith et al. 1994; Eisenhardt 1989; Perren and Ram 2004; Yin 2003). As the researcher informers, were the top management and key stakeholders of the company in making the internationalization and business strategies and having deeper involvement in the decision-making process. Since these top managers are source of information in international activities with clear knowledge and understanding (Shook et al. 2003), the author believes that the first-hand insightful information from the interviews was the most important source.

Moreover, during the interview, to ensure key topics are covered flexibly, an interview guide was employed to explore new issues and themes by creating room that emerged during the personal interview. As warned by the respected scholars, the interviewer must create a non-threatening and friendly atmosphere when conducting an interview. The interviewer should give a casual and brief introduction of the study as one does with a cover letter and assure anonymity and personal participation or, when possible, at least

confidentiality (Connaway and Powell, 2010). The validity of project findings would seriously be compromised, as, during the primary data, there is a risk of interviewee bias. The response of the interviewee cannot be ensured by the interviewer to avoid interviewer biases. To reduce interviewer bias the other step can be taken by interviewing in a private place and inconspicuously interviewer dress appropriate for the environment. The author further includes that the dress code of the interview may create nervousness amongst the interviewee, so the interviewer should take into account the environment aspect where he is interviewing.

#### **4.5.5.3 The Structured Interview**

The structured interviews is defined as the identical or pre-determined set of questions, usually with the pre-coded answer on a standardized schedule, is (Saunders et al., 2012). Hence, very little flexibility and freedom is given to the interviewee and interviewer (Berg, 2007) to discuss the subject. However, structured questions could be in the form of a questionnaire and are mostly used in quantitative research. The answers to the question will be fixed, and the answers to the questions are pre-set, and the questions are usually developed for the participating individuals (Kaplan, 2016).

The data will become invalid if the respondent misunderstood and misinterpret the question and produce a statistical result. In this type of interview, the questions are straightforward in nature of the pre-code answers.

#### **4.5.5.4 Unstructured Interview**

Informal interviews could be considered as unstructured questions (Saunders et al., 2012). According to Kaplan (2016), the conversation should not be on standard questions. Instead, it's based on themes and areas of the research topic. However, the interviewer should keep in mind deviating from the research themes, as there is a chance. Regarding implementing the interview and organizing the content, the interviewer and the interviewee both get a greater level of freedom and flexibility in this type of interview, unlike structured interviews (Alshenqeeti, 2014).

#### **4.5.5.5 The Selected Type of Interview**

Interviews used as a method for data collection and semi-structured questions for the companies were developed that represented the bases for the analyses. The interviews were conducted with four Pakistani SMEs. The research was made on semi-structured questions

by implementing face-to-face interviews with the SMEs' CEOs and strategic level employees. The period to conduct the interview was thirty minutes to one hour. About fifteen questions were drafted to gather information about various aspects of the internationalization of Pakistani products. For the interview, one CEO and one strategic level employee was interviewed for each company. One focus group was conducted, comprised of four individuals from different companies. Two persons from the Punjab and AJ&K Chamber of Commerce were participated in the interview and focus group discussion. Punjab is the largest province of Pakistan companies and has many industrial groups.

To obtain the individual perspective and knowledge on the current research phenomenon, the researcher used in-depth semi-structured interviews. The researcher was enabled to plan the interview questions generated from the literature review knowledge based on the research objectives. To probe the answers from the interviewees on the pre-established themes and create a comfortable and friendlier environment, the researcher used the semi-structured interview to gain an in-depth insight into the research area. The researcher achieved the two important features with this technique: rich in detail and natural flowing information (Dörnyei, 2007). Hence, the researcher gains deeper insight from the semi-structured interviews, which other data collection techniques such as questionnaires and other types of interviews would probably not achieve (Blaxter, Hughes and Tight, 2006). With this data collection technique, the researcher rephrased the interview questions that the respondent did not understand and gained mutual understanding (Dörnyei, 2007). As a result, the researcher collected accurate data by the interview questions to gain the appropriate answers to achieve the research objectives. On the application of the internationalization barriers and challenges and the strategy to internationalize and market the product, the interview participants gave a different point of view to the researcher. Different business industries have been targeted by the interviews to gain the overall picture of different fields.

The first group for the interview comprised the strategic level employees of four SMEs, and the questions include discovering the company and getting general information of the respondent. The questions contain the company's basic information, product portfolio, the structure of ownership, the respondents' position and status in the company, their

experience and expertise in doing international business and the level of knowledge to understand a foreign language.

The second group comprised four CEOs of the SMEs, and the questions include the basic operation of the business and the company's internationalization activities. Following content were used for questions in this group: company-established year, numbers of total employees, total revenue of exports and export share, internationalization motives, the orientation of global/ foreign market, the export trends and export assortments, number of countries where exported if already exporting any product in the international market and year of beginning internationalization, entry mode, mode and way of establishing contact in a foreign market, challenges/ barriers to export and quality and quantity of institutional support.

The third group was the focus group discussion comprised of five persons from the SMEs and Punjab Chamber of Commerce. They also participated in the interview and focus group discussion. The questions were related to the challenges and critical issues Pakistani SMEs face and the recommendation and solution to overcome the SMEs issues in Pakistan.

#### **4.6 Sampling Techniques**

For the investigation, the people selected from the population relatively a group of a smaller number of people is called a sample (Alvi, 2016). The researcher by the sampling technique will be provided with a range of different methods that consider the data to represent the entire population by sub-group to reduce the amount of data needed to be collected from the possible causes or elements (Saunders et al. 2012).

##### **4.6.1 Non-Probability Sampling and Probability Sampling**

In non-probability sampling, the researcher chooses the participant, and not all the participants of the study have a chance to give their point of view, also known as non-random sampling. It is contrary to the other sampling method, which is probability sampling where all the participant or member of the population has a chance being the research study participants. Some studies explained the necessity of non-probability sampling. Due to time and cost consideration, it is not feasible to draw samples of the population by random probability-based sampling. In these cases, based on the researcher's judgment and accessibility, the sample group has to be selected. Therefore, an element of subjective judgment has been included in the majority of techniques of non-probability

sampling. For the pilot survey or exploratory stage of studies, non-probability sampling is very useful and most helpful (Saunders et al., 2012).

#### **4.6.2 Judgmental/Purposive sampling**

When the researcher chooses the participants as members of the population in the study and relies on his observation and judgment called purposive sampling, which is also known as subjective, or judgment sampling, the sample and elements selected by the researcher based on judgment for the research and this sampling are also known as a non-probability method. Researchers often believe that using judgmental sampling can save time and money, and representative samples can be obtained (Black, K. (2010). The author thinks that if the researcher has a proper grip and knowledge on the area, he is doing the research purposive sampling method will help him to get the required data with minimum time and saving money.

#### **4.6.3 Stratified Sampling**

Bowley (1926) introduced the stratification idea when a heterogeneous population increases the sample estimates precision. In this procedure, the selected participants of the population are divided into subpopulation or group that is non-overlapping. They are pre-assigned numbers before selection of the sample is called "strata". From strata, the pre-determined samples are independently drawn. When in population, extreme values during stratification is more effective within each stratum. The population is segregated and drawn with a random sampling procedure known as stratified random sampling (Saunders et al., 2012).

**Table 4-2, Types of Non-Probability Sampling Techniques**

<b>Techniques</b>	<b>Description</b>
<b>Quota Sampling</b>	Quota sampling is a non-random technique that is normally used for interview. The rationale for this technique is based on the premise that the sample will represent the population as the variability in sample for various quota variables is the same as that in the population. Quota sampling therefore is the type of stratified sample through which selection of elements within the population is entirely non-random (Barnett 1991).
<b>Purposive Sampling</b>	Purposive or judgemental sampling enables researchers to use their judgement to select cases that will be best in answering the research question(s) and to meet the research objectives. This form of sampling is often used when working with very small samples such as in case study research and when the researcher wishes to select cases that are particularly informative (Neuman 2005).
<b>Snowball Sampling</b>	Snowball sampling is commonly used when it is difficult to identify members of the desired population. For example, people who are working while claiming unemployment benefit. The researcher will need to make contact with one or two cases in the population and ask the cases to identify further cases. These cases would continue identifying further new cases until when either no new cases are given or the sample is as large as is manageable.
<b>Self-selection Sampling</b>	Self-selection sampling occurs when researcher allow each case to identify their desire to participate in the research. The researcher will therefore publicise the need for cases, either by advertising through appropriate media or by asking the participants to take part through which data will be collected from those who respond.
<b>Convenience Sampling</b>	Convenience sampling involves selecting haphazardly those cases that are easiest to obtain for the sample, such as the person interviewed at random in a shopping centre for a television programme or the book about entrepreneurship. The sample selection process is continued until the researcher's required sample size has been reached.

Source: Extracted from Saunders et al. 2012

#### **4.6.4 Evaluation and Types of Non-Probability Sampling Techniques**

The researcher evaluated before deciding to use which type of non-probability sampling how the research results will be influenced by the choice of sampling techniques. To achieve the research objective the researcher, chose the appropriate non-probability sampling technique by evaluating non-probability sampling different types that fit best for



the research strategy. The table below is the non-probability technique based critical evaluation.

**Table 4-3, Sampling Techniques Selected for Interviews**

Techniques	Usage	Advantages	Disadvantages
<b>Quota Sampling</b>	Useful for choosing a sample that closely matches the population ratio/breakdown on a set of characteristics of interest.	Quota sampling is helpful for creating a sample that is as representative as possible of the population under study at the absence of probability sample. And the application of the technique can be cost-effective as the primary data collection can be done in shorter time.	The act of not choosing sampling based on random selection can make it difficult to determine the possible sampling error. Hence, could result to sampling bias and problems of generalisation.
<b>Purposive Sampling</b>	Useful when focusing on particular characteristics of a population that will best answer the research questions	There are wider range of sampling techniques under purposive sampling that can be used across qualitative research designs to achieve research objectives.	Despite various types of techniques under purposive sampling, purposive sampling can be highly prone to researcher bias. This is because the decision of the participants is based on the judgement of the researcher which can possibly lead to researcher bias.
<b>Snowball Sampling</b>	Useful for gaining access to certain populations that exhibit common kind of social characterisers/traits	The act of individuals recruiting other individuals with common characteristics, traits, and other social factors to take part in the research can help to break down some natural barriers that could prevent such individuals from taking part.	It could be difficult to determine the possible sampling error and make statistical inferences from the sample to the population. In such situation, snowball samples cannot be considered a representative of the population under study.
<b>Self-selection Sampling</b>	Useful when the researcher wants to allow the participants (individuals or organisations) to choose to take part in the research on their own accord.	Self-section sampling can reduce the necessary time required to search for appropriate participants that meet the selection criteria. Also, the self-selected selected participants are likely to be committed, which could improve attendance and provide more insight.	Self-selection sampling provides high degree of self-selection bias as the decision to participate in the study may reflect some inherent bias in the characteristics/traits of the participants. Hence, could lead to the sample not being representative of the population under study.
<b>Convenience</b>	Useful for easiest to access to the research participants	The cost and time required to carry out a convenience sample are less in comparison to probability sampling techniques and enables researchers to achieve the sample size at a relatively fast and inexpensive way.	Since the sampling frame is not known, and the sample is not chosen at random, the inherent bias in convenience sampling means that the sample is unlikely to be representative of the population under study.

Source: Extracted from Saunders et al. 2012

#### **4.6.5 Sampling Techniques Selected for Interviews**

The key purpose of sampling in research is to gain knowledge about a population using a subset of small, affordable selected subjects for sampling strategy creation. The researcher has decided to use the non-probability sampling method. As the researcher is bounded by

time, workforce, and money limitations, random sampling for the entire population will be impossible. Within the different industries used for research, the sample selection was taken from the CEO and the top management of the companies. Ethical approval from the University of Wales Trinity Saint David and the SME firms has been taken before taking the interviews and is attached in (Appendix-3). **The first group** for the interview comprised the strategic level employees of four SMEs, and the questions include discovering the company and general information of the respondent. **The second group** comprised four CEOs of the SMEs, and the questions include the basic operation of the business and the company's internationalization activities. **The third group** was the focus group discussion comprising five persons from the SMEs and Punjab Chamber of Commerce. They also participated in the interview and focus group discussion. The questions were related to the challenges and critical issues of Pakistani SMEs.

For the interviews of different subjects the judgmental sampling, which is also known as purposive sampling, was used by the researcher with the specific purpose in mind as the researcher believes that some selected subjects are likely to give better insight into the research as compared to other individuals, especially the CEO's and the top management who had more experience and adequate knowledge in the areas of internationalization process as well as the marketing skills to launch the product. Purposive sampling encourages the researcher to select the information-rich case studies (Merriam, 2009). That's the reason they were purposively selected as a subject. Stratified sampling was used as a method by the researcher to focus group discussions where the entire population was divided into different strata or subgroups. Then from these strata, the final subject was randomly selected.

#### **4.7 Data Analysis**

The two common methods of data analysis are qualitative and quantitative data analysis. Through the application of rational and critical thinking of the raw data the quantitative data analysis is presented in numerical forms. The difference between the variable and the analysis of variable frequencies includes this analytical data method (Robson, 2011 and Saunders et al., 2012). In contrast to the collected data to develop the theory, the qualitative data analysis procedure allows and assists the researcher (Saunders et al., 2012) through

various material, cases, and text comparison to get the generalized statement (Flick, 2015). The condensation of the material, overviews, and summaries focuses on the rough analysis, while hermeneutic interpretation or identifying structure and summaries is elaborated by the detailed analysis. As this research study is purely qualitative so the researcher used the qualitative analysis method to critically investigate the data. To maintain coherence with the research design, the nature and intensity of the investigation enabled the researcher to exclusively use the qualitative analytical technique.

#### **4.7.1 Qualitative Data Analysis**

In analyzing the qualitative data, the inductive-based analytical procedure Saunders et al. (2012) present six common approaches: grounded theory, thematic (template), analytic induction, data display, and narrative and discourse analysis. However, an inductive analytical procedure serves this research well and is adopted by the researcher.

##### **4.7.1.1 Thematic (Template) Analysis**

Within the qualitative data to identify the themes and patterns, the process is called thematic analysis. From the perspective of teaching and learning, a further advantage is that rather than a methodology, it is a method (Maguire and Delahunt, 2017). Unlike many qualitative methodologies, this means that to a particular theoretical and epistemological perspective, it is not tied. To approach thematic analysis, there are many different ways (e.g. Alhojailan, 2012; Boyatzis, 1998; Javadi & Zarea, 2016). The goal of thematic analysis is to identify the themes, i.e. the interesting or important data in the patterns that appear and uses these overarching themes to say something about the issue and address the research. This is just data to be summarized and make sense and interprets as expected from good thematic analysis. The main question of an interview to use as the themes is a common pitfall (Clarke & Braun, 2013).

##### **4.7.1.2 Data Display Analysis**

On the notion presented by Huberman and Miles (1994) also mentioned by Saunders et al. (2012) that data display, reduction of data and drawing the verified conclusion are the concurrent three sub-process of data analysis. To condense and transform the collected data by simplifying and summarising focuses on the data reduction process while organizing

and assembling the data, verifying summary, and visual display for conclusion by data display process.

#### **4.7.1.3 Grounded Theory**

Across the various social science disciplines, the inductive research approach is widely used. It is associated with the grounded theory analytical approach (Kim et al. 2009) (Nurjannah et al., 2014), as highlighted in section 4.3.5. Furthermore, without initially materializing the theoretical framework, the data collection procedure starts (Saunders et al., 2012). In developing the inductive related theory, the systematic set of a process is used by the qualitative data analysis as defined by Charmaz (2006).

#### **4.7.1.4 Analytic Induction**

To establish the cause of a specific phenomenon, analytic induction is the explanation building procedure and is an inductive version that strategically examines several cases (Johnson and Christensen, 2004). It starts with a less defined explanation of the research, as an inductive approach to data analysis is not derived from the existing theory. Through the case study, it tests the phenomenon based on purposive selection. Thus, from the well-grounded explanation, this approach can develop theory.

#### **4.7.1.5 Discourse Analysis**

To analyze the language in the context of its right, the term discourse analysis is used to illustrate a wide variety of approaches, as Saunders et al. (2012) mentioned. In certain social contexts why and how individuals use certain language, the approach is concerned with the illustration. Discourse analysis brings a multidisciplinary perspective as it has multidisciplinary origins such as linguistics and philosophy, literature, sociology, communications studies, and anthropology (Fairclough, 2010).

#### **4.7.1.6 Narrative Analysis**

According to Bryman (2016), narrative analysis is an analytical approach that people tell stories about the events of their lives. It behaves as a storyteller, and the data analysis gathered is sensitive to sense the temporal sequence. The explanation occurs within the

narrative accounts explored by the analysis to make linkages, social construction, and the relationship (Saunders et al., 2012).

#### **4.7.1.7 The Selected Analytical Approach**

The researcher applied the template (thematic) data analysis for this research study. The interviews have produced text-based data. The researcher needs to identify the key themes that emerged and do the coding of the overarching themes and, across the interviews, the integration of the themes. The researcher adopted this thematic approach due to its flexibility. The focus group discussions also produced qualitative data, themes and patterns were identified using this technique. Therefore, the research key empirical themes created the analytical codes: the downstream activity of internationalization, proactive motive and reactive motives and drivers of internationalization, dimensions of internationalization and international marketing barriers, and external barriers. Based on the literature review and during the interviews based on the research's major area, the themes were constructed. The aim of describing the research phenomenon is to see how the themes formed the core analysis of the research comprehensively. The thematic analysis also focused on identifying the conditions that explore and compared the commonalities and selected case differences.

Although according to the need for the research and the development and integration of the overarching themes, the template (thematic) approach allowed the researcher to be flexible. This does not indicate that the themes were developed on the personal experience. Rather, the themes were defined and developed on results of the interview discussion and the literature review. Therefore, addressing the validity and reliability factors and the well-defined overarching themes, the template analysis appears convincing and strong.

#### **4.8 The Use of Computer-Assisted Qualitative Data Analysis Software (CAQDAS)**

According to Saunders et al. (2012), with regards to analytical procedures, the (CAQDAS) offers several advantages to the researcher. Increasing methodological rigidity, transparency, and aiding in analytical continuity are some of the advantages. To identify the connection, assist exploring and comparing data; NVivo qualitative data analysis program software is used. Naturally, the researcher is still responsible for data coding as NVivo data analysis program software does not code data for you (Saldaña, 2015). For

human analytic reflection, the data is prepared, managed, and organized by the programs (Saldaña, 2015). The project developed the tools provided by the “data analysis program software NVivo to move, rearrange, organize and explore codes”. In NVivo, the coded text is referred to by “nodes” for the reference collection. Classifying and organizing source data is a primary tool (Edhlund & McDougall, 2016). In hierarchies, the nodes can be organized (Bazeley & Jackson, 2013). The researcher did a manual analysis with the help of the interview guide to organize the data, which was important for the research and to look at the responses by the individuals to answer the questions to pick out the themes and concepts of each topic. Especially from the focus group interview proceedings, individual interview, text, and recording, this manual analysis process was very beneficial to analyze the unstructured data.

#### **4.9 Research Validity and Reliability**

To get the same answers on repeated trials, the accuracy and the consistency of the study procedure concern the reliability (Bauer & Gaskell; 2003, Bryman, 2012). If the research study results can be replicated, the research instruments and underlying assumptions are considered reliable (Golafshani, 2003). When the integrity of the conclusions reached from the research study is referred to as the concept of validity is closely related (Bryman, 2012). In the positivist perspective, validity and reliability are rooted. As observed by Bryman (2012), “how the findings might yield and applied on other cases by a single case representation?” to make the study credible, both the researchers qualitative and quantitative need to demonstrate the luxury of statistical numerical proof and universal deductive categories a qualitative analytical method rarely enjoys. Social actors are tied to particular contexts where qualitative research is conducted (Borkan, 1999). Validity has two essential parts in research: a) internal, which refers to (credibility), and b) external refers to (transferability). The legitimation of the study results is indicated by internal validity because of how the analyses were performed, based on the group's selection, and the recorded data. External validity shows whether the research study result can be transferable to other groups of the same interest (Mohajan, 2017). The researcher recognizes that the research study is qualitative. It doesn't mean that the study is without validity as data are socially constructed. As Hammersley (1992) states, if the features of the phenomenon describe, explain, and theorize, the research account may consider being

valid moreover if the required issues of the research are addressed associated with the internationalization strategy and the challenges to internationalize and market the product by SMEs to the foreign market. Meanwhile, whether the research construct inferences that are related to the understudied concept will be examined by the construct validity. Also, during the data collection stage, based on preconceived notions of interpreting, the participant's researcher minimized the tendency to seek answers and maintain neutral grounds. In other words, the participants were free and neutral to answer, and the researcher operated on neutral grounds rather than being bias or influenced by preoccupied notions.

Furthermore, the author ensured the validity of the collected data by adopting various other measures such as (1) face validity was ensured by asking contents of interview questions, judgemental/ confronting question randomly from untrained/ unaware individuals whether it is understandable or not (Engel et al., 2020). The author made a few language modifications after getting feedback from the participants (Kumar and Chambers IV, 2019). (2) As the content validity is controversial and technically incorrect and emerged to guard against strictly numerical evaluation, whereas, in this research, content validity was conducted by using the opinion from the experts those are CEO's/ top management in different industries which is most relevant to the target population. This content validity further ensures rigorousness study with its stated objectives (Hayashi Jr, Abib and Hoppen, 2019). The author believes that validity is to ensure that the research has achieved what it intended to do. Internal validity has been achieved by ensuring that the data has been collected using a sample from the target population. Validity has also been ensured by carefully considering all cause and effect relationships by constantly monitoring the data collection and the data analysis in the context of the research aim. External validity would result from the very design of the research, which has included SME's from many different industries and ensuring that these SME's are homogeneous in nature therefore, both types of validity have been considered and incorporated in the research.

#### **4.10 Chapter Summary**

Considering the main aim of this research, a qualitative approach was used to study the SME's internationalization phenomenon in Pakistan and its essence. To reflect the deeper understanding of this phenomenon, the qualitative approach was used to describe the

SME's internationalization aspects. Multiple case studies of different companies were used as units of research. According to Eisenhardt (1989), there is no ideal number of cases to analyze multiple companies. The best option the researcher recommends is having four companies for the process of collecting and analyzing the data. This research was based mainly on pragmatism philosophy but also includes some interpretive elements. This study looked at cases and employed a cross-sectional research methodology based on the inductive approach. This is because different companies in Pakistan were selected for the comparison of differences amongst them. The research explored broader coverage of an insight into the practical aspects of the internationalization process. The researcher adopted a case study strategy to gain a rich understanding through different cases of the internationalization process and the challenges faced during this course of marketing the product into the new world. The semi-structured questions enable the researcher to guide in a way that all the participants of the interviews were asked the same questions but based on their interest related to the questions, and they could divert and explore other factors. Ethical approval from the University of Wales Trinity Saint David and the SME firms has been taken before taking the interviews. And the university ethical approval form is attached in appendix-3.

For the interviews, purposive sampling was used, and non-probability sampling was the sampling technique. This technique enabled the researcher to get a great impact on knowledge development in the context of research phenomenon and to select the information-rich participants. Thus, it explored how the strategy and challenges of the internationalization process can be overcome and open new avenues for entrepreneurs to excel. Using the template data analysis, the collected data were analysed. However, the approach suggested by Huberman and Miles (1994), which includes data interpretation, data display, and data reduction stages.

The template analysis enabled the researcher to underpin the collected data and research question in coding the themes. Hence, it described the research phenomenon in greater detail. However, while making the minutes of the important points, the researcher recorded the interview by seeking the interviewee's permission to maintain the data accuracy. However, the reliability and validity of the collected data and research were maintained by



the transparency of the participant's answer based on preconceived notions that minimized the tendency of interpreting the participants. Meanwhile, to maintain the security and confidentiality of the participant data, the minutes made in Microsoft word document and the audio recording was protected with file password and stored very securely.

## **CHAPTER 5**

### **5.0 Responding to firms' Basic Profiles and Generated Themes Findings**

#### **5.1 Introduction**

Chapter five introduces the research study objectives, methodology, and the sampling process applied in this research thesis. It also introduces the process of data collection and who all are the respondents and their profile. And the sub-themes generated to construct the main theme comparing with the literature review. Furthermore, the main research study objective to evaluate the current marketing strategies used by Pakistani SMEs to go international for marketing their product. This chapter aims to provide international activities by the responding firms and their market strategy followed by the challenges and barriers faced by the firms while going into the international market. The author has selected different industries to get the business overview, a strategy they have used, and their challenges. Semi-structured interviews were carried out with four Pakistani companies, and the industries classification is (food industry, electronic industry, manufacturing industry, and textile industry) to evaluate the role of the chamber of commerce and the government and discuss the personnel internationalization process experience were interviewed with one hour approximately duration of the interview. The top management of the firms was interviewed i.e., Chief executive officer (CEO), chief operating officer (COO), or the managing director (MD). Two members of the chamber of commerce were also interviewed with different Semi-structured questions about the role of the chamber for entrepreneurs. The focus group was also interviewed, comprising four individuals from the industrial sector and one from the chamber of commerce. All the interview conversation was recorded and transcribed, and the semi-structured interview guide was also used. The interview style was open-ended, and respondents were free to share their ideas and experiences without being limited to a standardized category.

##### **5.1.1 Research Aims and Objectives**

The overall aim and objective of this study to evaluate the current marketing strategies with regard to internationalization used by Pakistani SMEs and to recommend an

Internationalization strategy for effectively marketing the products of this sector to European countries.

- a) To evaluate the current market strategies with regard to internationalization used by Pakistani manufacturing SMEs.
- b) To identify the benefits and challenges to effectively market the Pakistani products in the European markets.
- c) To recommend an internationalization strategy to effectively market products of Pakistani SMEs to European countries.

## 5.2 Respondent SMEs Case Company A, B, C, D Background Details

**Table 5-1, Profile of the Interviewed firms**

FIRM	NATURE OF BUSINESS	ESTABLISHED YEAR	FIRST INTERNATIONAL EXPORT	SPEND IN YEARS	REGION	TARGET MARKET	MODE OF ENTRY
<b>A</b>	FAN INDUSTRY	1989	2009	20	Punjab	UAE, Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa, Yemen, and Bangladesh	Direct export
<b>B</b>	RICE EXPORTER	2001	2001	1	Punjab	Asia, Europe and North America	Direct export
<b>C</b>	GARMENT	2004	2004	1	Punjab	UK	Export
<b>D</b>	POLYPROPYLENE	2007	2008	1	Kashmir	Oman, Iran, UAE, and Afghanistan	Direct export

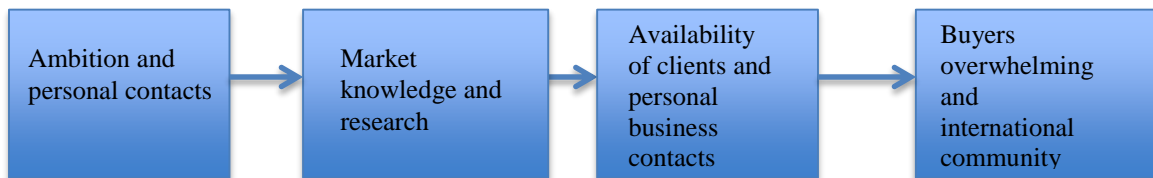
## 5.2.1 Company-A Profile

**Table 5-2, Case Company A**

Established Year	2001
Type	<b>Joint Family; owner-managed</b>
Industry	<b>Rice Mill (food industry)</b>
International and geographical Markets	<b>Iran, Germany, Canada, and the UK</b>
Internationalization decision	<b>Personal contacts and ambition</b>
Beginning of internationalization process	<b>2001</b>
Employees	<b>40</b>
Interviewee	<b>CEO and MD</b>

Company A was established in the year 2001 and started the rice business. And the same year, through their contacts and technology competence, they decided to start exporting the product into the international market. Due to the aromatic taste and smell of the rice, this basmati crop is worldwide famous, and that's the edge the company cashed from other rice exporters of different countries.

Figure 5-1, Key steps of Company A for internationalization



### 5.2.1.1 Choice of market and market research

The company CEO knows rice popularity in the world due to its aromatic taste and smell. The UK and Canadian governments have given shelter to the immigrants and the immigrants, know the quality and taste of Pakistan. In the case of Iran, the buyers know the quality of the rice is a neighbouring country, so the market is already looking to have this product. As soon as the business started, the buyers from Iran approached themselves for the product due to the technical competence amongst other rice mills. According to the CEO, they didn't carry any extensive market research as the clients walked in without hesitation for the product.

### 5.2.1.2 Internationalization Strategy

The CEO didn't focus on any internationalization strategy to market the product. The option available for them to internationalize was by direct export and personal business contacts and liaison. The company had an offer to open the production setup in Iran, but due to the language constraint, the offer didn't go through.

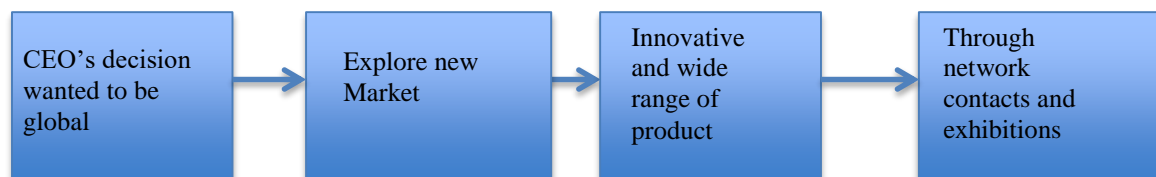
### 5.2.2 Company-B Profile

**Table 5-3, Case Company B**

Established Year	1989
Type	<b>Joint Family; owner-managed</b>
Industry	<b>Electronics (Fan industry)</b>
International and geographical Markets	<b>UAE, Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa, Yemen, and Bangladesh</b>
Internationalization decision	<b>Born Global</b>
Beginning of internationalization process	<b>2009</b>
Employees	<b>90-100</b>
Interviewee	<b>CEO and COO</b>

Company B commenced its business of making electronic devices and a product like TV, DVD players in the year 1989, they started manufacturing fans which is their major product which flourished the name of the company by their innovation and wide range of home usage electronics product. CEO said they know where to market the product in those countries which are hot in temperatures like UAE, Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa, Yemen, and Bangladesh, so the choice to choose the market was very easy for us. They have innovated different products keeping in view the Middle East culture and launched the new product, the electronic tasbih. The company electronic unit has state of the art assembling and processing lines for electronic devices and products.

Figure 5-2, Key steps of Company B for internationalization



### 5.2.2.1 Choice of market and market research

The company CEO was very ambitious and confident that they are born global, and their product can compete in any international market. They decided to go to the neighbouring countries where the temperature is very hot, so selling it will not be a big deal. So targeted the Middle East, where they established the local network to market and sell the product. Throughout the year, the consumption of the product was more in this region. CEO also said they took part in the trade shows and exhibitions to grab and round up more customers.

### 5.2.2.2 Internationalization Strategy

The CEO said they are born global, and their product can compete in any international market, so they went for direct exporting through network contacts. As their product is one of the best products in the domestic market, so the best option that suits the company to go for internationalization is exporting.

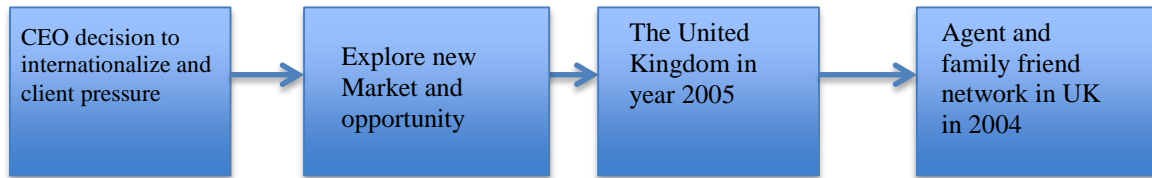
### 5.2.3 Company-C Profile

**Table 5-4, Case Company C**

Established Year	2004
Type	<b>Partner; owner-managed</b>
Industry	<b>Garments (Textile industry)</b>
International and geographical Markets	<b>United Kingdom</b>
Internationalization decision	<b>Exposure and challenge</b>
Beginning of internationalization process	<b>2004</b>
Employees	<b>30-40</b>
Interviewee	<b>CEO and COO</b>

Company C started the garments woven stitching unit in the year 2004. The company has a garment export unit, and the product they are making was denim jean. CEO was very ambitious to have international exposure, and the taste of the challenge of the international competitors is much more enjoyable. In the local market in 2004-2005, there were no local good garment franchises in Pakistan. Like in European countries like Marks and Spencer, Next and BHS. The growth in the domestic market was a bit stationary, and the CEO said they didn't find the buyers for the stuff they were making.

Figure 5-3, Key steps of Company C for internationalization



### 5.2.3.1 Choice of market and market research

The CEO was very energetic to have international exposure and accept the international market challenge, as the standard of Pakistani textile in the world was very famous, especially the Jeans. CEO said they had a strong friends and family network in the UK who were only into this garment business and closed their garment woven units in the UK due to labour cost. The CEO said that the importers know the quality of our stuff/ product at a reasonable price, so they didn't face any problems with selecting the market.

### 5.2.3.2 Internationalization Strategy

CEO was very much determined to explore the international market and have exposure to international clients. They started their export business in the year 2004 and supplying the product to the importers in Manchester UK. CEO said that due to a lack of resources and capital, they didn't go for foreign direct investment.

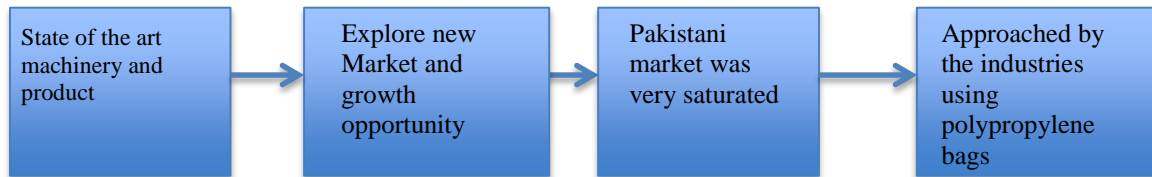
## 5.2.4 Company D Profile

**Table 5-5, Case Company D**

Established Year	2007
Type	<b>Joint Family; owner-managed</b>
Industry	<b>Polypropylene Bags (Plastic industry)</b>
International and geographical Markets	<b>United Kingdom</b>
Internationalization decision	<b>Exposure and challenge</b>
Beginning of internationalization process	<b>2008</b>
Employees	<b>100-150</b>
Interviewee	<b>CEO and MD</b>

Company D started its polypropylene business in the year 2007. The company has the world's best polypropylene unit of Starlinger Company. CEO said the machinery was of the world-leading brand and the quality produced in the shape of woven bags was very

high in quality and the domestic market cannot afford this product. Local buyers prefer the recycled product, which this plant cannot make the recycled product. The domestic market was very saturated, and local buyers can't afford this product to sell. The company has product uniqueness and technology competence over other polypropylene bag manufacturers. Figure 5-4, Key steps of Company D for internationalization



#### **5.2.4.1 Choice of market and market research**

CEO spoke two reasons to go for the foreign market: state of the art machinery, quality of the bag was much higher and refined to sell in the domestic market. The international industrialists who were using these bags for packing their products approached the CEO to export their products into their countries for growth opportunity and profit. As the local market for too small to afford and buy this product. Mostly the local suppliers preferred the recycle bag to the domestic vendors.

#### **5.2.4.2 Internationalization Strategy**

CEO already has exposure to the international market and the quality of the product the international buyers accept. The company chose to internationalize in the Middle East market to export the product, as the interested buyers of the product were not very far away from Pakistan. And the CEO knows their market and business dynamics.

The data was collected through an interview. The researcher conducted the semi-structured questions interview for getting the qualitative data for the manual analysis. The interview was of 45 minutes, and the entire interview was audio-recorded. And the researcher made the interpretation of the audio recording into word form, and then manual analysis was carried out to generate the sub-themes and getting the overarching themes. The researcher audio recorded the interview. After listening to each question interviewed and answered by the interviewee, the researcher transcribed the data into a word transcription format and started gathering the data and making a list of recurring words and the ideas, concepts, and themes that were emerging. This data organizing allowed the researcher to pick out the



theme and concept for specific questions of each topic and the response by the interviewee. After getting the concept researcher looked for relationships between the ideas and identified the sub-themes. Example from one of the interviews

Step 1: Descriptive coding: to identify the important words or phrases

“Ok before I start with the interview let me introduce myself self my name is Sardar Ghulam Mustafa Khan and I am the CEO of the company. And we have started this rice business in 2001 and when we started a business of rice at that time there were fewer processing plants that mean our industry can give the best product which can be accepted in any part of the world with regards to the quality. The reason why we went for internationalization is that our machinery was very high tech and its state of the art at that with regards to bring the quality of the product. Secondly, we were having clients from Iran who were the big importers of rice so initially, we didn't have the problem of seeking clients from the international market as the importers are the Gurus of their respective fields so they know which industry to choose to get the product. Thirdly the quality of the product we were producing in the domestic market cant give that rate to this quality of rice and the buying power for this rice was very limited”.

Step 2: Interpretative coding: Look for the connection between these words:

- a) Introduce myself and CEO can be grouped as Details and designation of the strategic level manager
- b) Started this rice business in 2001, the business of rice can be grouped as a type of business and circumstances under which the business started
- c) There was less processing plant, our industry can give the best product, didn't have the problem for seeking clients, quality of the product, the domestic market cannot give that rate, the buying power for this rice- can be grouped as drivers of internationalization

Step 3: Deriving the Overarching themes

So, this answer gives rise to the three themes as follows

1. Details of the Top-level manager
2. Type of business
3. Drivers of internationalization – quality product, availability of clients, and limited domestic buying power.

And researcher organizes them into sub-themes/categories the entire endeavours one can integrate by identifying the pattern example of different people's belief settings together is the challenging and most intellectual phase of qualitative analysis (O'Connor and Gibson, 2003). After getting the concept and ideas from the interviewee who has expressed his experience about that particular business, the researcher identified the frequently used phrases/words and organized them into subthemes, codes,/categories. The researcher looked deeper into the meaning of the data gathered from each of the responses by the interviewees, and then the themes and sub-themes for each question for all the interviews were integrated into the last column. This was repeated for all the questions in the interviews for the same level of management. Finally, the overarching themes from each interview response from each of the questions were integrated, checked, and compared across the companies for the discussion and findings. Table 5-6, Interview comparison

Question	Interview 1 Company A Overarching themes and their sub-themes	Interview 1 Company B Overarching themes and their sub-themes	Interview 1 Company C Overarching themes and their sub-themes	Interview 1 Company D Overarching themes and their sub-themes	Overview of the integrated themes across the companies
1	1. Details of the Top-level manager 2. Type of business 3. Drivers of internationalization – quality product, availability of clients and limited domestic buying power	1. Details of top-level managers 2. Type of Business 3. Drivers of internationalization 4. Proactive motives of internationalization	1. Top-level manager details 2. Type of business 3. Drivers of internationalization — the growth of the market was a bit stationary and saturated domestic market	1. Details of the Top-level manager 2. Type of business 3. Drivers for internationalization — not for domestic sale, product quality 4. Product uniqueness and technology competence	1. Drivers for internationalization 2. Proactive motives of internationalization 3. Product uniqueness and technology competence

Please note that a similar exercise will be carried out for interviews of different levels/types.

### 5.3 Company-A Interview 1 Overarching themes and their sub-themes

**Table 5-7, Company-A, Interview 1**

Question no	Interview 1 CEO	Overarching themes and their sub-themes
1	<p>Ok before I start with the interview let me introduce myself self my name is Sardar Ghulam Mustafa Khan and I am the CEO of the company. And we have started this rice business in 2001 and when we started a business of rice at that time there were fewer processing plants that mean our industry can give the best product which can be accepted in any part of the world with regards to the quality. The reason why we went for internationalization is that our machinery was very high tech and its state of the art at that with regards to bring the quality of the product. Secondly, we were having clients from Iran who were the big importers of rice so initially, we didn't have the problem of seeking clients from the international market as the importers are the Gurus of their respective fields so they know which industry to choose to get the product. Thirdly the quality of the product we were producing in the domestic market can't give that rate to this quality of rice and the buying power for this rice was very limited.</p>	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager</li> <li>2. Type of business</li> <li>3. Drivers of internationalization – quality product, availability of clients and limited domestic buying power</li> </ol>
2	<p>I think if I consider your points which you asked for my firm international process the best entry mode was the exporting why because there is no second thought in the international market when it comes to the taste of Pakistani Basmati rice. And our rice taste has the potential to hit any market internationally because of the smell and the taste of the rice no other country rice can give. India has the potential of rice as it's the neighbouring country and we have the same culture but our product uniqueness was the edge for our company to go for direct export.</p>	<ol style="list-style-type: none"> <li>1. Strategy to go international – direct exporting</li> <li>2. Product quality and business potential</li> </ol>

<p><b>3.</b></p>	<p>We have started our international export activities with the countries like Iran, Germany, Canada and UK why we have started with these countries because as I mentioned earlier the clients from Iran directly came to us for the export business due to the new technology processing plant we had so we didn't face the marketing problem as the buyer himself approached us. Going into Canada was the go decision as the Asian were giving immigration from the Canadian government as the people wanted to eat the Basmati rice from Pakistan so we didn't face many problems in entering that market. And choosing European countries was also having the same reason as Pakistan rice has the name due to its taste and quality so the demand for Pakistani rice was too much.</p>	<ol style="list-style-type: none"> <li>1. Export potential countries</li> <li>2. Modern technology</li> <li>3. Government facilitation for immigrants</li> <li>4. The demand for the product and aromatic taste</li> </ol>
<p><b>4</b></p>	<p>I think considering your question points we have gone into the international market through contacts and partners. In Iran, we had a very good partnership and the market potential for this product was amazing and we didn't have any problem selling our product. Secondly, we use to go to all the international exhibitions and fairs by the direct invitation from that country so taking the product into that country and representing Pakistan was a proud moment and by this process, we made many contacts which not only helped us selling our product in that country but also we impressed clients from different countries. So, it was a good platform to get the best out of it.</p>	<ol style="list-style-type: none"> <li>1. Personal liaison and contacts with international clients</li> <li>2. Market prospective</li> <li>3. Business Expo</li> <li>4. Business Platform</li> </ol>
<p><b>5</b></p>	<p>I will say the growth opportunity in the market the product people are wanted to have a similar culture and taste than the market was a bit similar in the case of Iran. The quality of the product and the maturity in the business also helped us to go international. We had advanced technology in the field of rice processing so that also helps our company in the international process. Being creative and innovative in the rice quality by giving different products like polishing the rice making it silkier and giving the looks like crystal helped our company in the international process.</p>	<ol style="list-style-type: none"> <li>1. Development prospect – culture awareness</li> <li>2. Experienced and innovative</li> <li>3. State of the art technology</li> </ol>
<p><b>6</b></p>	<p>The main impact on our firm being part of the international business community was the overall performance of the company improved by getting the product good repute in the international market. We created a brand name that means a lot to my company. Our company growth and profits boost up and nevertheless the morale of the employees boosted as we were giving them incentives due to their hard work and bringing that quality product.</p>	<ol style="list-style-type: none"> <li>1. General performance</li> <li>2. Profit and growth – a brand name and product quality</li> <li>3. Rewards – incentives and employee morale</li> </ol>

7	As such we didn't focus on any strategy to go international as we already had buyers from Iran, which already knows the quality and the production capacity of our company. So we didn't face problems in the selection of the market as the buyers straightaway came to us for the export so starting with them a good step to enter into the international market by direct exporting. Though latterly we had the offer of opening our production setup in Iran we refused due to language constraints.	<ol style="list-style-type: none"> <li>1. Strategy for internationalization</li> <li>2. Strength of business</li> <li>3. Socio-cultural factor</li> </ol>
8	The main challenges and barriers, which we faced in exporting Iran, were the language as and secondly, we were not familiar with the payments procedure and so initially we had a slow cash return. The government has not given any incentives for exporting the product rather they have weak policies for trading internationally. So, in the case of Germany, we had some sociocultural differences and the currency rate differences as to when we change the rate of the currency, we had the risk of currency exchange which was a big barrier for us.	<ol style="list-style-type: none"> <li>1. International market barriers</li> <li>2. Economic factors.</li> </ol>
9	I think in the international process the creativity and innovation have a pivotal role in making your product unique from the rest of the company's product already in the market. It is a human psychic that people need to change and looking for different products in our case we have started parboiled rice, which was a new product in the market of Iran. Due to parboil the length of the rice becomes lengthier and looks amazing after cooking. So, I think without innovation you can compete in the international market.	<ol style="list-style-type: none"> <li>1. Innovative and creative</li> <li>2. A proactive motive for internationalization.</li> </ol>
10	I suggest in this current scenario keeping in view the international situation that before they look for the business opportunity that should first make contacts in the country they want to operate means they should first select the countries where they want to sell their product that they should look for the business strategy either they want to collaborate with any company our they want to go for the direct export. So, it depends on whichever they think will suit them.	<ol style="list-style-type: none"> <li>1. Business Opportunities for Entrepreneurs</li> <li>2. Internationalization strategy</li> </ol>

<p><b>11</b></p>	<p>Government agencies are the one who makes the business person by giving the governmental support in making polices which favours the exporters and make the procedure short so that one should no wait for a long time. The government should give incentives to the exporters in the shape of taxes and other rebates that will boost the economy of the country as the SME's role in any countries GDP is very important and these SMEs are making the country economic value. The Chamber of commerce is the face of the government and the business community. They should address the problem of SMEs at the governmental level so that the business community should say that there is someone who is protecting them. Coming over to financial institutions as it's a normal practice that they support the large firms and helping them in financial support and capital. The same thing they should do for SMEs, as they are more deserving of capital support. Local authorities as such have no role but to tease in the process of waste material dumping and the logistics of the goods. That made their domains where they charge money from the transporters and making them stopped for a long time which delays the supply chain process.</p>	<p>1. External barriers for internationalization</p> <p>2. Support for internationalization process</p>
<p><b>12</b></p>	<p>I think nowadays the international process for SMEs is a bit difficult in meeting the standards of European markets. Normally SMEs don't have the certifications which are normally required by the international importers so that the main area that SMEs need to focus on before going into international. The government policies and the taxation process should be made easy for the exporters so that they should smoothly do business with the international market.</p>	<p>1. Government support for the internationalization process.</p>

## 5.4 Company B Interview 1 Overarching themes and their sub-themes

**Table 5-8, Company-B, Interview 1**

Question no	Interview 1 CEO	Overarching themes and their sub-themes
1	All right, first of all, let me introduce myself to you my name is Mr A and I am the CEO of the company. And we are engaged in the manufacturing of television DVD players and then, later on, we started manufacturing fans to be actually onto your first question is we wanted to be global number one we went into the export market in 2009 why we go for an export yes we were heading for to explore new market because the growth was a little bit stagnant in our domestic market so we were thinking the quality which we produce in fans they are so good that we can compete in the international market at any level so that is why to explore new markets to enhance the growth in our company and to be a global leader in our product.	<ol style="list-style-type: none"> <li>1. Details of top-level managers</li> <li>2. Type of Business</li> <li>3. Drivers of internationalization</li> <li>4. Proactive motives of internationalization</li> </ol>
2	Obviously, it is exporting as we think we are born global and our company has the potential to compete in any international marking by direct exporting in this particular area of the fan industry. And once you think you are the best in your domestic market you should look for export opportunities.	<ol style="list-style-type: none"> <li>1. Proactive motives of internationalization</li> </ol>
3.	There are few of them to start with its UAE than in Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa, Yemen, and Bangladesh. Why the Middle East and Africa why not European countries as we know the Arab countries and African countries, they have a very hot temperature throughout the year and the consumption of our product is more in that region. That's why we preferred these regions to be more lucrative from a sales point of view.	<ol style="list-style-type: none"> <li>1. Downstream internationalization — market knowledge, exporting</li> <li>2. Goals of profit and Growth — proactive motives</li> </ol>
4	Well, there are a few we go step by step yes entering into the foreign market through network contacts yes also that there is another avenue which we used was the international fair and exhibition that is another avenue which we used to get into the export market.	<ol style="list-style-type: none"> <li>1. Market entry strategy and personal liaison</li> <li>2. Business opportunities through exhibitions</li> </ol>

5	<p>There are few things, which I agree with, and a few I don't like there is always growth opportunities but markets are not always similar you have to customize according to the markets yes there was market opportunity and a little bit of market knowledge yes your first point 75% a part of it second point similarity in business culture, and maturity of the business I don't think " fourth point creativity and innovation why I say that because once you go into the international market you see the requirement of your customer and you innovate and create according to the requirement of the customers that was the basic need to create and innovate that is what we are thriving for and the fifth point managerial motivation.</p>	<ol style="list-style-type: none"> <li>1. Dimension for SMEs internationalization — market, product</li> <li>2. Creative and innovative</li> <li>3. Managerial attitude and urge</li> </ol>
6	<p>I will say that its growth employee's morale and overall performance I think every entrepreneur looks for this area to go international where he thinks his product will do wonders and obviously, we will get more profit and the growth of our business will enhance.</p>	<ol style="list-style-type: none"> <li>1. Profit and growth</li> </ol>
7	<p>It was basically we went for the exhibition we identify the resources and you know we innovated our product according to the customer requirement and that was how we went into the export market by identifying the need of the markets through exhibitions and personal contacts. And I would say it's more of a direct exporting.</p>	<ol style="list-style-type: none"> <li>1. A platform for the business</li> <li>2. Customers' needs and market demand</li> </ol>
8	<p>Yeah, the first thing is finding the right people for the right job and number two is in someplace yes language barriers were also there and thirdly was the competition between China and India and then Pakistani product the three things I already mentioned and also the main thing was in some countries where we are exporting like Sudan and Iraq where the export was restricted by the United Nations that was also the major cause and a little role of SMEs as well because we must educate our industry according to the need of the export the vendors must maintain the quality of the product which we supply and use for the export we really had to work with our suppliers to identify and root out the quality issues relevant to export product.</p>	<ol style="list-style-type: none"> <li>1. Socio-cultural factors — language barriers</li> <li>2. International market barriers — export restrictions by UN</li> <li>3. Downstream for internationalization</li> </ol>
9	<p>Extremely important because you need to be creative and innovative to make a mark because you have competition from all over the place and you need to be one step ahead you won't be progressing unless you are innovative or creative so that is the basic soul of the company if you want to be in export business.</p>	<ol style="list-style-type: none"> <li>1. Creative and innovative</li> </ol>



<b>10</b>	Well, the most important thing for the SMEs is to improve their process of manufacturing the quality control systems they should identify the needs of their customers the certifications that what kind of certification is needed to export in the specific market so SMEs really need to work on their skills to produce the quality product and identify the need and to control their process using modern techniques of productions.	<ol style="list-style-type: none"> <li>1. Product uniqueness and technology competence</li> <li>2. Procedural barriers</li> </ol>
<b>11</b>	Ok, the first thing is the government agencies should facilitate the SMEs to look for the market that wants to export ok look for the products markets and also the certifications especially like if you want to export the product to the USA then you have different kind of certifications you need some help from them to get those certifications and must have those certifications agencies. Number two is to be competitive in the market you need to have relief in taxation and also some rebates on export so that you should be competitive with the other exporting nations. Second is the chamber of commerce helps you to make advancement in your industry using your resources what are available Chamber of Commerce plays a very important role as the linkage of industries with the government agencies is a concern and whatever the bottleneck is whatever the barriers are if you are not been able to overcome those barriers than the chamber of commerce must help you to get over from those barriers to go for a better industry. Yeah, you definitely need financial assistance and financial institutions play a big role to go into the international market especially the interest rate, etc. Local authorities ok I am not sure I think logistics and the supply chain management they can support.	<ol style="list-style-type: none"> <li>1. International Market barriers and governmental procedures</li> <li>2. Technology competence</li> </ol>
<b>12</b>	For the European markets, there are certain rules and regulations, which you have to follow and there are certain certifications, which your product must qualify for to export to the European markets. To do that you need to have proper components, which have to be dually approved through those certifications than you have the proper system of producing a product under the regulations of those certifications so it's a process you need to train your people you need to educate you to need to develop that skill set so that they produce the product according to the certifications required in the European countries.	<ol style="list-style-type: none"> <li>1. International Market barriers and governmental procedures</li> <li>2. Procedural barrier</li> </ol>

## 5.5 Company C Interview 1 Overarching themes and their sub-themes

**Table 5-9, Company-C, Interview 1**

Question no	Interview 1 CEO	Overarching themes and their sub-themes
1	<p>My name is Mr B and I am the CEO of the company I am running a garment export unit in Lahore by the name of Denim Vogue private limited. And we are into woven stitching that mainly in the common language the denim jeans. We went international in 2004 and started exporting our garment product to UK Manchester. The three reasons why we went international was the foreign exchange and the larger market as compared to our domestic market. And the exposure and the challenge we can enjoy and we can expect in the international market. We do have the local market for the denim jeans again the reason we went to international trade was the foreign exchange as I mentioned earlier we couldn't get that much return and if I talk about the market in the year 2004 and 2005 there were no local good garment franchises or good denim producers available as we had in European countries like Next, Marks and Spencer and BHS. Like the Levis now has the complete retail chain throughout Pakistan. And the quality we were producing we didn't find the buyers for such good stuff in the domestic market and the growth of the market was a bit stationary.</p>	<ol style="list-style-type: none"> <li>1. Top-level manager details</li> <li>2. Type of business</li> <li>3. Drivers of internationalization — the growth of the market was a bit stationary and saturated domestic market</li> </ol>
2	<p>Well, the mode of entry that we cater to in the international process was exporting. The size we were having and the best possible option amongst the available were the exporting because we could export as per our company's production and size and especially our capacity. If I talk about the joint venture in the years 2004 and 2005 our company doesn't have that much capacity and size to do a joint venture with any of the big garment merchants and importers. Even if someone interested in foreign countries for the FDI my company was not fulfilling the criteria.</p>	<ol style="list-style-type: none"> <li>1. An operational model for internationalization</li> <li>2. International drivers and strategy — don't have that much capacity</li> </ol>
3.	<p>I had the only client for the export in the international market from the UK. And I have been exporting to Manchester to the different clients and that was the ladies and men's jeans. As I had good contacts in the UK and I had a comfort level with the importers in the UK that's why I started with Manchester. And the quality of stuff of our jean made in Pakistan was one of the famous as our textile sector do wonder in the field of making cloth and jeans.</p>	<ol style="list-style-type: none"> <li>1. Dimensions of internationalization</li> <li>2. Strong network</li> </ol>

4	Well, we enter into the international market through personal contacts and the friend and family network. I had a strong contact in the UK who has earlier has the same business of stitching garment but because of the rising prices in the UK and the labour cost was a bit high they shut their unit off and started importing from different countries. So I had an option that why my company supplies them garments like jeans etc. and after having stronger bonding in the field of garments I was part of a few international entrepreneurial activities through exhibitions as well.	<ol style="list-style-type: none"> <li>1. Type of business</li> <li>2. Drivers of internationalization.</li> </ol>
5	Well, I would say we had the market opportunity and I can say the knowledge of the market, as it was a bit similar. And the importer of our product knew the UK local market and the style and the taste of the people. Through my contacts in the international market especially the UK and the community of the local importers so I met different people who had earlier these garment manufacturing units in the UK so they closed their stitching units and started importing the product from different countries. So I had a reasonable share of the Pakistani market of their imports.	<ol style="list-style-type: none"> <li>1. Reasons for internationalization</li> <li>2. Proactive motives for internationalization</li> </ol>
6	I will go for all of your options as I have seen the impact of every point you mentioned in my organization when we went international. Because if we talk about profitability there are good profit margins available in the form of foreign exchange and there are rebates available to the exporters in the local market. Then there are humongous chances of growth in the international market because the whole world is your target market. And then the strategy of how you make a contact with the larger importers in the international market. Employee Morales gets high when you get anyone good order from the large importer and he asked you to meet the international standards and we are requiring certifications for that they keep the morale very high, as you have to take care of your labour as per the international standards.	<ol style="list-style-type: none"> <li>1. Proactive motives for internationalization</li> <li>2. Managerial Attitude and Urge</li> <li>3. Export barriers</li> </ol>
7	Well as a beginner I have good customer contact in the UK I started with the export of the basic garment first. Then I started a fashion garment then I went to higher fashion garments. That is the more risky and volatile market because fashion keeps on changing every month probably in one season you have two-three different fashions and designs. So, I focused on the export of basic garments first and then slowly I went into the fashioned market. And to get the excess of the fashion market these fairs and exhibitions helped me a lot in getting good clients. And the strategy we adopted was direct export.	<ol style="list-style-type: none"> <li>1. Type of business</li> <li>2. Internationalization strategy</li> <li>3. Market selection — Fairs and exhibitions</li> </ol>

8	<p>You see there are multiple challenges you are facing when you go international. Because you are competing in the whole world in general and this Asian region in particular because we are facing competition with China, India, Sri Lanka, and Bangladesh. We still have a very good price we are offering to the international garment importers. And if we see the local economic condition all these for competitor's countries, we have numerous challenges. If I talk about the barriers, we don't directly market access we don't have any platform or our country local embassies doing any effort to ease their exporters in their respective countries they are serving. The banking support and financial problems for the SMEs as compared to large firms. And the capital is the other problem if you want to change your company size from small to a larger size you don't get financial support.</p>	<ol style="list-style-type: none"> <li>1. International market barriers</li> <li>2. Proactive motives for internationalization</li> <li>3. External internationalization barriers</li> </ol>
9	<p>I would say innovation and creativity has a key role in the process of internationalization. But SMEs in our countries are lacking this creativity factor as in our country companies don't have the R&amp;D and garment and let us take our example if we open our wardrobe we can see different cloths with time to time fashion design changes we don't wear it again and it is just becoming the part of your wardrobe. That's is the point when we say in any business that creativity and innovation play their role.</p>	<ol style="list-style-type: none"> <li>1. International downstream activities</li> </ol>
10	<p>I think the world is moving towards specialization and we should master our product first before going international. We should have complete knowledge of our product. Then you should have a unique selling point you should be creative with the local trends in the market. Another important thing there are many clients in the market but the major portion goes for the cost now why China and Bangladesh have the largest share in the garment industry now because they have gone very cost-effective but there is expensive garment also sellable but that is higher fashion. I think strategies vary from company to company person to person vision to vision what exactly you are aiming for either you just want to be a money-making machine or you want to have some standing in the market and sustainability for a longer time.</p>	<ol style="list-style-type: none"> <li>1. Proactive motives for internationalization</li> <li>2. The reactive motive of internationalization</li> <li>3. The operational mode of internationalization</li> </ol>

<p><b>11</b></p>	<p>Everything every organization platform has its role and standing you can't minus any of these its starts from the micro-level and goes up to the macro level I would say local authorities should understand the needs of the local SMEs. I think it's a funnel shape structure you always start from micro and go to the macro level to address to give signs and symbols to the government agencies to form the policies accordingly. The government makes policies with major or mini budgets end of the year or the beginning of the years they ask the local chambers for the proposal. Government agencies should facilitate by making the policies or commercial attaches in the foreign embassies they should give excess and time if they have a problem in their respective counties in the world. Whenever a chamber of commerce is asked by the government to formulate the policies that your local industries require and demands and chamber of commerce should convey the exact position that would be helpful for the government to make the policies and rules regulations. Actually, the chamber of commerce in all the districts and cities is not addressing all the issues and all the sectors working and prevailing in these regions and probably there is no proper representation of that sector in the chamber of commerce. The financial institution has the key role they don't have the proper specific solution to the SMEs for the financing for the ease of doing business ease of excess to the cash there are no such product available and the major chunk of the economy Pakistan consist on the SMEs we need to work on it but they have a financial solution only for the large scale units because they are more comfortable with it.</p>	<p>1. Support for SMEs Internationalization process</p> <p>2. Governmental barriers</p>
<p><b>12</b></p>	<p>The suggestion is especially if you are looking to export in the European market it is the very comparative market, they go for the third-party certification there without that they can't import your product and you can't export if you don't meet the standard criteria. And our Pakistan Council of Scientific and Industrial Research (PCSIR) laboratories are not aware of such certification and they have not made such arrangements to facilitate SMEs for such certifications.</p>	<p>1. External barriers</p>

## 5.6 Company D Interview 1 Overarching themes and their sub-themes

**Table 5-10, Company-D, Interview 1**

Question no	Interview 1 CEO	Overarching themes and their sub-themes
1	<p>Let me start this interview with a short introduction my name is Shiraz Ahmed and I am the CEO of the company. And we started our polypropylene business in the year 2007. And the reason our company goes international in the year 2008 was our clients they were having plants in different countries and they were using our bags for their product. The other reason when we went international was the machinery of our plant. We have installed Starlinger plant, which is the world-leading plant in producing plastic woven bags so the product we get from this plant is not for domestic sale as the quality is much high and the local suppliers can't afford these material bags. So this is how we went international.</p>	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager</li> <li>2. Type of business</li> <li>3. Drivers for internationalization — not for domestic sale, product quality</li> <li>4. Product uniqueness and technology competence</li> </ol>
2	<p>The best entry mode that describes my firm internationalization process is direct exporting through personal contacts. The domestic market is very saturated in the case of our product because our machine doesn't use recycle products to remake the product so due to which the price of the product goes high and the local supplier normally goes for recycling bags in case of polypropylene. So, the option available for us to sell our product is through exporting.</p>	<ol style="list-style-type: none"> <li>1. Internationalization strategy — downstream internationalization</li> <li>2. Drivers of internationalization — domestic market saturated, the machine doesn't use recycle product</li> </ol>
3.	<p>My Company started international activities with the neighbouring countries as the demand was quite high and the production capacity of our plant was very efficient. We have started exporting our polypropylene bags to Oman, Iran, UAE, and Afghanistan. As we have the direct link from these countries and the machinery installed is the worlds leading brand so to attract the buyers was not difficult. Mostly our clients were the fertilizers, urea, chemicals and flour mills.</p>	<ol style="list-style-type: none"> <li>1. Business strategy and demands of the customers</li> <li>2. Product efficiency and technology competence</li> </ol>
4	<p>I think if I chose from your question options the best internationalization process describe for my firm is through personal links and in personal links. By selling our product to the Middle East we have been taking part in exhibitions just to introduce our company and the product. With the help of exhibitions, we made good contact with buyers of polypropylene bags from Iran and Afghanistan. So luckily, we hooked up with the good importers of the bags, which</p>	<ol style="list-style-type: none"> <li>1. Business activity and strong contacts</li> <li>2. A platform for attracting customers and promote the product</li> </ol>

	gave us a good business in the initial run of the business.	
<b>5</b>	Considering your question options, I think market knowledge and market growth. When I say market knowledge as countries like UAE, Oman, and Iran are oil-producing countries and there are many by-products of the oil, which need this bag for the packing. Secondly, we were having clients who were buying feed, fertilizers, and Urea from Pakistan so that suppliers use our bags for their product. And we were more creative and innovative in making and good business contacts and network and we were very motivated to go to any extreme to take the risk and sell our product.	<ol style="list-style-type: none"> <li>1. The proactive motive of internationalization — market knowledge, market growth</li> <li>2. Good business network and market repute</li> <li>3. Managerial attitude and urge</li> </ol>
<b>6</b>	The impact of going international to our firm is the growth of the company and the profit gain. But we the huge demand and order from the foreign clients the employee morale gets boosted due to overtime and that is how our labour and employees mint money with extra time bonuses. Keeping all the points in one word if I say it's the overall performance of the company enhanced and heightened.	<ol style="list-style-type: none"> <li>1. Growth and rewards</li> </ol>
<b>7</b>	I think we have never think of a strategy to start with this business I can say we were born global so when I say this term due to the efficiency of the plant and the employees we only look for the foreign buyers as we know that our local market will not buy this product because they were most interested in buying the recycle bags which were low in cost and fulfil their need too. So, we looked for direct exporting through our clients, contacts, and partnership. I think still in Pakistan the entrepreneur doesn't use any strategy and they use the simple method of export in the case of SMEs.	<ol style="list-style-type: none"> <li>1. Downstream internationalization and proactive motives — born global, direct exporting</li> <li>2. Drivers of internationalization — the local market will not buy the product, buying recycle bags</li> </ol>

8	<p>The main challenges and barriers which we faced in exporting bags to international clients were the governmental barriers the procedures and the processes for the export were very complicated and the support and incentives were not given by the government which helps the firm to go into the international market. The currency exchange rate for the other main barrier faced by our company as the local banks from where we do export through a letter of credit the exchange rate given by the banks and the rate given by the open currency brokers were different. So the financial institutions in the country were not supportive to give us a good exchange rate. In Afghanistan, we faced language constraints due to which in many cases we use to hire an interpreter to mature the business deal.</p>	<ol style="list-style-type: none"> <li>1. External barriers to international marketing</li> <li>2. Macroeconomic instability and financial support</li> <li>3. socio-cultural factors</li> </ol>
9	<p>I think the key role in the process of internationalization is innovation and creativity. When we say creative, I think we are talking about the exclusiveness of the product in our case the digital printing we started with different colour bags attracted foreign clients and being innovative we had flourished our business to the level we were hoping for. The dedication and hard work pay back the efforts you make and the endeavours you put in and being creative you feel more refreshing.</p>	<ol style="list-style-type: none"> <li>1. Drivers of internationalization — exclusiveness of the product</li> <li>2. Managerial attitude and urge — dedication and hard work</li> </ol>
10	<p>I suggest in this current international situation and the prevailing country scenario we have to seek the best business opportunities by using different tools to be connected. Making proper contacts and link in the country you want to operate and sell your product so the market choice I must say it is very important and has a pivotal role in the success of the business. I think for the SMEs doing joint ventures is very difficult due to budget and financial constraints. The option and choice for any company to test their skills and performance are through export or partnership.</p>	<ol style="list-style-type: none"> <li>1. Before entering into international market factors needs to be considered</li> <li>2. Dimensions for firm Internationalization</li> <li>3. Internationalization strategy for entering into the international market</li> </ol>
11	<p>Government agencies are the ones who are responsible for country growth and GDP. The support and ease, which a government department can give to the businessman, can boost their morale to excel in their respective fields. The policies and procedures for export should be made easy so that time should not be wasted in shipping the product. The mother of the business is the chamber of commerce in Pakistan. The chamber is the one that gives opportunities in the form of international exhibitions and fairs. The problem industries faces can be conveyed at the governmental level through the chamber. So, I must say the chamber works like a heart in the body. A financial institution like SME bank was made in Pakistan to support SMEs but these financial institutions and only helping the large firms and getting more interest from those firms as</p>	<ol style="list-style-type: none"> <li>1. Governmental and procedural barriers</li> </ol>



	<p>more percentage of interest for the SMEs is very difficult to reimburse. Local authorities in our country are just the bribe station. They just stop the logistics process by delaying the road shipment and transportation and nothing else. The government should be made responsible for this delay by the local authorities.</p>	
<p><b>12</b></p>	<p>I think in meeting the standards of European markets nowadays the internationalization process for any firm from outside the country is a bit difficult. The standards should be made similar to all the countries so that there should be some standardization in the procedure and process. The taxation and policies made by the government should be smooth and easy going for the entrepreneur. There is a huge demand from the European countries for the jumbo plastic woven bags but the standards are the main hurdles that make the process more complicated.</p>	<p>1. Governmental, procedural and international market barriers</p>

## 5.7 Comparing themes across the companies

**Table 5-11, Comparison of Themes-Interview-1**

Question	Interview 1 Company A Overarching themes and their sub-themes	Interview 1 Company B Overarching themes and their sub-themes	Interview 1 Company C Overarching themes and their sub-themes	Interview 1 Company D Overarching themes and their sub-themes	Overview of the integrated themes across the companies
1	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager</li> <li>2. Type of business</li> <li>3. Drivers of internationalization – quality product, availability of clients and limited domestic buying power</li> </ol>	<ol style="list-style-type: none"> <li>1. Details of top-level managers</li> <li>2. Type of Business</li> <li>3. Drivers of internationalization</li> <li>4. Proactive motives of internationalization</li> </ol>	<ol style="list-style-type: none"> <li>1. Top-level manager details</li> <li>2. Type of business</li> <li>3. Drivers of internationalization — the growth of the market was a bit stationary and saturated domestic market</li> </ol>	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager</li> <li>2. Type of business</li> <li>3. Drivers for internationalization — not for domestic sale, product quality</li> <li>4. Product uniqueness and technology competence</li> </ol>	<ol style="list-style-type: none"> <li>1. Drivers for internationalization</li> <li>2. Proactive motives of internationalization</li> <li>3. Product uniqueness and technology competence</li> </ol>
2	<ol style="list-style-type: none"> <li>1. Strategy to go international – direct exporting</li> <li>2. Product quality and business potential</li> </ol>	<ol style="list-style-type: none"> <li>1. Proactive motives of internationalization</li> </ol>	<ol style="list-style-type: none"> <li>1. An operational model for internationalization</li> <li>2. International drivers and strategy — don't have that much capacity</li> </ol>	<ol style="list-style-type: none"> <li>1. Internationalization strategy — downstream internationalization</li> <li>2. Drivers of internationalization — domestic market saturated, the machine doesn't use recycle product</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategy to go international – direct exporting</li> <li>2. Internationalization strategy — downstream internationalization</li> <li>3. Drivers of internationalization</li> </ol>
3	<ol style="list-style-type: none"> <li>1. Export potential countries</li> <li>2. Modern technology</li> <li>3. Government facilitation for immigrants</li> <li>4. The demand for a product and aromatic taste</li> </ol>	<ol style="list-style-type: none"> <li>1. Downstream internationalization — market knowledge, exporting</li> <li>2. Goals of profit and Growth — proactive motives</li> </ol>	<ol style="list-style-type: none"> <li>1. Dimensions of internationalization</li> <li>2. Strong network</li> </ol>	<ol style="list-style-type: none"> <li>1. Business strategy and demands of the customers</li> <li>2. Product efficiency and technology competence</li> </ol>	<ol style="list-style-type: none"> <li>1. Modern technology</li> <li>2. Dimensions of internationalization</li> </ol>

4	<p>1. Personal liaison and contacts with international clients</p> <p>2. Market prospective</p> <p>3. Business Expo</p> <p>4. Business Platform</p>	<p>1. Market entry strategy and personal liaison</p> <p>2. Business opportunities through exhibitions</p>	<p>1. Type of business</p> <p>2. Drivers of internationalization.</p>	<p>1. Business activity and strong contacts</p> <p>2. A platform for attracting customers and promote the product</p>	<p>1. Market entry strategy and personal liaison</p> <p>2. Business opportunities through exhibitions</p> <p>3. Business Expo</p>
5	<p>1. Development prospect – culture awareness</p> <p>2. Experienced and innovative</p> <p>3. State of the art technology</p>	<p>1. Dimension for SMEs internationalization — market, product</p> <p>2. Creative and innovative</p> <p>3. Managerial attitude and urge</p>	<p>1. Reasons for internationalization</p> <p>2. Proactive motives for internationalization</p>	<p>1. The proactive motive of internationalization — market knowledge, market growth</p> <p>2. Good business network and market repute</p> <p>3. Managerial attitude and urge</p>	<p>The proactive motive of internationalization</p> <p>2. Creative and innovative</p> <p>3. Managerial attitude and urge</p>
6	<p>1. General performance</p> <p>2. Profit and growth – a brand name and product quality</p> <p>3. Rewards – incentives and employee morale</p>	<p>1. Profit and growth</p>	<p>1. Proactive motives for internationalization</p> <p>2. Managerial Attitude and Urge</p> <p>3. Export barriers</p>	<p>1. Growth and rewards</p>	<p>1. Profit and growth</p> <p>2. Rewards – incentives and employee morale</p> <p>3. Export barriers</p>
7	<p>1. Strategy for internationalization</p> <p>2. Strength of business</p> <p>3. Socio-cultural factor</p>	<p>1. A platform for the business</p> <p>2. Customers’ needs and market demand</p>	<p>1. Type of business</p> <p>2. Internationalization strategy</p> <p>3. Market selection — Fairs and exhibitions</p>	<p>1. Downstream internationalization and proactive motives — born global, direct exporting</p> <p>2. Drivers of internationalization — the local market will not buy the product, buying recycle bags.</p>	<p>1. Downstream internationalization and proactive motives</p> <p>2. Socio-cultural factor</p>
8	<p>1. International market barriers</p>	<p>1. Socio-cultural factors —</p>	<p>1. International market barriers</p>	<p>1. External barriers to international marketing</p>	<p>1. International market barriers</p> <p>2. External internationalization</p>

	2. Economic factors.	language barriers 2. International market barriers – export restrictions by UN 3. Downstream for internationalization	2. Proactive motives for internationalization 3. External internationalization barriers	2. Macro-economic instability and financial support 3. Socio-cultural factors	barriers 3. Socio-cultural factors
9	1. Innovative and creative 2. The proactive motive for internationalization	1. Creative and innovative	1. International downstream activities	1. Drivers of internationalization — exclusiveness of the product 2. Managerial attitude and urge — dedication and hard work	1. Innovative and creative 2. The proactive motive for internationalization 3. Managerial attitude and urge — dedication and
10	1. Business Opportunities for Entrepreneurs 2. Internationalization strategy	1. Product uniqueness and technology competence 2. Procedural barriers	1. Proactive motives for internationalization 2. The reactive motive of internationalization 3. The operational mode of internationalization	1. Before entering into international market factors needs to be considered 2. Dimensions for firm Internationalization 3. Internationalization strategy for entering into the international market	1. Internationalization strategy 2. Dimensions for firm Internationalization 3. The reactive motive of internationalization 4. Procedural barriers
11	1. External barriers for internationalization 2. Support for internationalization process	1. International Market barriers and governmental procedures 2. Technology competence	1. Support for SMEs Internationalization process 2. Governmental barriers	1. Governmental and procedural barriers	1. External barriers for internationalization 2. Governmental and procedural barriers 3. Support for SMEs Internationalization process
12	1. Government support for the internationalization process.	1. International Market barriers and governmental procedure	1. External barriers	1. Governmental, procedural and international market barriers	1. Government support for the internationalization process. 2. Procedural barriers

## 5.8 Comparing themes across the companies

**Table 5-12, Comparison of Themes-Interview-2**

Question	Interview 2 Company A Overarching themes and their sub-themes	Interview 2 Company B Overarching themes and their sub-themes	Interview 2 Company C Overarching themes and their sub-themes	Interview 2 Company D Overarching themes and their sub-themes	Overview of the integrated themes across the companies
1	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager</li> <li>2. Type of business</li> <li>3. Drivers of internationalization – quality product, attraction by the foreign importers and domestic market limited buying power</li> </ol>	<ol style="list-style-type: none"> <li>1. Details of top-level managers</li> <li>2. Type of Business</li> <li>3. Drivers of internationalization – – good market, taxation and government rebate</li> </ol>	<ol style="list-style-type: none"> <li>1. Top-level manager details</li> <li>2. Type of business</li> <li>3. Managerial Attitude and Urge</li> <li>4. Drivers of internationalization — domestic stagnant market</li> </ol>	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager</li> <li>2. Type of business</li> <li>3. Technology competence</li> <li>4. Drivers of internationalization</li> </ol>	<ol style="list-style-type: none"> <li>1. Drivers for internationalization</li> <li>2. Managerial Attitude and Urge internationalization</li> <li>3. Technology competence</li> </ol>
2	<ol style="list-style-type: none"> <li>1. Strategy to go international – direct exporting</li> <li>2. Business prospects</li> </ol>	<ol style="list-style-type: none"> <li>1. Internationalization strategy — direct exporting</li> <li>2. Drivers of internationalization – – buyers couldn't afford the price, product quality</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategies for entering into the international market</li> </ol>	<ol style="list-style-type: none"> <li>1. Technology competence</li> <li>2. Internationalization strategy and proactive motives — go for export, contacts with importers and personal contacts</li> <li>3. Drivers of internationalization — no local market to buy our product</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategy to go international – direct exporting</li> <li>2. Internationalization strategy and proactive motives internationalization</li> <li>3. Drivers of internationalization</li> </ol>
3	<ol style="list-style-type: none"> <li>1. The operational mode of internationalization</li> <li>2. Strategic decision of internationalization</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishing a business in different countries</li> <li>2. Goals of profit and growth</li> </ol>	<ol style="list-style-type: none"> <li>1. Downstream internationalization</li> <li>2. Proactive motives for internationalization</li> </ol>	<ol style="list-style-type: none"> <li>1. Business strategy and operational mode</li> </ol>	<ol style="list-style-type: none"> <li>1. The operational mode of internationalization</li> <li>2. Downstream internationalization</li> <li>3. Proactive motives for internationalization</li> </ol>

See APPENDIX-7-Comparison of Themes-Interview-2

## 5.9 Member Chamber of Commerce Interview 1 Overarching themes and their sub-themes

**Table 5-13, Chamber of Commerce Interview 1**

Question no	Interview 1 CEO	Overarching themes and their sub-themes
1	<p>First of all, I would like to welcome you to the Gujranwala chamber of commerce and industry and coming all the way here for the research purpose the result of this research will help us also. My name is Afaq Ayub and I am a member of the chamber of commerce and my firm name is HM Abdullah and Son's. We are into the steel fabrication of the steel security equipment here in Gujranwala. There are multiple drivers, which force or steer us to go international and that is the growth, profit maximization, the market size as we have unlimited market size when we go international. And we gain international knowledge also for that product or any product that we want to export. So, the firm that wants to go international always looks for better opportunities and growth for their firm. The market saturation also compels the entrepreneurs to look for new possibilities where they get more benefits to maximize the company profit. In every country there are internal and external factors that drive the company to change its business model due to domestic market pressure on the company's product by the international manufacturers. In Pakistan, China is influencing the local market, as its products are much cheaper as compared to local manufacturers. But few companies' products are of that level that the local market can't buy that product as it is not cost-effective. The uniqueness of the product makes them look for a better opportunity in the international market I think that's the driver, which also compels the company to go international for the growth opportunities to maximize the return and minimizing the cost.</p>	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager of the chamber of commerce</li> <li>2. Type of business</li> <li>3. Drivers of internationalization</li> <li>4. Reactive motives of internationalization</li> <li>5. The proactive motive of internationalization</li> </ol>
2	<p>As a member of the chamber and as an industrialist or an entrepreneur I see the problem of lack of digitization and the lack of automation in all the sector specifically in the manufacturing sector in Pakistan in general and Gujranwala in particular because we don't have access to the modern machinery which we desperately need and the HR is also diminishing and the general perception of the people is more looking forward to easing to making money. So, we should induct modern machinery and automation processes. Government policies are not good for SMEs and the companies don't have the proper R&amp;D, which can bring new products or innovation in that sector to staple</p>	<ol style="list-style-type: none"> <li>1. Orthodox style and old technology</li> <li>2. Governmental procedure barriers</li> </ol>

	<p>superior variety to compete with the international firms. We have an electricity shortfall that increases the cost of the product when we use generators the fuel cost affects the business. Access to finance is also a big challenge for the manufacturing sector for the growth of industries. <sup>11</sup><sub>SEP</sub></p>	
3.	<p>The chamber of commerce through the export promotion bureau in Pakistan held exhibitions in different countries in the different sectors throughout the world and the year. And they properly advertise this and convey to the local chambers and to the concern sector for people to provoke them in lights them to book their stalls in that international exhibitions and fairs to promote their product. This is how the chamber is helping out to the local industry. Chamber's other role is to convey the problems of the entrepreneurs with regards to the export policies and regulations to the concerned government sector for the smooth functioning of the international process. We also have a one-window facility or we can say a helping desk to support the firms if they have any issues especially with the SMEDA or Trade Association and Development of Pakistan (TADAP).</p>	<p>1. Governmental procedure barriers</p>
4	<p>The government of Pakistan or any government in the third world country should support and make the s and process easy for the companies going for internationalization by giving them market access through their commercial attaché's and promote them to go for more fairs and exhibitions in the international market in every part of the world. If I talk about Europe the major markets are in Germany, Italy and Spain they should go held exhibitions to market their local products. We have very good products in Pakistan, which have good demands in the European market. SMEs always have less capital I think the financial institution should bring good attractive offers for the SMEs and the payback terms also just to support and promote business activity in Pakistan. And SMEs are the basic hub of business in developing countries they are the major foreign exchange earners which gives a boost to the GDP of the country.</p>	<p>1. Governmental procedure and support 2. Product uniqueness and quality 3. Financial constraints for entrepreneurs</p>
5	<p>It's a very good question if we are only mentioning the problems, we should also identify the barriers in the process and give solutions also. There are multiple barriers SMEs are facing in the internationalization process. First of all is the knowledge barrier, financial barriers, then there are market barriers and human resource barriers. I think there is a fourth generation of advancement the world is going on. And we are still adopting the third-generation advancement in the manufacturing sector especially for that we don't have the knowledge of the modern machinery available knowledge of the processes of the manufacturing that the world is following at the fourth level now. We</p>	<p>1. Internationalization barriers 2. Lack of technology awareness</p>

	don't know the automation of the manufacturing process. We don't have the access to international knowledge that's is a practical form or theoretical form.	
6	My suggestion is the government should look for and private sector and make that strong to make the process easier for the entrepreneur and look for something different and attractive to attract international brands. And facilitate the entrepreneurs for easy and quick procedures for trade	1. Governmental task procedures

## 5.10 President Chamber of Commerce Interview 1 Overarching themes and their sub-themes

Table 5-14, Chamber of Commerce Interview themes 1

Question no	Interview 1 CEO	Overarching themes and their sub-themes
1	Well, my name is Ghulam Murtaza and I am the president of the chamber of commerce AJ&K. I think it's a mix of two main factors or drivers you can say one of the set belongs to internal factor that means the factors within Pakistan and one of the sets of drivers will be external factors so if we talk about internal factor I think the most important thing in this internationalization process is ICT (Information communication technology) so that's the real key to our chance of internationalization of SMEs and even medium size of organizations. As we all know the world is a global village and the world is becoming a thing more than that than the century, we are in the term global village becomes meaningless as the whole world will be like one place. ICT is the only key for any internationalization process I think there are many other drivers you can say R&D one of the critical things is that we don't do any research what is the problem and how we can make a good strategy to overcome those problems and grasp the opportunities in the world. R&D sets the targets for SMEs to achieve internationalization. SMEs can't assess the internationalization potential of different foreign markets, as they don't have any access or support from the government side. SMEs don't know which entry mode is best to go into the international market. Even if they go for joint ventures, they don't have that much capital to support the business. SMEs has been ignored in Pakistan for many decades we have been focusing on large entities public sectors took place in the 60s and took the arena and it was the public sector era than it was the privatization wave but we never focused on SMEs now it's the time to realize that it is only SMEs sector which can contribute largely towards the GDP of the country and can become a catalyst for the success for the country. The government doesn't have proper trade policies and certifications for the technical standards of the product. If we have a real-time R&D concerning the unification of SMEs resources that have got very limited capacity within its	<ol style="list-style-type: none"> <li>1. Details of the Top-level manager of the chamber of commerce</li> <li>2. Factors need to be considered before entering the international market</li> <li>3. Governmental and procedural barriers</li> <li>4. Reactive motives of internationalization — economic and competitive pressure</li> </ol>



	<p>circumstances and it doesn't have the resources to internationalize but if someone clamp the resources of like 15 or 20 SMEs if we make a research on that how to clamp the resources than we can adopt the model of chain manufacturing as being done by China Japan etc those who used this model for unification of SMEs for making international brands and product that's the key for success. That's why Chinese products are very cheap in the Pakistani market and have a competitive edge in our domestic market. We don't have reinvented the wheel that's already invented we just have to copy and replicate the model. Government policies I take it from two perspectives one is regulation and the other is a facilitation perspective. The government has many facilitation services for the SMEs and business community and has got dozens of regulations. Basically, many regulations are not professionally designed and these are not supportive of business SMEs and business and all the facilitation are not transmitted to the right corridor of SMEs and business community or not properly utilized by the business community and there are big gaps.</p>	
<p><b>2</b></p>	<p>I think it's the most known question to everybody first is the power shortfall and second is the expensive power these are the two major challenges Pakistani entrepreneurs are facing. The third I would rate would be the corruption and the fourth one would be the harsh regulation with corruption. Regulation is not only ill-designed but they have also pro corruption mechanisms for an entrepreneur to bother. So, the numbers are increasing every day as the regulators misuse their powers. Human resource is one of the key challenges for the business community the right skilled human resources is the real key for the success of any business and especially if you want to internationalize you have to be competent to face global competitors and that can be supported by good HR. if I talk about the market it has two sides one is internal and the other is external. In the last 3 decades, external factors have influenced and washed out the internal factor. If you are not competent enough for the global market you can't sell your product in the domestic market. And this phenomenon is generated by Information Communication Technology that the world is shrinking and people can get the product from anywhere in the world if I am not able to make a good quality product at a low price then somebody will do that from China for sale in the domestic market.</p>	<p>1. Political and legal institutional constraint</p> <p>2. Competition and managerial inefficiency</p> <p>3. Reactive motives of internationalization</p>
<p><b>3.</b></p>	<p>Well, I think the chamber has two aspects for this one is what they should do and what the chamber is doing. I think chambers are not even doing their job fully but to some extent, 20 – 30 % are doing their job. Chambers should be focusing R&amp;D on how to have a facilitation window within their chambers for the business community all the facilitation services from the government side should be very easily available in chambers for the SMEs or business community within their region. First of their duty should be like that the second of the duty should be to educate the business community about the regulation mechanism and become the bridge between the private and public sectors</p>	<p>1. Responsibility of government procedures and the chamber of commerce</p>

	<p>and facilitates such regulation and negotiate with the government which is meaningful and generates results. If we talk about our chamber, we have been trying to do all the regulation facilitation and we have many facilitator desks within our chamber like SMEDA, PATAP MOIT we have their help desk within our chamber. If we talk about the international process our chamber arranges international tours for the business community within this year, we have visited China, Europe, Thailand and we are planning to visit the UK this year for Kashmir Expo. This is the kind of role we are playing in our chamber.</p>	
<p><b>4</b></p>	<p>Basically, what I suggest is to have on a war footing basis they should have R &amp; D department they should be focusing on building an international brand that should be the only focus and make a multinational valuable brand. I think they should research that what competitive advantage Pakistan has got and which field is the best to go for the first. I think there are two to three arena which can surely be of the value of attempting on that first is textile and second is a human resource which I again flap with ICT if we kept the focus on these two areas and try to develop just one brand in both categories which are true multinational that can be real-time facilitating internationalization process and the business community. What I mean out of it is SMEs e.g. there is a Yuan factory, dying unit, stitching unit-marketing company what we need to do is club these 20 -30 different types of the manufacturing process and marketing companies try to club these resources to generate just one brand in the world. If you can just one brand in the year, I think that can bring the result for Pakistan to survive in the years to come. Currently, if we talk about the right department that is responsible for such activities I know two of them one is a board of investment and the other is TADAP, unfortunately, these are rotten old bureaucratic department and these should be replaced with the partnering with the private sector so only the solution for to compete in the global arena you cannot just merely back on these public sectors and typical bureaucratic ways to achieve international results. Their duty is exactly what you are talking about so these both departments are very underperforming and they are not performing the task up to the mark so they required to be replaced with the private sector and private sector to be engaged like 50-60% share of management should be given to them only then you can have results. You need to have your private sector on board to make strategies to make a decision and to execute a decision. Unfortunately if your talk about papers then they will share you many dozens of presentations many dozens of incentives but in real terms, I would not find a single SME have been given access to subsidies finance in my region so what is the use of such facilitations from which nobody is taking advantage so you need to look what is the actual problem financial institution, yes the state bank has the clear directive to all the commercial banks to have a lucrative policy for the SMEs but unfortunately the commercial banks are not focusing on that they are focusing on the more lucrative business they are not going after SMEs they are not financing them properly and that is the key that we are lacking behind in SME sector.</p>	<ol style="list-style-type: none"> <li>1. Brand recognition</li> <li>2. Government business model needs change</li> <li>3. Governmental procedure and support</li> </ol>

<p>5</p>	<p>If we talk about the barriers to the internationalization process, I think one of the key barriers is our political and peace situation in our country for the success of SMEs the other main barriers that I already discussed were the expensive power and the other barrier would be the interest of the government. If we talk about environmental and trade barriers definitely if we talk about the trade policy of Pakistan it is not very supportive of domestic industry or domestic manufacturers because we have to have on the other side if you need excess to the other markets you have to give the excess to your market as well so if we talk about barriers for internationalization process if you need to give trade policies incentive for internationalization process than you have to compromise to give access to your market. So that's the thing I think if you talk about the strategic trade policies framework I think it is not a very simple task if you want your SMEs to flourish on the one side if you need to succeed in the domestic market then you have to put a barrier on import so if you put a barrier on import then you will be limited to your export chances as well so if you balance one side the other will go out. The real key is to make your companies internationally competitive there is no chance you put barriers for a shorter time to let the SME survive for a shorter period and then when they are exposed to the international competition they will buy out. I think we have to go for removing of the trade barriers whether it be on export or import if we will not allow imports freely within our country than we will have least chance to go into the international market but unfortunately, the thing is we have not been able to capitalize on many international attractions e.g. if we talk about international attraction of trade incentive is we Pakistan has GSP plus status for the European market but if you analyse critically we have not been able to in cash that potential even the growth of imports specifically to Europe is not more than 5% after Generalised Scheme of Preference (GSP) plus status that's the real failure of Pakistani public and private sector both we have not able to even in cash our opportunities in 2024 this opportunity will be gone and will not be offered this status once again so easy. Cultural barriers I don't see any cross-cultural integration is no issue at all I think if Chinese have proven that nobody in the world claim to have distinctive culture and language so they have got success so I don't see culture as a problem rather we have a glimpse to have a culture far better than Chinese so if they succeed or Korean can succeed why not we don't have any culture problem.</p>	<p>1. External barriers to international marketing 2. Socio-cultural factors</p>
<p>6</p>	<p>My suggestion is to target the public and private sector should just simply sit together and target to establish one multinational brand in any possible segment of the business so that we can achieve that only then we can achieve this internationalization process.</p>	<p>1. Government business strategic change</p>

## 1.11 Focus group Interview Overarching themes and their sub-themes

Table 5-15, Focus group Interview Overarching themes

Question no	Interview Answers A, B, C, D, E	Overarching themes and their sub-themes A, B, C, D, E
<p><b>1</b> <b>Answer:</b> <b>A</b></p>	<p>I think starting from the environment and regulatory authority of Pakistan for the SMEs growth and the overall performance the role of government is not very supportive and conducive and they give priorities to the large firms and concentrate more on their benefits and development. SMEs are not getting government and economic support, due to insufficient funding they have a shortage of skilled and trained manpower, they have low technology capabilities due to which they have outdated production facilities and the product is not much appreciated in the market. The misconduct and misbehaviour of the government officials and the corruption issues are also disruptions in SME's progress. The income tax department behaviour is miserable and a critical issue needed to be addressed if the government wants to improve the GDP. The other major and unpleasant issuer is the law and order situation in Pakistan due to terrorism and that is badly affecting the SME's growth and is a big challenge nowadays.</p>	<ol style="list-style-type: none"> <li>1. Internal process barriers</li> <li>2. Financial support barrier</li> <li>3. Learning management training and innovation</li> <li>4. Technology up-gradation</li> <li>5. Lack of market knowledge</li> <li>6. SMEs database and Research and Development</li> </ol>
<p><b>1</b> <b>Answer:</b> <b>B</b></p>	<p>Yes, I fully agree with you the government is not very supportive rather they create more hurdles in the procedures and regulations especially when it comes to SMEs. I think the majority of SMEs are using the orthodox style and that's why they are facing low profit and growth and using the same old technology and old products. Secondly, they don't have the proper business plans and actions for assessing the business for example return on investment, cash flow, balance sheets etc. The staff is not that skilled and professional to handle the accounts and they also lack marketing, managerial and other technical skills. There are not proper technical institutes for training and skilled manpower, which is important to bring new innovative ideas and products for developing countries like Pakistan.</p>	

<p><b>1</b> <b>Answer:</b> <b>C</b></p>	<p>Yes, few things which were in my mind you both covered but I think the SMEs are not focusing on the product quality and not adopting standardized procedures and process in conformity with the firm SOPs. Secondly, the lack of tangible resources like financial capital to support the business and is one of the major challenges SMEs in Pakistan are facing they don't have access to get financed by getting loans from the banks and the banks ask for security to get the finance sanctioned. Most of the SMEs don't have proper account and financial information and that is the main hindrance in not getting the loan approved. And a majority of the SMEs rely on credit from suppliers, personal financing and getting loans and financial support from friends and relatives.</p>	
<p><b>1</b> <b>Answer:</b> <b>D</b></p>	<p>I 100% agree with you I just want to add few things that I think you have not covered the SMEs don't have access to the formal source of financing from the lending institutes or the banks. There is an element of corruption with high interest rates and the role of a bank is limited as taxes. Secondly, the SMEs don't have much skilled labour, they have lack of information and knowledge, they are not aware of the latest trends and technology, the government has more interference in business matters, that's why they have problems in procuring the raw materials as well as the license and registration for work. So, the government has not been supportive and is the main barrier or challenge in SMEs progress. The other issue is the power shortfall, land transport and technical expertise because that SMEs are not much contributing to the nation's GDP.</p>	
<p><b>1</b> <b>Answer:</b> <b>E</b></p>	<p>I think being part of the chamber of commerce and the facet of the industries you all have covered all the major areas that need to be addressed. In my point of view, the essential element that affects SMEs performance in Pakistan is the HRD. A low level of management training is utilized by SMEs. That's the reason the SMEs in Pakistan are facing low productivity and technical issues. The SMEs are not upgrading the technology and due to which the manufacturing sector is not progressing well. SMEs are lacking international market knowledge and awareness to take their product for export. The main point of concern that is very crucial is that SMEs are located either in the dense areas of the city or on the fringes of the main cities where access is very difficult for the transportation of the goods and products. Despite having industrial estates in the major cities, the road infrastructure is so poor that it is creating hurdles for logistics. Another big issue that needs government attention is that many SMEs have their manufacturing plants in very old buildings, which is dangerous for the stakeholders as well as for the employees. The other point is that we don't have any proper database where we can get information about other manufacturing or service-based sector.</p>	

## **5.12 Chapter Summary**

Chapter 5 presents the profile of the company and the respondents who are the focus members and how the themes and the sub-themes generated after the interpretation of the semi-structured interviews. Step one was getting the themes from the descriptive coding of the interviews and to identify the important words used by the interviewees. Step two was the interpretative coding to look for the connections between the word connection. Step three was deriving the overarching themes. Step four to get an overview of the integrated themes across the companies. After going through the entire sub-themes generated and construct the main themes, which also supports the literature review and the objectives of the thesis.

## CHAPTER 6

### 6.0 Company Cross Case Studies Analysis and Findings

The base of this cross-case analysis is the semi-structured in-depth interviews with the top management and the strategic level manager of the case companies. The previous chapter gave insight into how the company's CEO takes their product into the international market and how internationalization helps the company grow. Moreover, the previous chapter gave the companies' international activities and the response from the foreign importers and the overwhelming of the product. The marketing and internationalization strategy used by the company to go international and the hurdles and challenges faced by the firms during the internationalization process. Many companies highlighted that their contacts helped them enter the international market and market their product with confidence. Few companies struggled to go through the unstructured strategy to go into the international market and searching for the right customers and market knowledge. In this chapter, my findings have been illustrated and categorized by the interviewees' responses and the quotes from the interviews. Thus, this study research question will be answered in this chapter, which is proposed in chapter 1. To evaluate the current marketing strategies used by Pakistani SMEs and recommend an Internationalization strategy for effectively marketing the products of this sector to European countries and addressing the following issues.

To evaluate the current marketing strategies with regard to internationalization used by Pakistani manufacturing SMEs.

- a) To identify the requirements and challenges to effectively market the Pakistani products in the European markets.
- b) To recommend an internationalization strategy to effectively market products of Pakistani SMEs to European countries.

The profound impact on the internationalization process is learning and acquiring research and knowledge (Myhre, 2017). In the international process, the internationalization activities of the two dominant streams can be reflected by either inward or outward activities (Agndal, 2004). From the value chain perspective, international activities may refer to the upstream or downstream (Singer and Donoso, 2008).

### **6.1 Research Objective 1:**

To evaluate the current market strategies with regard to internationalization used by Pakistani manufacturing SMEs. Company A followed the internationalization process and strategy to market its product into the international market was through exporting. As per the **CEO**, rice production in Pakistan has the best taste in the world and has been acknowledged worldwide.

“And our rice taste has the potential to hit any market internationally because of the smell and the taste of the rice no other country rice can give. India has the potential of rice as it’s the neighbouring country and we have the same culture but our product uniqueness was the edge for our company to go for direct export”.

[Company A, CEO].

Thus, Company A has not an issue to market its product into the international market as the product overwhelming by the consumers in the foreign market. As per the managing director (**MD**) of company A they have a direct buyer from Iran who has been importing Pakistani rice due to its aromatic taste and smell.

“We didn’t plan any strategy to go into the international market rather God helped us by giving his strategy in the form of rice importers from different part of the world which directly approached us for the rice export so the strategy and technique for selling the product were clear that we will go for direct export”.

[Company A, MD].

And the company did not plan for any strategy to go into the international market. The MD of company A also said these things that the importers are their marketers, and that’s the other reason that they never think of any particular marketing strategy to go into the international market, and that’s the key they clutched other venues across the globe in the field of rice. As per the downstream stream model for internationalization (see section 2.2.1), SMEs, compared to large firms, have the edge to gain market knowledge and have better customer insight into the global market (Naldi and Zahra, 2007). In contrast, the CEO of Company B said that their company was born global and can compete in the field of fans across the globe. And the marketing strategy that has adopted to penetrate the foreign market was through direct exporting.



“We think we are born global and our company has the potential to compete in any international market by direct exporting in this particular area of the fan industry. And once you think you are the best in your domestic market you should look for export opportunities”.

[Company A, CEO].

This is in accordance with the dimension of SMEs internationalization where the time is the essential strategic decision (Oviat and McDugall, 1994), so the CEO of company B as claimed to be ‘born global’ it properly fits here because timely decision is required to go into the international market without thinking and planning any marketing strategy. Company B’s CEO also said that they went into the international market by identifying the customers’ needs and by exhibitions and through personal contacts, we established the marketing network. As per the COO of Company B, the domestic market cannot afford the price of our product as the quality of the fans is very good, so they went for internationalisation by directly exporting their product. As the product made its image in the Middle East, personal contact and the fairs and exhibitions supported growth.

“The strategy our company adopted to go into the international market was through direct exporting initially but later due to personal contacts established different avenues opened and the ideas we get in the form of fairs and exhibitions which immensely helped us to grow and look for the better opportunity and response”.

[Company B, COO].

Thus, for Company B to be born globally, they go for internationalisation as the domestic market has less potential to buy their product. And their marketing strategy is they are born global. So, the element of proactive motives drove the company to internationalise its product.

The CEO of Company C is very ambitious to get foreign exposure, and they started their international journey by exporting their product into the international market. As per the CEO, the production capacity can only go for export for joint ventures with big companies, and they do not have that much production capacity. So as per the downstream model for internationalisation, the ratio of the firm increases in fashion by gaining knowledge and adequate experience at each stage (Bilkey and Tesar 1977; Cavusgil, 1980).

“The size we were having and the best possible option amongst the available were the exporting because we could export as per our company's production and size and especially our capacity. If I talk about the joint venture in the years 2004 and 2005 our company doesn't have that much capacity and size to do a joint venture with any of the big garment merchants and importers. Even if someone interested in foreign countries for the FDI my company was not fulfilling the criteria”.

[Company C, CEO].

Company C's CEO also said that the fashion industry is a very volatile and risky market as fashion keeps changing. So, their marketing strategy was to start export with the basic garment and slowly moved on to the high fashion garments. Personal contacts and exhibitions helped them to get international clients. As per the COO of Company C, they never think and plan for any marketing strategy to go into the international arena to market their product. They started direct exporting as the old garment manufacturers from the UK approached them to make the product for them. The marketing strategy for the product was automatically established and gave the company a new avenue to start the export process.

“The strategy was automatically developed when the old garment manufacturer for the export had contacted us from the UK. So, we had to cash that opportunity and meet the criteria and needs of that company. Subsequently, we made an effort to focus on export with the help of personal contacts and networks. As the market selection option was already chosen so we didn't find difficulties in marketing or launching the export process”.

[Company C, COO].

Thus, Company C, marketing strategy using exporting is not the ambition to build a global fashion brand or business growth. Still, instead, it's the capacity of the production and the local market which makes them go for export.

The CEO of company D said that they are born global as they have state-of-the-art machinery and the marketing strategy their company adopted through direct export. As per the CEO, the local supplier of the domestic market can't buy their product due to the high cost, and the local clients buy and recycle the product, and the saturated local market compels them to look for foreign clients.

“The domestic market is very saturated in the case of our product because our machine doesn’t use recycle products to remake the product so due to which the price of the product goes high and the local supplier normally goes for recycling bags in case of polypropylene. So, the option available for us to sell our product is through exporting”.

[Company D, CEO].

Thus, the efficiency of the plant machinery and the quality of the product made the company export and market its product into the international market. The firm goes for the reactive motive of internationalization due to the saturated indigenous market. My research data shows that the SMEs internationalization process and the marketing strategy do not grow and build a business or an internationally recognized brand. Due to the saturated market and consumers buying power, most companies look for internationalization and export as a necessity. Company D’s MD said that the main reason to choose the international market for marketing and selling the product was the state-of-the-art machinery and the plant capacity. The domestic market has minimal buyers for our product. And Company D’s MD further said that they don’t have any specific strategy to market their product. But here from the literature, the strategy can work for those firms who connect with the strategy rather than the firm carried out the activities (Mintzberg, 1978). And the marketing strategy they adopted was by exporting, and the local companies dealing in the Middle East made our links and contacts.

“We started this polypropylene bag business we never thought of any strategy to go for internationalization. One thing we were very clear that we will hit the international clients and market by the quality of our product and the kind of plant we have only our company's survival is in direct export. We have established direct contacts, which helped us to export the product to their country”.

[Company D, COO].

Keeping all the Companies (A, B, C, D) points mentioned in the interviews and the above analysis, the researcher saw one thing commonly used by all the entrepreneurs: they have never thought of any internationalization or marketing strategy they should adopt to penetrate the international market. So, more important for them is the activity they carried out, and focusing on the success of that business activity. As in the dimension of SMEs

internationalization, every foreign market is different from each other. These differences have an imperative impact on developing an international marketing strategy (Ruzzer and Konecnik, 2006).

## **6.2 Research Objective 2:**

To identify the requirements and challenges to effectively market the Pakistani products in the European markets. The CEO of Company A suggested that in the current scenario and the overall international business situation wherein some countries are in recession phase where business requirement and demands are a bit limited so first the company should focus on the country and region they are trying to carry out their business activities and do a survey and get the correct information and demand of that product before taking their product into that market. In the downstream model of internationalization, the market experience is not implemented in all the market. It varies from firm to firm, and the international knowledge is not market-specific. It varies from the needs and requirements of that market's customers (Eriksson et al, 1997).

“I suggest in this current scenario keeping in view the international situation that before they look for the business opportunity that should first make contacts in the country they want to operate means they should first select the countries where they want to sell their product that they should look for the business strategy either they want to collaborate with any company our they want to go for the direct export. So, it depends on whichever they think will suit them”.

[Company A, CEO].

According to Company A's CEO, when their company started, the rice business was from Iran. The main challenge the company faces when exporting their product was the language barrier. As in the literature (see section 2.6.3), the socio-cultural factors must be considered by the home country organization when targeting a different culture market and their values (Isaac, 2011). The CEO of Company A also mentioned the other point related to the payment procedure when initially, when they started the business did not figure it out, and the cash return was prolonged. The other significant challenge is the government support for export. The government has not given any incentives on trade, and the policies for international trade were feeble for SMEs. As in literature (see section 2.7), the exporters' international market barriers often suffer due to inadequate government export policies and

a lack of available information (Naidu et al., 1997). In the case of Germany, the company faced socio-cultural differences and currency rate differences.

“The main challenges and barriers, which we faced in exporting Iran were the language as and secondly, we were not familiar with the payments procedure and so initially we had a slow cash return. The government has not given any incentives for exporting the product rather they have weak policies for trading internationally”.

[Company A, CEO].

The MD of Company A said that every step taken into a new venue was a great challenge. When the company started the business with Iran, the communication barrier was the main challenge for the company, where they needed a translator to mature the business deal. The MD of Company A also highlighted that no rules, regulation and government policies favour SMEs. Due to the electricity shortfall, the cost of the product increases due to generator fuel expenses.

“If I say challenges every step into the new venue was a challenge for us. Starting from the buyers from Iran we had communication barriers as sometimes we needed a translator to make a business deal. There were no regulations and policies from the government sector, which is favourable for the trade. Electricity shortfall is the major challenge to meet product demands and orders. And due to the shortfall of electricity, we rely on diesel generators which increased the cost of rice production when it sometimes affects the profit”.

[Company A, MD].

The other important point the MD mentioned was the international trade barriers due to requirements of meeting international standards. As in the downstream model of internationalization (see section 2.2.1), the downstream activity is not just to acquire the foreign customer knowledge but also the how to overcome the export barriers (Yang, Leone, & Alden, 1992) and the information of foreign market trade regulations (Eriksson, Johanson, Majkgard, & Sharma, 1997).

The CEO of Company B said that the important things SMEs should improve and focus on the manufacturing process and the quality control and identify the requirement and needs

of the customers. The important point mentioned by Company B's CEO was that the company should know the certifications required for the export.

“Well, the most important thing for the SMEs is to improve their process of manufacturing the quality control systems they should identify the needs of their customers the certifications that what kind of certification is needed to export in the specific market so SMEs need to work on their skills to produce the quality product and identify the need and to control their process using modern techniques of productions”.

[Company B, CEO].

Company B's CEO also mentioned that other challenge companies faced finding the right people for the right job and the language barrier in Sudan and Iraq, and the restriction on trade by the United Nations, especially for Sudan and Iraq. The other challenge that the company faced is big competitors like China and India as the neighbouring countries. As in the literature reactive motive (see section 2.3.2), the prime form of reactive motivation is the reaction to the competitive pressure on the firm (Hollensen, 2011).

“Yeah, the first thing is finding the right people for the right job and number two is in someplace yes language barriers were also there and thirdly was the competition between China and India and then Pakistani product the three things I already mentioned and also the main thing was in some countries where we are exporting like Sudan and Iraq where the export was restricted by the United Nations”.

[Company B, CEO].

The COO of Company B said that their company's main challenge in the internationalization of their product in the Middle East is the unfamiliar culture, language, and communication barrier. As in the literature (see section 2.6.3), the sociocultural differences should not be considered as the obstacle across business culture (Albaum et al., (2005). Whereas (CEO's of Company A and B) also mentioned that sociocultural difference is an obstacle and barriers to the internationalization of their product. Another point COO of Company stated that the government has a poor stance when it comes to the export. The rules and regulations are not clear and supportive. No incentives were given to the SMEs to boost the morale and the exporters. The literature (see section 2.7.2.2) in the

governmental barriers the exporter suffers due to inadequate government policies, lack of information, and ineffective overseas promotions (Naidu et al., 1997).

“The main challenges our company faced in the Middle East were the language and communication, unfamiliar culture. We faced challenges in finding the right person for marketing and human resources. We faced barriers in exporting countries like Sudan, Iraq where the export was restricted by the United Nations. The government was not supportive of doing export they have different taxes and regulations imposed on the exporters and the procedures were not good. The government was not giving incentives and support to the potential current exporters”.

[Company B, COO].

As also mentioned by Company A's CEO and MD from the literature, it is clear that without the government's support, the survival of exporters is not possible.

CEO Company C said that the requirement to internationalize the product as per the current trend in the world they are moving towards the specialization we should master and gain expertise of our product before entering into the international market. The CEO of Company C also said that you should be creative with the trends in the local market and have a unique selling point to attract customers. The other requirement to internationalize is the cost as the largest portion of garment share globally is with China and Bangladesh, so either your company wants to be a money-making machine or wants to long time standing in the market choice. As per the downstream internationalization model (see section 2.2.1), in the field of fashion, the firm gains knowledge and experience on every step and substantially, the uncertainty will be reduced at every stage (Bilkey and Tesar1977; Cavusgil, 1980).

“I think the world is moving towards specialization and we should master our product first before going international. We should have complete knowledge of our product. Then you should have a unique selling point you should be creative with the local trends in the market. China and Bangladesh have the largest share in the garment industry”.

[Company C, CEO].

The company's CEO said that the companies while going for internationalisation have multiple challenges as they are competing with foreign competitors and the entire world.

The company faces strong competition from competitors like China, India, Bangladesh, and Srilanka. As per the literature (see section 2.3.2), the reactive motive in the international market presence of rivals with small psychological distance and the saturated market hampered the growth of the firm (Pluta-Olearnik, 2012).

“You see there are multiple challenges you are facing when you go international. Because you are competing in the whole world in general and this Asian region in particular because we are facing competition with China, India, Srilanka, and Bangladesh. We still have a very good price we are offering to the international garment importers”.

[Company C, CEO].

As stated by Company C’s CEO, the other challenge is no direct access to the international market. The government and the respective embassies in that country are not supporting the entrepreneurs in providing an excellent platform to prove themselves. The most crucial challenge the SMEs face in Pakistan is the financial problem and the banking support only for the large firm. As per the literature (see section 2.8), the possibility of a process failure is less in large firms than in SMEs due to a lack of finances and organisational resources (Spence, 2003; Gorg and Strobl, 2008).

The COO of Company C stated that the main challenged their company faced in the domestic market is the old garment manufacturers and their brand name and product is in everyone’s mouth. The trust level they have developed in the local customers was impossible to compete with. As per the literature (see section 2.3.2), the reactive motive for internationalisation and the economic and competitive pressure is the major external factor for stimulating the firm’s internationalisation process is the competition (Hollensen, 2011). The COO of the Company further added that changes in fashion and design globally is very cost-effective. With fewer finances, it is challenging for the firm to update itself with the latest trends. The statement illustrates how the firm’s internationalisation and scope are affected by the personal limitation of the resources.

“Initially the main challenged we faced was the old garment manufacturer in the domestic market as they were going very successful and people use to just ask for the company name to buy the product they were strongly established and had a



good market share. The other challenge was the changing of design and fashion overall around the world. We have to update with the latest trends”.

[Company C, COO].

The other challenge mentioned by the COO of Company C was the government sector weak and poor policies for the trade and the international standards that create the export procedure slow due to the certifications. As per the literature (see section 2.7.2.2), the export of SMEs gets affected by the rule and regulations implemented by the home government and on exporting products the restriction on international and national interest (OECD, 2012).

The CEO of Company D said that the requirement to internationalize the product firstly we have to look for the best opportunities keeping in mind the prevailing country scenario and the current international overall business situation. The firm should establish proper contacts and channels where it wants to operate and sell their products as per the downstream model of internationalisation. Moreover, the firms’ ability to gather information and identification of the latest trends will enable them to develop and improve their activities in the global market (Chetty & Eriksson, 2002). The CEO statement illustrates that an essential requirement for the firm to internationalize is gathering knowledge and information about the foreign market.

“I suggest in this current international situation and the prevailing country scenario we have to seek for the best business opportunities by using different tools to be connected. Making proper contacts and links in the country you want to operate and sell your product so the market choice.”

[Company D, CEO].

The CEO of Company D further added that the budget and financial constraints compel the company not to go for joint ventures, and that’s why SMEs prefer export instead of a joint venture. The main challenge mentioned by the CEO of Company D was the governmental barriers and challenge for the export. The government is not supportive, and no trade incentives are given to the entrepreneurs to support their export.

“The main challenges and barriers which we faced in exporting bags to international clients were the governmental barriers the procedures and the processes for the export were very complicated and the support and incentives were

not given by the government which helps the firm to go into the international market”.

[Company D, CEO].

The Company D’s CEO also mentioned that the currency exchange rate is a big challenge as the banks’ rates were very less compared to open market brokers. In the case of Afghanistan, the language constraint also was a challenge in maturing the business deals. Companies (A, B, and D) have stated the same language and communication barriers and challenges for trading and exporting products in different cultures and people. As per the literature (see section 2.7.2.4), the environmental barriers in the host countries, unknown language, social-cultural behaviour, and rules and regulations are the firm’s barriers (Leonidou, 2004; Bauernschmidt, Sullivan, and Gillespie, 1985).

The MD of Company D also highlighted the challenges faced by the company in the internationalization process are the government’s inadequate and strict regulations. The governmental institutions have given no guidelines and policies to support the export process, and the government gave no incentives to support the export. The MD of Company D further added that SMEs generally have fewer budgets to support their business government. The banks are not at all supportive of providing or arranging finances to boost the entrepreneur business.

“The main barriers and challenges which the entrepreneur faced in the international process are from the government. The poor policies and strict regulations are the biggest hurdles when we do the export. They have no guidelines and policies to support the exporter and the government doesn’t offer any incentives to the exporters”.

[Company D, MD].

So the statement elucidated from all the Companies A, B, C and D (CEO’s, COO’s and MD’s) has made the government responsible for not providing straight and sound policies for the entrepreneurs to smoothly promote their business in the international market and the internationalization process, which is a big challenge for all the entrepreneurs.

President, Chamber of Commerce, also highlighted the challenges faced by the entrepreneurs is the power shortfall and the expensive power provided by the government.

Corruption and harsh regulations by the government sector are also prevalent challenges for the firms. For the business community, human resource and the right skilled persons are also the main challenges that the firms lack compared to foreign competitors. As per the literature (see section 2.6.4), SMEs become vulnerable to collecting adequate information with limited financial support and human resources (Burgess and Oldenboom, 1999).

“I think it’s the most known question to everybody first is the power shortfall and the second is the expensive power these are the two major challenges Pakistani entrepreneurs are facing. The third I would rate would be the corruption and the fourth one would be the harsh regulation with corruption. Regulation is not only ill-designed but they have also pro corruption mechanisms for an entrepreneur to bother. So, the numbers are increasing every day as the regulators misuse their powers. Human resources are one of the key challenges for the business community the right skilled human resources is the real key for success for any business and especially if you want to internationalize you have to be competent to face global competitors and that can be supported by good HR”.

[President Chamber of Commerce].

President Chamber of Commerce further mentioned that every market has two facets, internal and external. From the last three decades, the internal factor has been washed out by external factors. He further added that if the firm is not delivering well in the domestic market and cannot sell its product, it cannot compete in the foreign market. Another point stated by the President (Chamber of Commerce) is the information communication technology where people are free to buy anything from where they think is good and cheaper.

“In the last 3 decades, external factors have influenced and washed out the internal factor. If you are not competent enough for the global market you can't sell your product in the domestic market. And this phenomenon is generated by Information Communication Technology that the world is shrinking and people can get a product from anywhere in the world”.

[President Chamber of Commerce].

Member Chamber of Commerce stated that the main challenges faced by entrepreneurs are the lack of automation and digitization, especially in the manufacturing sector. As per the literature (see section 2.8), the process failure is less in large firms than in SMEs due to lack of technology managerial and organizational resources (Spence, 2003; Gorg and Strobl, 2008).

“As a member of the chamber and as an industrialist or an entrepreneur I see the problem of lack of digitization and the lack of automation in all the sectors specifically in the manufacturing sector in Pakistan in general and Gujranwala in particular because we don’t have access to the modern machinery”.

[Member Chamber of Commerce].

Member Chamber of Commerce further added that the human resource element in the firm is diminishing, and the companies are just looking for making money. The government policies for SMEs are not good, and the exporters are suffering because of the procedures and the hurdles created by the weak policies and regulations. He highlighted the R & D as the companies don’t have this department to make innovations in their product to attract foreign clients. As per the upstream internationalisation model (see section 2.2.2), sourcing and R&D comes from productivity improvement (Malerba, 1992).

“HR is also diminishing and the general perception of the people is more looking forward to easing of making money. So, we should induct modern machinery and automation processes. Government policies are not good for SMEs and the companies don’t have the proper R&D, which can bring new products or innovation in that sector to staple superior variety to compete with the international firms”.

[Member Chamber of Commerce].

The electricity power shortfall is also a big challenge for the companies to complete the orders. Using the generators, the fuel cost upsets the profit margin and affects the industry's overall growth. SMEs have no access to finance, as the government is more supportive of helping large firms.

Focus Group participant A said that Pakistan's environment and regulatory authority for the SMEs growth and the overall performance of the government's role are not very supportive and conducive. They give priorities to the large firms and concentrate more on their benefits and development. SMEs are not getting government and economic support.

Due to insufficient funding, they have a shortage of skilled and trained human resources. They have low technology capabilities because they have outdated production facilities, and the product is not much appreciated in the market. As per the literature (see section 2.3.1), the proactive motives for internationalisation, the foreign customers are attracted by the skilled workforce and upgraded technology, which helps to increase production and lowers the unit cost (Pluta-Olearnik, 2012). Participant A further added that the misconduct and misbehaviour of the government officials and the corruption issues are also disruptions in SME's progress. The income tax department behaviour is miserable and a critical issue needed to be addressed if the government wants to improve the GDP. As per the literature (see section 2.6.1), the economic factors can be measured by the unemployment figures of the country, Gross National Product (GNP) and Gross Domestic Product (GDP) (Turner, 2002). The other significant and unpleasant issue is Pakistan's law and order situation due to terrorism, badly affects the SME's growth and is a big challenge nowadays.

The focus group participant B also raised the same point as mentioned by all the interviewees that the government is not supportive. Instead, they create more hurdles in the procedures and regulations, especially when it comes to SMEs. Another point he mentioned was that most SMEs are using the orthodox style, which is why they are facing low profit and growth and using the same old technology and old products. The companies do not have proper planning and feasibility of the business, for example, return on investment, cash flow, balance sheets, etc. The staff is not that skilled and professional to handle the accounts, and they also lack marketing, managerial, and other technical skills. As per the proactive motives for internationalization (see section 2.3.1), the essential elements of the proactive is the firm exceptional competence, including qualified employees and skilled human resources (Pluta-Olearnik, 2012).

Further, participant B added that there are not good technical institutes for training and skilled manpower, which is vital to bring new innovative ideas and products for developing countries like Pakistan. The focus group participant C stated that SMEs are not focusing on product quality and not adopting standardized procedures and processes in conformity with the firm SOPs. Further, he added that lack of tangible resources like financial capital to support the business and that is one of the major challenge SMEs in Pakistan are facing they don't have access to get financed by getting the loans from the banks, and the banks

ask for the security to get the finance sanctioned. As per the focus group (participant A & B), the participant also mentioned that most SMEs don't have a valid account and financial information, which is the main hindrance in not getting the loan approved. And the majority of the SMEs rely on credit from suppliers, personal financing, and getting loans and financial support from friends and relatives.

The focus group participant D stated that SMEs don't have access to formal sources of financing from lending institutes or banks. There is an element of corruption with high interest rates, and the bank's role is limited in the implementation of taxes. Further, the participant D added that SMEs do not have much-skilled labour, they have lack of information and knowledge, they are not aware of the latest trends and technology, the government has more interference in business matters, that's why they have problems in procuring the raw materials as well as the license and registration for work. The government has not been supportive and is the main barrier or challenge in SME's progress. Another point mentioned by others (participant A, B, C) was also highlighted by participant D on the power shortfall, land transport, and technical expertise because that SMEs are not much contributing to the nation's GDP.

The focus group participant E and the commerce member said that the essential element that affects the SME's performance in Pakistan is the HRD. SMEs utilize a low level of management training. That's the reason the SMEs in Pakistan are facing low productivity and technical issues. The SMEs are not upgrading the technology, and due to which the manufacturing sector is not progressing well. SMEs lack international market knowledge and awareness to take their product for export. According to the literature (see section 2.7.2.2), due to the governmental barriers the SMEs in developing countries have to face serious problems. For SMEs in developing countries, the bottleneck for export is lack of marketing skills and the export knowledge (Tesfom and Lutz, 2006).

Further, participant E added that the main point of concern that is crucial is that the SMEs are located either in the dense areas of the city or on the fringes of the main cities where the access is challenging for the transportation of the goods and product. Despite having industrial estates in the major cities, the road infrastructure is so poor that it creates hurdles for logistics. As per the literature (see section 2.7.1), the barriers that originate due to many insufficiencies are limited network access (distribution, logistics, and customers) (Altintas,

Tokol, & Harcar, 2007; Da Silva & Da Rocha, 2001; L. C. Leonidou, 1995). Participant E further added that another big issue that needs government attention is that many SMEs have their manufacturing plants in very old buildings, which is dangerous for the stakeholders and the employees. Participant E also mentioned that there is no proper database to get information about other manufacturing or service-based sectors.

### 6.3 Company Cross Case Studies Thematic Analysis and Findings

The researcher used the thematic analysis for his research and the major themes originated from the data after getting the overarching themes and the integration of the themes across the interviews of all the case studies companies. Following are the major themes that have been found from the primary data collection: -

1. The downstream activity of internationalization.
2. Proactive motive and reactive motives and drivers of internationalization.
3. Dimensions of internationalization.
4. International marketing barriers and external barriers.

#### 6.3.1 Theme 1 Downstream Activity of Internationalization

According to the CEO of company A, the Pakistani rice quality and the taste is famous worldwide and we know all the regions where people like specific quality of rice. We have market knowledge, and the customers taste, therefore, the firm can expand their business routine by increase in the export activity. The downstream activity of internationalisation model would also supports, as per the literature (see section 2.2.1), the firm experience, whereas, adequate knowledge will give the experience of improvement at every stage and will reduce uncertainty (Bilkey and Tesar1977; Cavusgil, 1980).

“I think if I consider your points which you asked for my firm international process the best entry mode was the exporting why because there is no second thought in the international market when it comes to the taste of Pakistani Basmati rice”.

[CEO Company A].

As the domestic market cannot afford the quality of the rice, which we were producing so far, the best option for our company is to hit the foreign market through export. CEO of Company A further said that the buyers from Iran know the taste of our rice As the domestic market cannot afford the quality of the rice, which we were producing so far, the best option

for our company is to hit the foreign market through export. CEO of Company A further said that the buyers from Iran know the taste of our rice being Pakistan a neighbouring state, so starting export in the initial stage of our business has not created any hurdles in the business activity.

“I will say the growth opportunity in the market the product people are wanted to have a similar culture and taste than the market was a bit similar in the case of Iran. The quality of the product and the maturity in the business also helped us to go international”.

[CEO Company A].

According to the MD of Company A, the downstream activity of internationalization took place in direct export as we had the direct source and buyers from Iran. Hence, the company started this export operation as we know about Iranian culture and the knowledge of the customers.

“Well, when we started this business, we considered this point while making the strategy to go into the international market. Though we had direct buyers from Iran initially so we were focused to start with direct export. And this is how we took the export business journey”.

[MD Company A].

As per Company A’s MD’s statement, the direct buyers helped them to start the export at the beginning of the rice business whereas, as per the literature (see section 2.2.1), the non-exporters or, to some extent, marginally active are more distrustful about the risk evaluation of the cost and the profit (Cavusgil, 1984). Based on the findings, I partially support Cavusgil (1984) arguments. It depends on the firm to firm which type of importers are contacting you, and if you have a strong product and quality, management is more optimistic.

The CEO of Company B knows the exact knowledge of their product that which region will be interested in buying and started with the neighbouring and close countries region.

“There are few of them to start with its UAE than in Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa, Yemen, and Bangladesh. Why the Middle East and Africa why not European countries as we know the Arab countries and African countries, they have a very hot temperature throughout the year and the consumption of our



product is more in that region. That's why we preferred these regions to be more lucrative from a sales point of view".

[CEO Company B].

As per the literature (see section 2.2.1) from the downstream activity, knowledge acquired by the firm will not be limiting the foreign market and customers (Eriksson et al, 1997). Instead, this will support and boost the firm morale for internationalization. Furthermore, Company B's CEO said that the management should always cater to educate the industry's human resources about the export need and the demand of the vendor to maintain the quality and standard.

"We must educate our industry according to the need of the export the vendors must maintain the quality of the product which we supply and use for the export we had to work with our suppliers to identify and root out the quality issues relevant to the export product".

[CEO Company B].

This theme of downstream activity of internationalization covers both the international activity taken by the firm and the knowledge of the foreign market by the management for the business activity.

The COO of Company B said that the fans they are making are not for the domestic market as the product is much higher in cost, and the buying power of the indigenous market will not purchase this product. So, knowing the hottest countries near us and the demand for the product, the export for the company was not at risk as believed by the top management. As per the literature (see section 2.2.1), the firm will be less risky if it selects the market with geo-cultural and psychological proximity when selecting the market to operate (Kuada and Sorensen, 1999).

"In total, we are exporting with eight countries and the names are UAE, Saudi Arabia, South Africa, Iraq, Afghanistan, Sudan, Yemen, and Bangladesh. All the countries we focused to export were the hottest countries with regards to weather and the demand from that area where more and we wanted to sell our product in that country where we will get a good price and response".

[COO Company B].

The CEO of Company C said that downstream activity took place by the export as we have a small plant and the market of the denim jeans in the domestic market is not there, so we knew that by exporting to Europe we could excel well.

“Well, the mode of entry that we cater to in the international process was exporting. The size we were having and the best possible option amongst the available were the exporting because we could export as per our company's production and size and especially our capacity. If I talk about the joint venture in the years 2004 and 2005 our company doesn't have that much capacity and size”.

[CEO Company C].

So, as per the literature (see section 2.2.1), for SMEs, the international downstream activity to have foreign market insight is exporting and marketing abroad (Lucia and Shaker, 2007). So, the downstream activity supports the findings of the research and the international activities carried out by the firm. Company C's CEO further added that in the fashion industry, innovation and creativity are significant as fashion keeps on changing and has the current fashion knowledge, and the trend is obligatory. As per the literature (see section 2.2.1) and in support of this theme in the field of fashion where at every stage the experience and adequate knowledge reduce the uncertainty and improve the experience as the firm moves to the next stage by increasing the ratio (Bilkey and Tesar 1977; Cavusgil, 1980).

“I would say innovation and creativity has a key role in the process of internationalization. Let us take our example if we open our wardrobe, we can see different cloths with time to time fashion design changes we don't wear it again and it is just becoming part of your wardrobe. That's is the point when we say in any business that creativity and innovation play their role”.

[CEO Company C].

The COO of Company C also added and has similar points as mentioned by the CEO. Their only activity is through export as the quality they were producing can be suitable for the foreign market. With the knowledge of the product they prefer with the direct link, they started to export to the United Kingdom.

“The only international activity we looked for is through export that to if we had a direct link in the garment market of the UK. So, meeting the expectations of the

foreign importers and maintaining international standards is a tough job for a small scale industry but when it comes to skilled labour and producing quality stuff you are competing for many big scale industries through your employees' expertise”.

[COO Company C].

So again, the downstream activity of internationalization is supported by the knowledge of the customers and the mode of entry by export.

The CEO of Company D said that the international strategy has been adopted to go international through direct export and personal contacts. The CEO further said that market growth and market knowledge is significant to take the right product for internationalization. As the oil-producing countries mainly use our product, so a woven bag is the need for packing.

“Considering your question options, I think market knowledge and market growth. When I say market knowledge as countries like UAE, Oman, and Iran are oil-producing countries and there are many by-products of the oil, which need this bag for the packing”.

[CEO Company D].

So, the themes were integrated with the knowledge of direct export to support the theme as mentioned by the CEO of Company D. As per the literature (see section 2.2.1), when a firm is exposed to a foreign market, the main focus of the firm is the acquisition of the knowledge about the marketplace (Eriksson et al, 1997).

So, the findings of the downstream theme activity of internationalization from the views of all the companies (CEO's COO's and MD's) and the literature confirmed and justified that getting adequate knowledge about the market and the strategies used according to the company's requirement is necessary before penetrating the international market.

### **6.3.2 Theme 2 Proactive Motive, Reactive Motives and Drivers of Internationalization**

According to the CEO of Company A, when they started the business, there were very few rice processing plants, and the quality of the rice was excellent. The buyers in the local market cannot afford to buy the rice at a high price, which drives the company to go for internationalisation.

“And we have started this rice business in 2001 and when we started a business of rice at that time there were fewer processing plants that mean our industry can give the best product which can be accepted in any part of the world with regards to the quality. The reason why we went for internationalization is that our machinery was very high tech and its state of the art at that with regards to bring the quality of the product. And the quality of the product we were producing the domestic market can't give that rate to this quality of rice and the buying power for this rice was very limited”.

[CEO Company A].

As per the literature (see section 2.4.1), the goals for growth and profit takes the SMEs to go into the international market (Gereffi et al, 2004). And the finding of the theme are supported by the CEO of company A that they wanted the growth and profit of their company and the internationalization process can only do that.

“Our company growth and profits boost up and nevertheless the morale of the employees boosted as we were giving them incentives due to their hard work and bringing that quality product”.

[CEO Company A].

Company A's CEO was proactive as he wanted to compete in the international market, which can only be done through internationalization.

The MD of Company A also highlighted the same points. The CEO of their company also said that the quality and uniqueness of the rice and the attraction of foreign importers were the drivers for internationalization. Hence, the saturation in the market is the market drivers of international strategy.

The saturated market is also the reactive motive of internationalization, where the small domestic market compels the company to look for a better market. As per the literature (see section 2.3.2), reactive internationalization is caused by the various environmental factors hampered by the saturated market. It encourages the firm to look for a new market (Pluta-Olearnik, 2012). The theme and the literature support the reactive motives of internationalization. The element of profit and growth, and sustainability in the market is the proactive motives of the firm to go for internationalization.

“I must say the profitability and growth when I say growth that is supporting the sustainability in the market and producing and maintaining the same quality was challenging but we did it so overall performance of the company improved”.

[MD Company A].

As per the literature (see section 2.4.1.1), the strong ambitions of the firm for profit and growth compels the firm to seek business opportunities across the border (Hollensen, 2004). The researcher supports this theme and literature after findings the connection of proactive motives with the drivers of internationalization as mentioned by the CEO and MD of company A.

The CEO of Company B stated that they wanted to be global, which means they had proactive motives to look for the company's growth and explore new markets. The market driver that compels the company to go international was the stagnant market, as mentioned by the CEO of Company B.

“We were heading for to explore new market because the growth was a little bit stagnant in our domestic market so we were thinking the quality which we produce in fans they are so good that we can compete in the international market at any level so that is why to explore new markets to enhance the growth in our company and to be a global leader in our product”.

[CEO Company B].

And the proactive motive from the statement of the CEO of Company B clearly says that they want to compete in the international growth market. As per the literature (see section 2.3.1), supporting the theme and the findings, the SMEs to go international the additive advantage is due to global market urge and desire (Hollensen, 2004). Another finding from the proactive motives theme as mentioned by the CEO of Company B is that they were born global and their firm has the potential to compete in any foreign market, as they were best in the domestic market and this dedication makes them seek the opportunity in the international market.

“We think we are born global and our company has the potential to compete in any international marking by direct exporting in this particular area of the fan industry. And once you think you are the best in your domestic market you should look for export opportunities”.

[CEO Company B].

The COO of Company B said that the drivers for internationalization were that our competitors were already doing export, and the government was giving them a rebate.

“Our company has gone for international export in the year 2009 and the reasons for going international exports are our competitors in the fan industry were already doing the export. And we were getting benefits from taxation and the government were giving a rebate for the exports”.

[COO Company B].

As per the literature (see section 2.4.1), the SME export business will be embarked to internationalize by the advantage of the exchange rate and tax benefits that will reduce their product price and get higher profit and compete in the international market (Knight, 2002). The other company's proactive motives were drive-through market knowledge, growth, and market opportunity.

“I think the similarity of markets, we have the Growth opportunity, Market Opportunity, and Market Knowledge”.

[COO Company B].

The COO of Company B also said that the other aspect of the proactive motive for internationalization was innovation and creativity to boost profitability and growth.

The CEO of Company C said that the drivers of internationalization of their firm were the domestic market was a bit stationary, and the growth prospects were not favouring the company as the product they were manufacturing has no domestic buyers due to its quality.

“And the quality we were producing we didn't find the buyers for such good stuff in the domestic market and the growth of the market was a bit stationary”.

[CEO Company C].

The CEO of company C also mentioned that the manufacturer of Denim jeans in the UK had closed their units due to labour cost and rising price, which drives the company to attract foreign importers.

“I had a strong contact in the UK who has earlier has the same business of stitching garment but because of the rising prices in the UK and the labour cost was a bit high they shut their unit off and started importing from different countries”.

[CEO Company C].

As per the literature (see section 2.4.1), if the company increases the output and become more competitive by reducing the cost for the economy of scale by becoming the participant in the international market (Wu, 2015). So being cost-effective, the company clutched the foreign clients. And the rebates given by the foreign market to the exporter and the good profit margin is the proactive motives for internationalization. So the theme of proactive motives and drivers of internationalization was supported by the interviewees and the researcher.

The COO of company C also said that the drivers of internationalization were the stagnant domestic market and the high-quality product has no local buyers.

“The quality that we were making was of high quality and domestic market buyers were not paying the cost that we were offering. A third reason to go international was the domestic stagnant market”.

[COO Company C].

As per the literature (see section 2.4.1.3), the foreign market will be attracted by the product uniqueness in the domestic market. It will support the company to market its product overseas (Hollensen, 2011). So, the findings of the literature and the theme support the proactive motive of the firm.

The CEO of Company D also stated that the product uniqueness and the technical competence in the domestic market were the drivers for internationalization. And the local suppliers cannot buy high-quality material bags.

“We have installed the Starlinger plant, which is the world-leading plant in producing plastic woven bags so the product we get from this plant is not for domestic sale as the quality is much high and the local suppliers can't afford these material bags”.

[CEO Company D].

As per the literature (see section 2.4.1.3), the competence in technology handling and product uniqueness motivates and drives the company to internationalize (Wu, 2015). The other driver for internationalization was the saturated domestic market, and the local buyers prefer the recycled bags that their company was not producing.

“The domestic market is very saturated in the case of our product because our machine doesn’t use recycle products to remake the product so due to which the price of the product goes high”.

[CEO Company D].

The proactive motive of the internationalization was the market growth and the market knowledge we know the regions where we can sell our product. The CEO of company D further said he was very motivated to sell the product by taking the risk. As per the literature (see section 2.4.1.2) the export activity and firm determination, and managerial urge play a decisive role (Hollensen, 2004).

The MD of Company D also said that the proactive motives of internationalization were gaining confidence, gaining the company growth and profit, and motivating the employee’s morale.

“The main impact of going international was to establish contacts with foreign clients that helped us in gaining good profit and company growth in the international market. We have gain confidence and trust amongst each other in shipment and payments and that also motivated our labour”.

[MD Company D].

### **6.3.3 Theme 3 Dimensions of Internationalization**

The CEO of Company A said the international strategy and the operational mode their company used to market their product was through exporting. The time they have chosen to penetrate the foreign market was just after the rice business started. And the product quality was overwhelming by the foreign rice importers of Iran.

“And we have started this rice business in 2001 and when we started a business of rice at that time there were fewer processing plants that mean our industry can give the best product which can be accepted in any part of the world with regards to the quality. The reason why we went for internationalization is that our machinery was very high tech and its state of the art at that with regards to bring the quality of the product”.

[CEO Company A].

As per the literature, the dimension of internationalization covers the three aspects of internationalization the market, product, and operational mode (Luostarinen, 1979). So,



the literature and the theme support the comments mentioned by the CEO of Company A. The strategy the CEO of Company A adopted was direct exporting. They do not face any problem in selecting the market.

“So, we didn’t face a problem in the selection of the market as the buyers straightaway came to us for the export so starting with them a good step to enter into the international market by direct exporting”.

[CEO Company A].

The MD of Company A said that they went into the international process using the step by step approach, taking into account all the pros and con. Still, he believes that the element of luck was also involved as Pakistan's rice quality was world-famous, so the importers directly contacted them to buy their product.

“The best process described the international process of my firm we planned while making the feasibility to have rice mill was that we will start with step by step and considering all pros and cons of this business but lucky when we started God has the different plans of implementation we started our international market exposure with the direct importer's network”.

[MD Company A].

As per the literature (see section 2.3.3), the export is simple to handle and has a low risk when the SMEs go into an international market for export, and it’s a common resource (Root, 1994).

The CEO of Company B said that the strategy they believe was to be global from the start of the business. As the CEO said, they wanted to explore new avenues and markets. The product quality can compete in any international market. And the CEO of company B was ambitious to be a global leader.

“We started manufacturing fans to be actually onto your first question is we wanted to be global number one we went into the export market in 2009 why we go for export, yes we were heading for to explore new market [...] we produce in fans they are so good that we can compete in the international market at any level so that is why to explore new markets to enhance the growth in our company and to be a global leader in our product”.

[CEO Company B].

As per the literature (see section 2.3.1), the critical strategic decision for a firm to go for internationalization is the product and services they offer to a foreign market (Welch and Luostarinen, 1993). The theme dimension of internationalization supports the statements of the CEO that the product they are introducing is the best amongst other competitors. The COO of Company B said that the best option for their company to internationalize was through export. The internationalization strategy they have adopted as the domestic market could not afford the product's price.

“The company preferred exporting because the quality we were producing in our company was the best in the domestic market and the buyers couldn't afford the price for our fans so we looked to go to internationalization by doing direct export”.

[COO Company B].

The COO of Company B further added that they know the product's market and that are the countries with the hottest weather and the fans' demand is more.

“All the countries we focused to export were the hottest countries with regards to weather and the demand from that area where more and we wanted to sell our product in those countries”.

[COO Company B].

So, keeping in view the theme dimension of internationalization, the product and market aspect covered by the COO of company B.

The CEO of Company C said that the textile industry, especially the fabric were very famous globally. The product we are manufacturing is denim jeans, and the international strategy they have adopted to take their product into the international market was through export.

“I had the only client for the export in the international market from the UK. And I have been exporting to Manchester to the different clients and that was the ladies and men's jeans. As I had good contacts in the UK and I had a comfort level with the importers in the UK that's why I started with Manchester. And the quality of stuff of our jean made in Pakistan was one of the famous as our textile sector do wonder in the field of making cloth and jeans”.

[CEO Company C].

So, the CEO of Company C statement covered the theme dimension of internationalization all dimensions, i.e. the product, market and operational mode as mentioned in the literature (see section 2.3) that the dimensions of internationalization and the POM model consist of product, operation mode and market environment (Luostarinen, 1979).

The COO of Company C said that they have no previous knowledge of the international market and have no strategy to internationalize. They planned to go step-by-step and see all the advantages and disadvantages of doing business with foreign markets or domestic. And the manufacturers in the UK contacted them to start exporting, and that how they went for internationalization.

“We initially thought of going step-by-step keeping in view all the advantages and disadvantages of the business doing in the local market as well as the foreign market. But the manufacturer of jeans and other garment stuff from the UK contacted us for the export”.

[COO Company C].

As per the literature (see section 2.3.4), most SMEs go step-by-step to internationalize and increase interest by exploring the internationalize phenomenon (Johanson and Vahlne, 1977; Luostarinen, 1979).

The CEO of Company D said that SMEs should make proper contacts where they want to operate and sell their product, and the choice of the market is significant and has a significant role in business success. And the best option for SMEs to test their performance and skills through export.

“We have to seek the best business opportunities by using different tools to be connected. Making proper contacts and link in the country you want to operate and sell your product so the market choice I must say it is very important and has a pivotal role in the success of the business. The option and choice for any company to test their skills and performance are through export or partnership”.

[CEO Company D].

As per the literature (see section 2.3.3), operation mode selection is the first part to internationalize international activity (Ruzzier and Konecnik, 2006). So, the theme of a dimension of internationalization and the literature supports the statements of all the above (CEO's, COO's and MD's) of Companies (A, B, C, and D).

### **6.3.4 Theme 4 International Marketing Barriers and External Barriers**

The CEO of Company A said that the main challenges and barriers faced by the company during export with Iran were the language and the payment procedure. On the other hand, the government has weak trade policies for SMEs, and no incentives have been given on export.

“The main challenges and barriers, which we faced in exporting Iran were the language as and secondly, we were not familiar with the payments procedure and so initially we had a slow cash return. The government has not given any incentives for exporting the product or the support from the government is giving the tax rebates etc. rather they have weak policies for trading internationally”.

[CEO Company A].

As per the literature (see section 2.7), the internal barriers are associated with the firm resources and capability. The firm faces barriers from the host or home environment in external barriers (Leonidou, 1995). The findings support the literature as the external barriers are from the host country environment that can be governmental or procedural.

The MD of Company A said that the international market barriers are the main challenges for the company. The government sector has no regulation and standard policies for entrepreneurs. Furthermore, the MD of Company A mentioned that the other trade barrier their company faced is the international trade barrier due to different standards.

“There were no regulations and policies from the government sector, which is favourable for the trade [...]. And international trade barriers due to their standards are sometimes big barriers to our export international process”.

[MD Company A].

As per the literature, the lack of government sponsors and promotions on export to the SMEs of developing countries has been noted (Kaleka and Katsikeas, 1995; Figueiredo and Almeida, 1988). Hence the literature and the overarching theme from the MD of Company A statement agrees to the government not supportive attitude for developing countries.

The CEO of Company B said that the main barrier which their company faced when exporting to African countries and some Middle East countries, i.e. Sudan and Iraq, is the restriction imposed by the United Nations.

“I already mentioned and also the main thing was in some countries where we are exporting like Sudan and Iraq where the export was restricted by the United Nations”.

[CEO Company B]

The other international market barrier and the external barriers highlighted by the CEO are the certifications needed for the export that is part of the procedural barriers.

“They should identify the needs of their customers the certifications that what kind of certification is needed to export in the specific market”.

[CEO Company B]

As per the literature (see section 2.7.2.1), in many studies, the export barrier is mentioned as the lack of information and knowledge of export procedure (Haidari, 1999).

The COO of Company B said that the government is not giving support to exporters and the policies and regulations for the SMEs are very strict. The COO of Company B further said that the certifications should be made easy for smooth functioning and quick penetration into the international market.

“The certification process should be easy for product export as it is a very time-consuming process. And we can very quickly penetrate the international market. The government should have good ties amongst each other in all the procedures to make the export easier and smoother”.

[COO Company B]

As per the literature (see section 2.7.2.2), the lack of home government support and the weak export policies hindered the SME’s growth (Karelakis et al, 2008). Thus, the findings of this theme as per the CEO and COO of Company B statement support the literature about the home country’s government’s poor stance.

The CEO of Company C said they had faced multiple challenges when they internationalize the competition with competitors like China, India, Srilanka, and Bangladesh. The CEO of Company C also mentioned that they don’t have direct market access. No financial support from the government is given to SMEs and all these are external barriers.

“You see there are multiple challenges you are facing when you go international. Because you are competing in the whole world in general and this Asian region in

particular because we are facing competition with China, India, Srilanka, and Bangladesh”.

[CEO Company C]

As per the literature (see section 2.7.2.3), the foreign market firm competition problem and the customers' taste the difference of home market and foreign market are the task barriers (Leonidou, 2004; Cateora and Graham, 2001; Doole and Lowe, 2001).

The COO of Company C stated that the leading international market barrier and the external barriers received a non-supportive attitude and response by the government. There are not any trade associations, which help the firm meet international trade standards. Financial constraints and the government are not taking measures to support SMEs to run a smooth business.

“The main barriers we faced from the government sector as they don’t have good policies for trade and they don’t have proper trade association working on their behalf. The other barriers for us to meet the international trade standards for that we need to have the certifications. Financial constraint due to less capital and the orders sometimes were quite big so to meet that we need strong financing which for SMEs the banks were not supportive”.

[COO Company C]

As per the literature (see section 2.7.1), the lack of external financing of the firm is an example of external export barriers (Suarez-Ortega, 2003). Hence, the statement findings support the literature's themes and literature, as the financial constraint is the external export barrier.

The CEO of Company D said that the main challenge the company faced during export was the procedures and processes by the government for the export were so complicated, and the government does not give the support and incentives. The CEO of Company D further stated that the currency exchange rate was the other barrier faced by the company.

“The main challenges and barriers which we faced in exporting bags to international clients were the governmental barriers the procedures and the processes for the export were very complicated and the support and incentives were not given by the government which helps the firm to go into the international

market. The currency exchange rate for the other main barrier faced by our company”.

[CEO Company D]

As per the literature (see section 2.7.2.4), in an emerging market like Pakistan, it is tough to control the rapidly changing barriers, e.g. country rules and regulations, currency exchange risk barriers, etc. (Leonidou, 2004; Bauernschmidt, Sullivan, and Gillespie, 1985).

The MD of Company D also stated that the government had given no guidelines and support to support the exporters. The government sector's strict regulations and insufficient policies and stance for the SMEs are the main challenges and barriers for the firm.

“The main barriers and challenges which the entrepreneur faced in the international process by the government are poor policies and strict regulations are the biggest hurdle when we do the export. They have no guidelines and policies to support the exporter and the government doesn't offer any incentives to the exporters”.

[MD Company D]

The Focus Group Participants (A, B, C, D, E) stated about the challenges faced by the entrepreneurs after getting the overarching themes from the statement are: the role of the government is not very conducive and supportive, and the firms are not getting economic support from the government. The government has more interference in business matters. SMEs don't have access to formal sources of financing from lending institutes or banks. As per the literature, the high level of government involvement affects international entrepreneurship (Naidu et al. 1997).

The research findings of the overarching themes from all the companies' interviewees support the literature and cover the research questions. The themes are properly addressed by the firms' top management statements and the literature used for support.

## **6.4 Chapter Summary**

This chapter covered the findings from all the interviews taken by the researcher. And the points highlighted by all the interviewees, i.e. (CEO's, COO's, MD's, President, Chamber of Commerce and Member Chamber of Commerce). All the companies have different business and experience. The deep analysis of the interviews answered the objectives of the thesis and the themes. Objective one related to the current marketing strategy used by

the SMEs of Pakistan to market their product, and objective two was the requirements and challenges faced by the Pakistani SMEs to internationalize the product. This chapter helped the researcher to write a recommendation for the thesis.



## CHAPTER 7

### 7. CONCLUSION, IMPLICATIONS, LIMITATIONS, AND RECOMMENDATIONS

This research work guiding idea was to evaluate the current marketing strategy used by SMEs of Pakistan for their product internationalisation. In this context, research of four SME companies of Pakistan has been carried out. The evaluation of research covers the current marketing strategy used by the SMEs in the pace of globalisation and the factors, motives, challenges and barriers the companies faced and the support they received during this international process. Further, the overarching major themes from the companies' cross-case studies analysis of the research were also put in the internationalisation process: the downstream activity of internationalisation, proactive and reactive motives, drivers of internationalisation, dimensions of internationalisation, and the international market and external barriers. The concise answers to the main research objectives were brought out of this pilot research work: “**evaluate**”, “**identify**”, and “**recommend**” Pakistani SMEs to market their product into a global market and **what** internationalisation strategy can be recommended for effectively market their product.

The Pakistani SMEs can be extremely benefited from the results of this research in making the internationalisation strategy of their product for European countries. Entering into a foreign market is the new hope for the exporters to make their product standing in all the countries where this international activity is taking place. This conclusion specifies the importance and effectiveness of internationalisation that is important for the long-term SMEs growth strategy. Moreover, this research study pinpoints the important implications for the policymakers and the creation of governmental and institutional support for the international process. And the practical implications of internationalisation strategy would help SMEs to grow in the international market. Finally, the recommendations can be helpful for the entrepreneurs of Pakistan, and the policymakers dovetail the research results for making the policies better for SMEs.

#### 7.1 Concluding Remarks and Discussion Result

This important research constituent evaluates the current marketing strategy used by the Pakistani SMEs to go for the internationalisation and the factors and challenges that

influence their entry into the global market. This research study endeavours to find out the suitable strategy for entrepreneurs to go into the international market and the motives behind internationalisation. The conclusion is that the stagnant and saturated domestic market, foreign buyers overwhelming about the product, direct exporting to the new global market, maintain the product quality, export hurdles and challenge determination, and to sustain the Pakistani SMEs to support and continue their internationalisation process. Even though the researcher selected the companies for the research in different phases of internationalisation, and from the strategic point of view, considering the external and internal dynamics of this international process was unaffected. In general, the researcher found the big potential in the Pakistani SMEs to grow internationally.

Based on (Chapter 2) literature, it seems to be conspicuous or expected that case studies companies would be focusing on the strategy before going for internationalisation (see section 2.1). The first part of the research analysis attempts to evaluate the current marketing strategy with regard to internationalisation used by the Pakistani SMEs in the context of going for internationalisation. The researcher also revealed the reasons and motives for their internationalisation. Despite the variation and dispersed answers from the interviewees and the analysis outcomes, the researcher has shown how those SMEs started their export journey into the international market and the strategy they adopted to go into the global market. And the motives and drivers for internationalisation activity as all the case companies were on equal grounds with regards to the strategy for marketing their product as the CEOs of the companies never planned for any specific strategy for international activity and the drivers with motivates and pulled them to look for the new venue was the stagnant and saturated domestic market. The product growth in the home country was stagnant, which introduced the new product and the brand. And the strongest internationalisation drivers for the SMEs to look and chose the international activity were profit and growth. Most companies have proactive motives towards their internationalisation, and few of them are considered to be born global. They were more likely to give tough competition in the foreign market and seek opportunities proactively. In the relationship between the strategy and the downstream model for internationalisation, the results indicate that strategy and motives have a significant relationship. All companies adopted the downstream model for internationalisation as they are SMEs with less financial

resources cannot go for an upstream activity for internationalisation. SMEs have a solid edge to gain market insight and knowledge compared to large firms (see section 2.2.1). The findings of the previous studies and this study are in line who found that as in the literature (see section 2.3.4), the CEOs mindset is vital for those firms who are born global and the time factors, which is the dimension of internationalisation and is an essential factor for the firm to internationalise being superior in the domestic market. The technology competence in the domestic market also forced the companies to look for a better avenue due to the saturated indigenous market, as is the reactive motives due to internal domestic market pressure and foreign competitors' threat (see section 2.4.1). Concerning this study, the finding suggests that the born global firms should also compete and facilitates the domestic market by making a product according to the home market requirement to gain a business edge over their rivals. By making this innovative change, the signal to potential customers in the local market about the product superiority over their rivals at the same rate with better quality. In sum, the innovation to outshine and leapfrog from their competitors and achieve growth can be inferred from the research study results. On the other hand, the firm achieving the economy of scale with reactive motives may lose share in the domestic market. And the finding is in line with the past studies of reactive motives of internationalisation (Pluta-Olearnik, 2012).

Moreover, the other segment of the strategy used by the company to internationalise is the entry mode to ascertain the firm's readiness for internationalisation and the way of establishing the export. All the case companies gave a robust response as they preferred direct export as a strategy to enter into the foreign markets as the safest and suitable mode for internationalisation. As per the literature (see section 2.2.1), the finding of some empirical studies and the result of this research is in the same line and is consistent as revealed by Lucia and Shaker (2007). They found a positive link between the downstream activity with the marketing and exporting abroad. All the CEOs and entrepreneurs believe that the most appropriate way to export in the foreign market is through contacts, exhibitions and fairs, personal liaison with the business contacts and personal contacts. And the research findings indicated that the firms towards the foreign market dominate the strategic orientation and the awareness of SMEs about internationalisation necessity.

The researcher concludes the following based on the systematized answer obtained from the SMEs.

- a) For the internationalisation need, SMEs have a vision, especially the developing countries like Pakistan with a saturated and limited market. And in the initial stage of the international process, the most appropriate and suitable way to internationalise the product is through direct contacts and direct exporting.
- b) Opposite to the past studies, very few signs from the firms indicates the other strategy and model for internationalisation and the awareness of applications by the SMEs like (joint ventures, franchising and open branches abroad) and to follow the more complex way to internationalise at the very beginning of the export journey. The general impression from the SMEs was not to follow or develop any international strategy of the model but to sustain and start the export.
- c) The factor that forced the SMEs to go for the foreign and larger market is the restrictive factor for growth and development from the small stagnant, and saturated domestic market. The part of the research companies analysed as they sell their product in the domestic market not at all or significantly less. The research study findings suggest that the entrepreneurs design their product from the start for the foreign market, which implies SMEs give consciousness to internationalisation strategy.

The second part of the research analysis focuses on identifying the requirements, barriers, and challenges to effectively market Pakistani products into a foreign market. The case companies highlighted the main challenge the companies faced during internationalisation was the language barrier. The socio-cultural and unfamiliar culture, especially in the Middle East and the communication barrier, hindered the business process and the maturing of the business deal. As a result, it indicates that the language and socio-cultural factors disrupt the internationalisation activity. The current research empirical findings contrast with the previous studies literature (see section 2.5.3) that for the business across culture it should not be considered as a challenge and obstacle, and there is no need the cultural differences to be managed (Albaum et al., 2005). A plausible SME explanation is that they should focus on the socio-cultural factor and the communication barriers. The other challenge revealed in the study results was that the case companies lack the

managerial skills to deal with the account handling payments, cash flow, return on investment, balance sheet, and cash returns was very slow to cope with the business running. The findings of the present research study are in line with the previous studies (see section 2.7.2.1) that the unfamiliar procedure and techniques are considered the procedural obstacles for a transaction with foreign customers and slow the receipt of payment (Kedia and Chhokar, 1986; Moini, 1997). One of the main challenges revealed from the findings was the role of governmental institutions in supporting the entrepreneurs for export procedures.

All the case companies pointed out that the government has no proper policies, rules, and regulations for the exporters. Further, the case companies mentioned that the governmental institutions lacked information about the international process and no guidelines and insufficient foreign legislation knowledge regarding foreign trade policy. The study's findings further revealed that the government institutions are not supportive and conducive and prioritise large firms compared to SMEs. No support is given to entrepreneurs to get direct international access.

The findings align with the literature (see section 2.7.2.2) that the exporters often suffer due to home country government inadequate export policies and lack of provision and gathering of information for the exporters (Naidu et al., 1997). The CEO of one of the companies talked about the trade restrictions by the United Nations when exporting the product in Sudan and Iraq. The findings align with the literature (see section 2.7.2.2) that the restriction imposed on the exporting product by the national and international interest slows down the SME's export performance (OECD, 2012). Further finding is consistent with the literature that argued the firm to compete in the international market. Governmental support is needed for SME's success and nation-building (European Commission, 2007).

Admittedly, the case companies face different challenges. For instance, the government and the financial institution for internationalisation lack financial resources and financial support for internationalisation, as part of the logistics issues, insufficient road infrastructure that de-stimulate and hinder companies' more intensive internationalisation. The direction of governmental support action is determined by locating the main challenges and barriers. SMEs with low capital mostly face the internal barriers that are streaming

from foreign markets. The level of their export outcome holds them back from the realisation of export by lack of financial resources. It is argued in the literature (see section 2.8) that large firms are less vulnerable to process failure than SMEs due to lack of financial resources and the internationalisation process for SMEs is full of high economic risk (Mariosole, Varum, and Pisicctelo, 2013).

Therefore, the current study's empirical findings are consistent with the literature, claiming that SMEs are more exposed to high economic risk. Similarly, the case companies experienced the lack of skilled and technical persons and the human resource aspect, which the companies are not considering for the internationalisation process. This empirical study further revealed that the manufacturing sector lacks automation and digitisation. As the findings of this research are in line with the literature (see section 2.5.4), the SMEs get vulnerable with a limited human resource to collect adequate information for the international process (Burgess and Oldenboom, 1999). The other main challenge revealed from this empirical study was the government department's misconduct, and misbehaviour, especially the element of corruption by the tax department hinders the internationalisation process and slows down the export.

The GDP can be improved if the government addressed some critical issues. The findings are consistent with the literature (see section 2.5.2) that the firm foreign market entry barrier is the legal factor, corruption, and political instability (Bhatti and Awais, 2012). The empirical findings further revealed that the requirement to export the product by the firm to a foreign market is the certifications for the international standards that are another challenge faced by all the case companies in the internationalisation process. As the findings of this empirical research align with the literature (see section 2.7), the significant barriers and challenges for the European SMEs are related to standards and entry into the market (European Commission, 2011).

Based on the SMEs obtained and systemised answer, the researcher concludes the following:

- a) Identifying the socio-cultural factors and overcoming the communication barriers, and removing language barriers can accelerate the business process in maturing the trade deals and international process.

- b) The research has confirmed that insignificant government regulations and policies support, insufficient foreign market knowledge, lack of financial resources are the hurdles and obstacles that slow down the SME's internationalisation process. Also, an SME's decision to move to foreign markets faster than the geographical location and infrastructure characteristics can significantly affect the firm.
- c) The research finding also indicates that the government institution can neutralise the international barriers by making the trade collaboration policy with foreign countries for smooth trade and timely product delivery.
- d) The findings also reveal that proper training institutions can overcome human resources, skilled human resources, R&D for innovation, lack of digitisation, and automation to train the skilled person for the desired job. This further concludes that the companies should be aware of the obstacles and challenges nature when in need of internationalisation process keeping in view the strategy and the motives for internal process.

The findings of this research study are in accordance with what Kuada and Sorensen (1999) said that the firm's internationalisation process reflects two dominant streams of research, either observed the activity upstream or downstream. Mintzberg (1978) also mentioned that the firm international strategy affects the cross-border downstream and upstream firm activity.

## **7.2 Recommendations**

### **7.2.1 Internal Process**

The researcher suggests that the government of Pakistan should create a favourable environment for SMEs growth by encouraging regulation and supporting policies that will help the government create employment and boost the economy. This will further help SMEs make an educated, good decision for their business strategy and business plans. Endeavours should be made to reduce the Bureaucratic burden on SMEs reduced by government officials. The government should try to reduce unemployment and poverty by overcoming corruption. SME's compliance burden can be lower if the government reduced the number of regulations and made the process easy.

### **7.2.2 Learning Management Training and innovation**

The researcher thinks the gap created between the SMEs and the educational sector needs to be sorted. The government should make good technical institutions for producing technical human resources. They will bring new innovative products to attracting international firms. The SMEDA should be made responsible for arranging mass training programs for SMEs to use their improved human resource management practices to manage their employees for the betterment of their organization.

### **7.2.3 Technology up-gradation**

The owners/ management of the SMEs can be encouraged to upgrade technology by the government through SMEDA. This will enhance the SME's capability to draw within the business world and international development.

### **7.2.4 International trade and export**

Through the export promotion bureau, the government of Pakistan should promote awareness of services and export their products amongst the Pakistani SMEs. The government should promote entrepreneurial activities in the smaller region of Pakistan and the awareness of the competitiveness of local, regional SMEs from internationalization.

### **7.2.5 SMEs database and Research and Development**

The government of Pakistan makes proper R&D departments at each chamber of commerce to bring new ideas and avenues for the SMEs to promote their product in the different parts of the world, fulfilling the criteria to overcome external barriers for international marketing. To attain the objective of promoting research and development, the development of database centres is very important.

### **7.2.6 New infrastructure**

The government of Pakistan to take the initiative and develop the new industrial estates with the state-of-the-art building infrastructure and repair the roads of the old industrial estates for smooth logistics and transportation of the goods. The government should improve the power sector to provide 24 hours of electricity to the industries for smooth production and minimum loss of material.

### **7.2.7 Strategy**

After meeting the above recommendation successfully by the SMEs, the strategy



recommended by the researcher for the Pakistani SMEs to look for joint ventures, franchising, and the upstream activity of internationalisation.

### **7.3 Contribution to the theory and Knowledge**

The qualitative approach applied to this research study tries to explore the small and medium enterprises' very specific segments of the internationalisation process and business activity. It tries to analyse how SMEs that belong to different industries can contribute to the internationalisation process. The current research study contributes to developing an internationalisation strategy for effectively marketing products of Pakistan SMEs. As can be seen in the internationalisation literature in chapter 2 that research extensively focused on large firms and SMEs have received very little attention. In developing countries such as Pakistan, this research study is one of the pioneers' studies for SMEs to adopt the strategy to successfully internationalise and overcome all the challenges and barriers experienced during the international process. As discussed, with little experience and knowledge of how SMEs internationalise and which strategy they adopted and the requirements and challenges faced during the internationalisation process, there is a need for research study based on qualitative research. Thus, this research thesis provides novel insight into the internationalisation and strategy used by the Pakistani SMEs to market their product and further contributes to this research gap. A rich amount of qualitative data was analysed and collected through four case companies. Valuable in-depth perspectives were provided by the detailed interviews of the CEOs and top management. Also, interviews with the chamber of commerce president and member bridge the gap between the practice and theory by contributing their practical experience and knowledge.

The researcher adopted Braun & Clarke's (2006) thematic approach for qualitative data for the internationalisation strategy analysis. Although it is not developed for this purpose, this proved to be useful for identifying the themes and patterns within the qualitative data. In practice, the companies find it difficult which strategy to be adopted for the internationalisation process.

The aim of this research thesis was not to build a theoretical framework, rather, using the case study approach, it was hoped that new empirical insights would shed light on the current strategy used by the Pakistani for internationalisation and the challenges faced by

internationalising companies. This research study, thus, provides new areas and data for further research and useful implications for business practice. The main finding of this research thesis is that to have successful internationalisation for SMEs, and it is important to have the governmental institutions' support, motivation, and ambition for expanding beyond domestic borders.

#### **7.4 Contribution to Practice, Managerial and Policy Implications**

The findings of this research thesis have important policy implications for consideration and contributions for the governmental institutions or the policymakers and the SME's top management/ owners. In light of these conclusions and implications are drawn the measures for the SME's top management/ owners in particular and policymakers in general which is crucially important for SMEs of the developing countries in general and Pakistan in specific for overall performance. The scholarly and practical insight is provided by this research study on whether the selection of the strategy matters for SME's internationalization and overall performance. To achieve higher performance, this research study revealed that SMEs need to look for a region where they can easily make a business deal and know the sociocultural differences and innovate the product according to the domestic market to have a good market share in the market home country. With the promotion and provision of foreign market knowledge and trade policies and procedures, the government must provide a good platform and support to the exporters to build confidence and motivation. One of the government's economic policy key tasks is to support the internationalization process of SMEs. Therefore, SME's internationalization support does not mean focusing and assisting in the firm's international performance but catering to the overall performance and thus directing the national economy performances. The direction of the institutional support policies is traced by the research studies in the area/field of internationalization of SMEs and international business activities. To overcome the challenges, this research study revealed points where SMEs internationalization needs assistance to cross border market. Support could be mainly related to either governmental, financial, educational, or organizational and are as following:

- a) For international activity realization a lack of financial resources.
- b) Foreign market insufficient knowledge, information, and access.

- c) Product logistic problem due to poor road infrastructure.
- d) Insufficient foreign legal regulations knowledge and information.
- e) Institutional support for arranging and fairs and exhibitions for organization promotion abroad.
- f) Internationally recognized implementation of standards and certifications.
- g) To compete and have an advantage in the global market for the company's development of domestic raw material base.

To support the SMEs, the policymakers must place greater emphasis on upgrading their regulations, trade policy, and certifications to fulfil the standards criteria to export the product into a foreign market. Recently, SMEDA has developed regulatory procedures to assist SMEs through user-friendly systems to disseminate detailed law and regulations description for business processes. SMEDA has also introduced the database for the entrepreneurs for the facilitation of the loan offered by the banks for SMEs (Smeda.org, 2018).

Furthermore, SME's top management and owners need to transform the operating business by lessening the old techniques and practices and relying on the type of product and commodity to be minimised. And to improve their existing processed and business products should embrace new and innovative means. To gain superior performance and sustainable advantages in managerial and marketing activities, new innovative practices should be embraced.

Moreover, SMEs should focus on the local market to sell their products according to their needs to build a good reputation and image and across the international market if they want to promote and excel in their business performance. In the dynamic environment, to acquire new skills and more knowledge to be competitive, SMEs should encourage their employees and managers. This can be achieved if SMEs educate their employees through frequent workshops and training programs to understand business processes and internationalisation better. R&D policy to create new ideas and experiments should be promoted by SMEs for encouragement. These implications are apparently for the SMEs of Pakistan but can be applied for the larger firms and other sectors.

## 7.5 Limitations

To evaluate and develop the current marketing with regard to internationalization used by Pakistani SMEs to effectively market their product, this research study has multidisciplinary dimensions. The qualitative method approach was used to achieve the research objectives and goals to get the deeper contemplation of international processes that are exploring. The interrelated elements are the most appropriate way. This research study has unavoidable limitations despite the intention to be more focused and to be more comprehensive. During the implementation of the research, certain restrictions and hurdles that the researcher encountered, which might affect the final results in some way, are as follow:

- a) The qualitative method was a time-consuming process, and the researcher interpretations were limited. The observations and conclusions are influenced by the personal knowledge and experience related to the research problem. A particular problem could go unnoticed with the qualitative research method (Bowen, 2006).
- b) Data collection was a time taking process to take the interview with the individual respondents to fix the appointment date and times due to the respondent's busy business routine as they are SMEs and are not very organized as large firms.
- c) The researcher used the qualitative research, method and the participants over the content of data gathered and collected have more control, as it is mostly open-ended. So against the scenarios stated by the respondents', the researcher found it difficult to verify and analyse the results objectively.
- d) To obtain accurate results for the research, thoughtful planning required for qualitative research. Mathematically to analyse the qualitative data, there is no way or option. Rather than results, qualitative research is based on judgment and opinions.
- e) From the group of respondents to obtain the targeted data a well-experienced researcher is required for qualitative research. A recording, categorizing, etc., is the labour-intensive analysis process (Elo and Kyngäs, 2008).
- f) The research study only focuses on the marketing strategy used by the SMEs and the challenges faced during the internationalization process while other arguably

- international strategy aspects might be in focus, international activity coordination, adaptation/standardization of the product, and competitor's global strategy.
- g) The research was conducted in Pakistan, and the sample of this study consisted of SMEs only representing the Punjab region and not representing the SMEs of other parts of Pakistan so the response to other parts of Pakistan, cannot be generalized, therefore, for the in-depth understanding of the extent of the internationalization marketing strategy used and the challenges faced there is a need to explore and conduct the study in other parts of the country for their viewpoint as well.
  - h) As the respondents originate from Pakistan and the result is influenced by the economic and domestic political environment and the behaviour to some degree, which is on, or another way differs from the SMEs of the other countries. As the research findings of this study relate to the SMEs of Pakistan, it is important to conduct similar research to make the comparative study and upgrade the findings in other countries.
  - i) Due to lack of institutional statistical data, the research had difficulties in gathering and obtaining systematic and valid data of Pakistani industries, e.g. the challenges and barriers they faced when going across-borders, - Top managers international mindset, - SMEs and their internationalization process, - factors for this type of operations that motivates and affects them.
  - j) The SMEs of Pakistan is the subject of this research study, so the findings and final results represent their standpoint. It means that large enterprises have not taken into consideration while doing the analysis. Indeed, it would be appropriate to explore the large firm's perspective for this process to overcome the one-sidedness observed.
  - k) The researcher found it difficult to host the focus group discussion as the participants are from different Punjab areas and were busy with their business routine and commitments.

## **7.6 Scope of Further Work**

Although this research study contributes to give the true picture and knowledge of the internationalization process, a marketing strategy used by SMEs in the developing country has certain boundaries and limitations; thus, for future research, viable avenues remain.

The researcher thinks it is significantly essential to emphasize that the general findings of this research study did not seek. Nor was it the researchers aim to give the internationalization process a set of prescriptions for success. However, the user perspective and consideration for action will be suggested, as discussed in the previous chapters. To further investigate the current findings to corroborate, more studies are needed. It should be emphasized that the interviewee's perceptions have only reported by the researcher. The financial reports, news articles, or secondary data cannot verify these perceptions, unlike on certain dates the account of events took place. Therefore, further research is needed to use actual transferred knowledge and forms of knowledge transfer for selecting the strategy and avenue.

The entrepreneur personality trait is another potential area of inquiry that will help explore why and how the entrepreneur differs and predict the internationalization success and performance of how specific characteristics make the change. The differences between the non-exporters and exporters have been suggested by past studies (see section 2.2.1), but the research on personality and specific characteristic impact are yet to be explored. To succeed in international activities entrepreneurs, need competencies and managerial capacity in whatever pattern and strategy SMEs follow for internationalization (Oviatt & McDougall, 1994). For this, more studies are needed to give importance. In this regard, to determine as the organization grows, it becomes less improvisational; thus further research should conduct longitudinal studies and the comparison between the SMEs and large enterprises to address the limitations and the unanswered aspects of the current study research problem in a different context, region/location, and different settings.

## 8.0 References

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## APPENDIX-1- CEO/ TOP MANAGEMENT STRUCTURED QUESTIONS

1. When did your organization go international and what were the reasons for doing so (give up to three reasons).
2. Which mode of entry best describes the internationalization process of your firm?
  - a. Exporting
  - b. Turnkey projects
  - c. Licensing Franchising
  - d. Joint Venture
3. Please give the details of the international activities of your organization, i.e. Names of and the number of countries your company has international activities with.
4. Which of the following best describes the internationalization process of your firm?
  - a. Step-by-step, risk-averse, slow, cautious process.
  - b. Entering into the foreign market through networks/contacts/partners.
  - c. Through international entrepreneurial activities of management/individual/firm
5. Which of the following factors helped your company's internationalization process?
  - a. Similarity of markets, Growth opportunity, Market Opportunity, Market Knowledge:
  - b. Similarity in business culture, the maturity of the business
  - c. Cultural awareness: in the international markets, Local Network/relationships: Foreign network/relationships:
  - d. Creativity/Innovation: Ability to create business networks, Entrepreneurial activities:
  - e. Managerial motivation: Management's ability to take risks, Technological

advancement, and previous international experience of the management or entrepreneurs:

f. Entrepreneurial activities of individuals or management or the firm, Risk-taking behaviour of entrepreneurs and management on an international level.

6. What has been the impact of going international?
  - a. Profitability
  - b. Growth
  - c. Sustainability
  - d. Employee morale
  - e. Overall performance
7. What has been the strategy you adopted for going international?
8. What challenges did you face in this journey? Could you please highlight what are the main barriers faced by the entrepreneur in the international process?
9. How do you perceive the role of creativity/ innovation in the process of internationalization?
10. What would be your suggestions to the SMEs that are planning to internationalize in the near future, particularly regarding strategy and processes that would be helpful?
11. What guidance, training and support do you think can be provided by the following bodies to help the entrepreneur in this process?
  - a) Government agencies
  - b) Chamber of Commerce
  - c) Financial institutions
  - d) Local authorities

12. Would you like to add any other information that would help throw more light in this area of the internationalization process of Pak SMEs with a focus on European markets.

## **APPENDIX-2- CHAMBER OF COMMERCE STRUCTURED QUESTIONS**

1. What are the drivers for the internationalization process?
2. What are the challenges by Pakistani Entrepreneur, particularly in the manufacturing sector
3. What steps does the Chamber take to promote internationalization?
4. What steps can the Government/ Financial institutions or other bodies take to help this process?
5. In your opinion, what are the barriers in this process and how can these be reduced?
6. Would like to add anything more on this subject?

## **APPENDIX-3- ETHICAL APPROVAL BY UWTSO**

### **APPLICATION FOR ETHICAL APPROVAL**

**In order for research to result in benefit and minimise risk of harm, it must be conducted ethically. A researcher may not be covered by the University's insurance if ethical approval has not been obtained prior to commencement.**

The University follows the OECD Frascati manual definition of **research activity**: "creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications". As such this covers activities undertaken by members of staff, postgraduate research students, and both taught postgraduate and undergraduate students working on dissertations/projects.

The individual undertaking the research activity is known as the "principal researcher".

Ethical approval is not required for routine audits, performance reviews, quality assurance studies, testing within normal educational requirements, and literary or artistic criticism.

**Please read the notes for guidance before completing ALL sections of the form.**

**This form must be completed and approved prior to undertaking any research activity.** Please see Checklist for details of process for different categories of application.

### SECTION A: About You (Principal Researcher)

Full Name:	Mamoon Mustafa		
Tick all boxes which apply:			
Member of staff:	<input type="checkbox"/>	Student:	<input checked="" type="checkbox"/>
Honorary research fellow:	<input type="checkbox"/>		
Faculty/School/Centre:	Business School		
Campus:	London school of commerce		
E-mail address:	1- <u>L0162kknkn1015@student.lsc london.co.uk</u>		
Contact Telephone Number:	00447541089105 00923457861111		
<b>For students:</b>			
Student Number:	1504293	Undergraduate	<input type="checkbox"/>
Programme of Study:	Doctor of Business Administration (DBA)	Taught Postgraduate	<input type="checkbox"/>
Director of Studies/Supervisor:	Dr. Uma Mohan Mokashi	Research	<input checked="" type="checkbox"/>

### SECTION B: Approval for Research Activity

Has the research activity received approval in principle? (please check the Guidance Notes as to the appropriate approval process for different levels of research by different categories of individual)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
			<b>Date</b>	
If Yes, please indicate source of approval (and date where known):	Research Degrees Committee	<input checked="" type="checkbox"/>	Fri/19/5/2017	
	Faculty Research Committee	<input type="checkbox"/>		
	Other (write in)	<input type="checkbox"/>		

Approval in principle **must** be obtained from the relevant source prior to seeking ethical approval.

### SECTION C: External Ethical Guidance Materials

Please list the core ethical guidance documents that have been referred to during the completion of this form (including any discipline-specific codes of research ethics, and also any specific ethical guidance relating to the proposed methodology). Please tick to confirm that your research proposal adheres to these codes and guidelines.	
<b>UWTSD Research Ethics &amp; Integrity Code of Practice 2017 - 2020</b>	<input checked="" type="checkbox"/>
<b>UWTSD Research Student Handbook</b>	<input checked="" type="checkbox"/>



	<input type="checkbox"/>
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**SECTION D: External Collaborative Research Activity**

Does the research activity involve collaborators outside of the University?	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
If Yes, please provide the name of the external organisation and name and contact details for the main contact person:				
Institution				
Contact person name				
Contact person e-mail address				

**Where research activity is carried out in collaboration with an external organisation**

Does this organisation have its own ethics approval system?	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
If Yes, please attach a copy of any final approval (or interim approval) from the organisation				

**SECTION E: Details of Research Activity**

Indicative title:	Development of an internationalisation Strategy to effectively market Pakistani SMEs products to European countries.		
Proposed start date:	Feb,2017	Proposed end date:	Sep, 2018
<b>Purpose of research activity (including aims and objectives)</b>			
Outline the purpose, aims and objectives of the research activity, including key research questions. Show briefly how existing research has informed the proposed activity and explain what the research activity will add and how it addresses an area of importance. (Maximum 300 words)			
<p>Nowadays, due to globalization of the firm and trade liberalization the companies has been focused and forced to look further from domestic market to worldwide global market and develop their business. Internationalization can be described as the international operation the process of increasing international involvement (Welch and Luostarinen, 1988; Veleski, 2016). The entire small and large firm will be affected by this internationalization. With the international competition and the challenges the Small and Medium Scale Enterprises (SMEs) are enforced to play vital role in the international bazaars and markets. There are many form of internationalization such as international collaboration, export, import and the foreign direct investment (FDI). The SMEs competitiveness and the improved performance the globalization or internationalization is often accompanied as indicated by</p>			

several international research and studies. That gives a strong boost and potential for SMEs growth. The main motivation for the SMEs is to go into international market is growth and profit goals (Gereffi et al, 2004). The new opportunities will be created for the SMEs to get internationalize by changing atmosphere of business. In the activities of international business SMEs grows and open new prospects by the trade liberalization. On the other hand the domestic firm confronts direct threats from the international competitors due to trade liberalization. The Pakistan trade liberalization policy adopted by the government for international competitors to trade freely has impact on domestic market and firms. This forces the domestic firms to change their current strategy and compels them to go into international market.

In the light of above the developing countries with more focused on industries are emerged to be a global market. Therefore, the countries like Pakistan they are focusing on advance industrialize economy to grow by continuing research work the firm internationalization by taking into account the mode of entry, strategy to export internationally, barriers of export internationally and global motivation. Moreover, the internationalization of the firm varies and depends on environmental factors internally or externally and not always the same. To take SMEs rather than large-scale enterprises is because in Pakistani economy the role of SMEs as a driving force towards the economy growth and need more attentiveness. The SMEs internationalization process is full high economic risk, challenges and uncertainties demanding resources and substantial capabilities (Mariosole, Varum and Pisicctelo, 2013). This research or study will give chance to many SMEs firm and will assist them and will serve as an authentic document to assist the government agencies. This research study finding will sensitize and give benefits to entrepreneurs of Pakistan to develop their interest to become internationalize despite of barriers and obstacles. To enter into international market this research study will act as a guideline to choose the right strategy for the SMEs. For the successful internationalization and in order to choose the right market at a right time there is a dire need give Pakistan entrepreneurs a clear picture and make them well informed. The recommendation made in this research work will give possible solution to Pakistan SMEs to encounter internationalization process.

### **Research question**

How to develop an internationalization strategy for effectively marketing products of Pakistan SMEs to European countries?

**Aim**

To evaluate the current marketing strategies used by Pakistani SMEs and to recommend an Internationalization strategy for effectively marketing the products of this sector to European countries.

**Objectives of the Research**

- a) To evaluate the current marketing strategies used by Pakistani manufacturing SMEs.
- b) To identify the requirements and challenges to effectively market the Pakistani products in the European markets.
- c) To recommend an internationalization strategy to effectively market products of Pakistani SMEs to European countries.

(this box should expand as you type)

**Proposed methods**

Provide a brief summary of all the methods that **may** be used in the research activity, making it clear what specific techniques may be used. If methods other than those listed in this section are deemed appropriate later, additional ethical approval for those methods will be needed. (Maximum 600 words)

**Research Approach and Methodology**

Considering the main aim for this research, qualitative approach will be used to study the SMEs internationalization phenomenon in Pakistan and its essence. To reflect the deeper understanding of this phenomenon multi-methodology qualitative approach will provide the processes required for describing the SMEs internationalization aspects. Multiple case studies of different companies will be use as units of research. According to Eisenhardt (1989) there is no ideal number of cases in order to analyze multiple companies. The best option researcher recommends is having five to seven companies’ for the process of collecting and analyzing the data. This research will be based mainly on pragmatism philosophy but also includes some positivistic elements. This study looks at cases and employs a cross-sectional research methodology based on inductive approach. This is because different companies in Pakistan will be selected for the comparison of differences amongst them. The research will provide an insight into the practical aspects of the internationalization process.

**Data Source and Sampling**

The key purpose of sampling in research is to gain the knowledge about a population using subset of small, affordable selected subjects for sampling strategy creation. The researcher has decided to use both probability and non-probability sampling methods. As the

researcher is bounded by the limitations of time, workforce and money, random sampling for the entire population will be impossible. For the interviews of different subjects the judgmental sampling, which is also known as purposive sampling, will also be used by the researcher with the specific purpose in mind as the researcher believes that some selected subjects are likely to give better insight into the research as compared to other individuals. Purposive sampling encourages researcher to select the information-rich case studies (Merriam, 2009). That's the reason they were purposively selected as a subject. Stratified sampling will be used as a method by the researcher for the focus group discussions where entire population will be divided into different strata or sub groups, then from these strata final subject will be randomly selected.

### **Data Collection and Operationalization**

Interviews will be use as a method for the purpose of data collection and semi structured questions for the companies will developed that will represent as the bases for the analyses. The interviews will be conducted with five to seven Pakistani SMEs. Research will be made on semi-structured questions by implementing face-to-face interviews, with the CEO's and strategic level employees of the SMEs. The time period to conduct the interview will be thirty minutes to one hour. About fifteen questions will be drafted to gather information about various aspects of internationalization of Pakistani products. For the interview one CEO and one strategic level employee will be interviewed for each company. Three focus groups will be conducted, and will comprise of six to eight individuals from different companies. Five to seven persons from the Punjab Chamber of Commerce will also participate in the interview and focus group discussion. Punjab is the largest province of Pakistan companies and has many industrial groups.

**The first group** for the interview will be comprises of the strategic level employees of five to seven SMEs and the questions include discovering about the company and respondent general information. The questions contain will be related to the company basic information, their production portfolio, structure of ownership, the respondents position and status in the company, their experience and expertise in doing international business and the level of knowledge to understand foreign language. **The second group** will be comprises of the five to seven CEO's of the SMEs and the questions include the basic operation of the business and the companies internationalization activities. Following content will be used for questions in this group: company-established year, numbers of total employees, total revenue of exports and export share, internationalization motives, orientation of global/ foreign market, the export trends and export assortments, number of countries where exported if already exporting any product in the international market and year of beginning internationalization, entry mode, mode and way of establishing contact in foreign market, barriers to export and quality and quantity of institutional support. **The third group** will be the focus group discussion comprises of five to seven persons from the SMEs and Punjab Chamber of Commerce as they will also participate in the interview and focus group discussion and the questions will be related to the cooperation with the chains of big retail abroad and the cooperation implications. These questions are mainly about: the beginning period of cooperation with the foreign retailers, international market segments, modes of entry, cooperation scope, collaboration trend, retail chains format, for the retail chains type of product intended, export expansion through the network of retailers, introduction of changes in the organization, new standards introduction, controlling and negotiations complexity with the retail chains and global retailers.

**Data Analysis**

This research has got an inductive approach and collects more qualitative data, therefore, the processes used for analysis is also qualitative in nature. Data that is not useful will be ignored during the analysis. The interview likely to produce some quantitative data, which will be analysed using mathematical tools, and the text-based data will be analysed using a thematic approach, identifying the key themes that emerge. To reflect the profile of the firms the structured questions are analysed to deal with internal and external validity developing problems in the companies within research.

The focus group discussions are also likely to produce qualitative data and again here themes and pattern will be identified. Computer software NVivo is may be used for data analysis as described by (Saunders et al., 2012; Sekaran & Bougie, 2010).

Initial discussion for accessing the data is in progress and the contacts. Ethics aspects will be followed as per the university guidelines.

(this box should expand as you type)

**Location of research activity**

Identify all locations where research activity will take place.

- Pakistan – South Asia
- Principal researcher will prefer his personal study room, which is furnished, and have good study environment.
- Chaucer House Campus Library will be use by principal researcher for gathering secondary data as well as main study area.
- For the data collection, different SME's will be taken into account for the research by means of structured questions.

(this box should expand as you type)

**Research activity outside of the UK**

If research activity will take place overseas, you are responsible for ensuring that local ethical considerations are complied with and that the relevant permissions are sought. Specify any local guidelines (e.g. from local professional associations/learned societies/universities) that exist and whether these involve any ethical stipulations beyond those usual in the UK (provide details of any licenses or permissions required). Also specify whether there are any specific ethical issues raised by the local context in which the research activity is taking place, for example, particular cultural sensitivities or vulnerabilities of participants.

As the research will be carried out outside UK the principal researcher will follow UWTSD ethical guidelines, proposed research will be carried out with true letter and spirit without harming, no use of force and put emphasis on fairness and justice to the participants of SMEs and giving full leverage, freedom to participate and give their view point. All the participants will be treated equally with (inclusiveness and justice). All the information will be kept confidential and the names of the individuals will not be mentioned (Anonymity and Confidentiality).

The researcher has a family owned businesses in Pakistan in a variety of sectors such as Rice, flour, dairy and polypropylene industries and has had the opportunity to interact with many business professionals. These have provided platforms to understand the cultural sensitivities in the context of the prevalent business environment in Pakistan, with a particular focus in the region of Province Punjab and Kashmir. Furthermore, the researcher understands the cultural and other protocols to be followed while interacting with the various participant groups.

(this box should expand as you type)

**SECTION F: Scope of Research Activity**

<b>Will the research activity include:</b>		
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	YES	NO
Use of a questionnaire or similar research instrument?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Use of interviews?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Use of diaries?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Participant observation with their knowledge?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Participant observation without their knowledge?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Use of video or audio recording?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Access to personal or confidential information without the participants' specific consent?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Administration of any questions, test stimuli, presentation that may be experienced as physically, mentally or emotionally harmful / offensive?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Performance of any acts which may cause embarrassment or affect self-esteem?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Investigation of participants involved in illegal activities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Use of procedures that involve deception?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Administration of any substance, agent or placebo?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Working with live vertebrate animals?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other primary data collection methods, please explain in this box	<input type="checkbox"/>	<input checked="" type="checkbox"/>

If NO to every question, then the research activity is (ethically) low risk and **may** be exempt from **some** of the following sections (please refer to Guidance Notes).

If YES to any question, then no research activity should be undertaken until full ethical approval has been obtained.

## SECTION G: Intended Participants

Who are the intended participants:	YES	NO
Students or staff at the University?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Adults (over the age of 18 and competent to give consent)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vulnerable adults?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Children under 18?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Prisoners?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Young offenders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Those who could be considered to have a particularly dependent relationship with the investigator or a gatekeeper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
People engaged in illegal activities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Others (please identify):	<input type="checkbox"/>	<input checked="" type="checkbox"/>

### Participant numbers and source

Provide an estimate of the expected number of participants. How will you identify participants and how Interviews will be use as a method for the purpose of data collection and semi structured questions for the companies will developed that will represent as the bases for the analyses. The interviews will be conducted with five to seven Pakistani SMEs. Research will be made on semi-structured questions by implementing face-to-face interviews, with the CEO's and strategic level employees of the SMEs. The time period to conduct the interview will be thirty minutes to one hour. About fifteen questions will be drafted to gather information about various aspects of internationalization of Pakistani products. For the interview one CEO and one strategic level employee will be interviewed for each company. Three focus groups will be conducted, and will comprise of six to eight individuals from different companies. Five to seven persons from the Punjab Chamber of Commerce will also participate in the interview and focus group discussion. Punjab is the largest province of Pakistan companies and has many industrial groups.

**The first group** for the interview will be comprises of the strategic level employees of five to seven SMEs and the questions include discovering about the company and respondent general information. The questions contain will be related to the company basic information, their production portfolio, structure of ownership, the respondents position and status in the company, their experience and expertise in doing international business and the level of knowledge to understand foreign language.

**The second group** will be comprises of the five to seven CEO's of the SMEs and the questions include the basic operation of the business and the companies internationalization activities.



Following content will be used for questions in this group: company-established year, numbers of total employees, total revenue of exports and export share, internationalization motives, orientation of global/ foreign market, the export trends and export assortments, number of countries where exported if already exporting any product in the international market and year of beginning internationalization, entry mode, mode and way of establishing contact in foreign market, barriers to export and quality and quantity of institutional support. **The third group** will be the focus group discussion comprises of five to seven persons from the SMEs and Punjab Chamber of Commerce as they will also participate in the interview and focus group discussion and the questions will be related to the cooperation with the chains of big retail abroad and the cooperation implications. These questions are mainly about: the beginning period of cooperation with the foreign retailers, international market segments, modes of entry, cooperation scope, collaboration trend, retail chains format, for the retail chains type of product intended, export expansion through the network of retailers, introduction of changes in the organization, new standards introduction, controlling and negotiations complexity with the retail chains and global retailers.

will they be recruited?

this box should expand as you type)

<b>Information for participants:</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
Will you describe the main research procedures to participants in advance, so that they are informed about what to expect?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will you tell participants that their participation is voluntary?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will you obtain written consent for participation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will you explain to participants that refusal to participate in the research will not affect their treatment or education (if relevant)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If the research is observational, will you ask participants for their consent to being observed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will you tell participants that they may withdraw from the research at any time and for any reason?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
With questionnaires, will you give participants the option of omitting questions they do not want to answer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will you tell participants that their data will be treated with full confidentiality and that, if published, it will not be identifiable as theirs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will you debrief participants at the end of their participation, in a way appropriate to the type of research undertaken?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If NO to any of above questions, please give an explanation			

(this box should expand as you type)

<b>Information for participants:</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
Will participants be paid?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is specialist electrical or other equipment to be used with participants?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are there any financial or other interests to the investigator or University arising from this study?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will the research activity involve deliberately misleading participants in any way, or the partial or full concealment of the specific study aims?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
If YES to any question, please provide full details			
<p>(this box should expand as you type)</p>			

## SECTION H: Anticipated Risks

<p>Outline any anticipated risks that may adversely affect any of the participants, the researchers and/or the University, and the steps that will be taken to address them.</p> <p>If you have completed a full risk assessment (for example as required by a laboratory, or external research collaborator) you may append that to this form.</p>
<p>Full risk assessment completed and appended?</p> <p>Yes <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p>
<p><b>Risks to participants</b></p> <p>For example: emotional distress, financial disclosure, physical harm, transfer of personal data, sensitive organisational information</p>
<p>Participants from SMEs will not enforced by researcher to collect data and hence, data collected will be free from coercion. As the researcher belongs to Pakistan and knows the dynamics and cultural norms so all the possible protocols and procedures will be kept in mind while collecting and storing the data. The data collected from the concerned participants will be kept secure in locked premises, in the laptop protected by the password until the university approves the research and afterward the data will be destroyed. In this research information sheet is not practical however, before collecting the data oral consent will be taken from everyone.</p>
<p>If research activity may include sensitive, embarrassing or upsetting topics (e.g. sexual activity, drug use) or issues likely to disclose information requiring further action (e.g. criminal activity), give details of the procedures to deal with these issues, including any support/advice (e.g. helpline numbers) to be offered to participants. Note that where applicable, consent procedures should make it clear that if something potentially or actually illegal is discovered in the course of a project, it may need to be disclosed to the proper authorities</p>
<p>N/A</p> <p>(this box should expand as you type)</p>
<p><b>Risks to investigator</b></p> <p>For example: personal safety, physical harm, emotional distress, risk of accusation of harm/impropriety, conflict of interest</p>
<p>As the researcher is a Pakistani national and will be doing research (outside the UK) in his native country, so the personal security will not be the issue and there will no risk factor involved as for meeting the top management for the interview, as a participant may not take place in the office due to official commitments so the principal researcher will go for the appropriate venues to meet the participant if it is essential. And there will be no reputational risk involved for both LSC and UWSTD while carrying out the research. Therefore, the researcher will ensure that there is no reputational damage to UWSTD or LSC in any form .</p>
<p><b>University/institutional risks</b></p> <p>For example: adverse publicity, financial loss, data protection</p>
<p>The possibility of plagiarism and neglecting the University's ethical code of practice is the predicted university risk. With the proper referencing of any material or data used from the participants the</p>

above problem will be addressed. Throughout the research the principal researcher will practice university's ethical code and strictly adhere to make proper references to avoid verbatim

(this box should expand as you type)

**Adverse outcomes**

List measures put in place to limit any adverse effects or outcomes of research activity where appropriate. Include any emergency protocols.

In order to limit any adverse effects or outcomes research activities, constant reference will be made to the University's ethical code of practice. The researcher's supervisors will be contacted when necessary for advice and guidance.

**Disclosure and Barring Service**

If the research activity involves children or vulnerable adults, a Disclosure and Barring Service (DBS) certificate must be obtained before any contact with such participants.

Has a DBS certificate been obtained?

**YES**

**NO**

**N/A**

**SECTION I: Feedback, Consent and Confidentiality**

**Feedback**

What feedback will be provided to participants, how will this be done and when?

After the whole research will be complete through the top management consent in the organization the findings of the research will be shared with the participants.

(this box should expand as you type)

**Informed consent**

Describe the arrangements to inform potential participants, before providing consent, of what is involved in participating. Describe the arrangements for participants to provide full consent before data collection begins. If gaining consent in this way is inappropriate, explain how consent will be obtained and recorded.

After the ethical approval from the university an official participation letter will be sent to the top management of the organization. After the approval from the concerned organization the consent letter will be given to the strategic level employees of organization to seek their consent whether they are interested to contribute in this research. The participant consent letter will include that's participant will not enforced by CEO or researcher and they are free to participate by their own wish and will to collect data and hence, data collected will be free from coercion. The consent letter will also clearly defines that the data collected from the concern participants will be kept secure in locked premises,

in the laptop protected by the password until the university approves the research and afterward the data will be destroyed. And also states that the research is strictly for academic.

(this box should expand as you type)

**Confidentiality / Anonymity**

Set out how anonymity of participants and confidentiality will be ensured in any outputs. If anonymity is not being offered, explain why this is the case.

Through the consent and participation letter the participant will be given assurance that the information and data gathered from him will be kept confidential and anonymous. Names of the participant's will not be used for research unless there is an understanding of informed consent.

(this box should expand as you type)

## SECTION J: Data Protection and Storage

In completing this section refer to the University's Research Data Management Policy and the extensive resources on the University's Research Data Management web pages (<http://uwtsd.ac.uk/library/research-data-management/>).


	YES	NO
<p>Does the research activity involve personal data (as defined by the Data Protection Act)?</p> <p><b>“personal data”</b> means data which relate to a living individual who can be identified—</p> <p>(a) from those data, or</p> <p>(b) from those data and other information which is in the possession of, or is likely to come into the possession of, the data controller, and includes any expression of opinion about the individual and any indication of the intentions of the data controller or any other person in respect of the individual.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p>If YES, provide a description of the data and explain why this data needs to be collected:</p> <p>(this box should expand as you type)</p>		
<p>Does it involve sensitive personal data (as defined by the Data Protection Act)?</p> <p><b>“Sensitive personal data”</b> means personal data consisting of information as to –</p> <p>(a) the racial or ethnic origin of the data subject,</p> <p>(b) his political opinions,</p> <p>(c) his religious beliefs or other beliefs of a similar nature,</p> <p>(d) whether he is a member of a trade union (within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992),</p> <p>(e) his physical or mental health or condition,</p> <p>(f) his sexual life,</p> <p>(g) the commission or alleged commission by him of any offence, or</p> <p>(h) any proceedings for any offence committed or alleged to have been committed by him, the disposal of such proceedings or the sentence of any court in such proceedings.</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p>If YES, provide a description of the data and explain why this data needs to be collected:</p> <p>(this box should expand as you type)</p>		
<p>Will the research activity involve storing personal data on one of the following:</p>	YES	NO
Manual files (i.e. in paper form)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
University computers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Private company computers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Home or other personal computers?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Laptop computers/ CDs/ Portable disk-drives/ memory sticks?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
“Cloud” storage or websites?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Other – specify:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
For all stored data, explain the measures in place to ensure data confidentiality, including details of password protection, encryption and anonymisation:		
<p>The data collected from the concern participants will be kept secure in locked premises, in the laptop protected by the password. Passwords used on these devices will be of sufficient strength to deter password cracking or guessing attacks. Also, manually collected data using paper will be kept secure in a place only known to the principal researcher. Moreover, a backup copy will be secured in the external hard drive will be kept in secured place in the researcher house. When portable computing devices are being used in public places, researcher will take care to avoid unwitting disclosure of information, e.g. through overlooking or overhearing by unauthorized persons in case of voice recorder. Anti-virus/Anti-spyware/Personal Firewall software will be installed and kept up to date on portable devices. Regular virus checks using this software will be used for these devices.</p>		
Will the research activity involve any of the following activities:	<b>YES</b>	<b>NO</b>
Electronic transfer of data in any form?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sharing of data with others at the University?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sharing of data with other organisations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Export of data outside the European Union or importing of data from outside the UK?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Use of personal addresses, postcodes, faxes, emails or telephone numbers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Publication of data that might allow identification of individuals?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Use of data management system?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Data archiving?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If YES to any question, please provide full details, explaining how this will be conducted in accordance with the Data Protection Act (and/or any international equivalent):		
<p>(this box should expand as you type)</p>		


List all who will have access to the data generated by the research activity:
<ul style="list-style-type: none"> <li>• The researcher</li> <li>• Director of Studies/Supervisor</li> </ul>

(this box should expand as you type)
List who will have control of, and act as custodian(s) for, data generated by the research activity:
The researcher
(this box should expand as you type)
Give details of data storage arrangements, including where data will be stored, how long for, and in what form. Will data be archived – if so how and if not why not.
The data collected from the concern participants will be kept secure in locked premises, in the laptop protected by the password, cloud accounts, email and on a external hard-drive which will be password protected and known to only the principal researcher
(this box should expand as you type)

### SECTION K: Declaration

<p>The information which I have provided is correct and complete to the best of my knowledge. I have attempted to identify any risks and issues related to the research activity and acknowledge my obligations and the rights of the participants.</p> <p>In submitting this application I hereby confirm that I undertake to ensure that the above named research activity will meet the University's <u>Research Ethics and Integrity Code of Practice</u></p>	
<b>Signature of applicant:</b> 	<b>Date:</b> 20/12/2017

#### **For students:**

Director of Studies/Supervisor:	Dr. Uma Mohan Mokashi
Signature:	
Date:	1 Mar 2018

#### **For staff:**

Head of School/Assistant Dean:	
Signature:	
Date:	



**Checklist:** Please complete the checklist below to ensure that you have completed the form according to the guidelines and attached any required documentation:

<input checked="" type="checkbox"/>	I have read the guidance notes supplied before completing the form.
<input checked="" type="checkbox"/>	I have completed <b>ALL RELEVANT</b> sections of the form in full.
<input checked="" type="checkbox"/>	I confirm that the research activity has received approval in principle
<input type="checkbox"/>	I have attached a copy of final/interim approval from external organisation (where appropriate)
<input checked="" type="checkbox"/>	I have attached a full risk assessment (and have NOT completed Section H of this form) (where appropriate)
<input checked="" type="checkbox"/>	I understand that it is my responsibility to ensure that the above named research activity will meet the University's Research Ethics and Integrity Code of Practice.
<input checked="" type="checkbox"/>	I understand that before commencing data collection all documents aimed at respondents (including information sheets, consent forms, questionnaires, interview schedules etc.) must be confirmed by the DoS/Supervisor, module tutor or Head of School.

#### **RESEARCH STUDENTS AND STAFF ONLY**

All communications relating to this application during its processing must be in writing and emailed to [pgresearch@uwtsd.ac.uk](mailto:pgresearch@uwtsd.ac.uk) , with the title 'Ethical Approval' followed by your name.

You will be informed of the outcome of your claim by email; therefore **it is important that you check your University and personal email accounts regularly.**

**STUDENTS ON UNDERGRADUATE OR TAUGHT MASTERS PROGRAMMES** should submit this form (and receive the outcome) via systems explained to you by the supervisor/module leader.

**This form is available electronically from the Academic Office web pages:**

<http://www.uwtsd.ac.uk/academic-office/>

#### **Application Process**

**All staff research projects and all research students** must submit the Ethical Approval Form to the **University Ethics Committee** via the Academic Office ([pgresearch@uwtsd.ac.uk](mailto:pgresearch@uwtsd.ac.uk)). Staff research directly in relation to personal study for taught undergraduate or Masters programmes should be submitted via the Faculty procedures explained below.

**Taught masters and taught undergraduate research Ethical Approval Forms** are considered **within Faculties**. Faculties will provide details of the specific processes for this. Where the Ethical issues within any single ethical application are of particular concern the Faculty will refer these to the University Ethics Committee. Any student activity that involves the collection of primary data needs

to undergo Ethical approval, this includes assignment work as well as dissertations.

### **Notes for guidance in completion of this form**

#### **Section A: About You**

Please complete all relevant sections

#### **Section B: Approval for research activity**

Research proposals must be approved in principle before applying for Ethical Approval. The proposal approval only becomes final when the ethical approval is received.

The process for proposal approval varies according the individual and programme of study:

- Research students, by application on form PG1 to the Research Degrees Committee
- Taught students by review of research proposal within Faculties (Faculties provide specific details of these processes)
- Staff, by agreement by the Head of School/Assistant Dean

#### **Section C: External Ethical Guidance materials**

Many discipline areas are required to operate with the discipline specific codes of research ethics (for example health, psychology, education etc.), any such codes must be listed and you must tick to confirm that you have consulted with these.

#### **Section D: External Collaborative Research Activity**

Provide details of the external collaborative partners, where appropriate you might want to submit a copy of the external collaboration agreement with the Ethical Approval Form. If the partner requires the research to be subject to its own internal Ethical approval process then please provide details of that process and a copy of any final (or interim) approvals received from the organisation.

#### **Section E: Details of Research Activity**

Remember that the individuals reviewing this Ethical Approval Form may not have seen your research proposal, and also may not be experts in the specific area of your research. The information provided should therefore be jargon free and clearly stated.

**Indicative Title:** please use the same title as used on the research proposal.

**Purpose:** the Ethical approval process will want to ensure that the methods you propose are adequate and appropriate to address the research aims and objectives. Excessive additional data collection can be seen as unethical.

**Proposed Methods:** the Ethical approval process seeks to ensure that you understand the methods that are intended, and that the implementation of those methods will be appropriate and without unnecessary impact on respondents. Please be specific.

**Location:** this needs to mention geographical location and also local situation (for example, within Local Authority Offices in Cardiff, using a private room but close

to other individuals). If you are collecting data within an organisational setting then you need to explain the permissions that you have obtained to do this.

**Research Activity outside of the UK:** please complete this section in detail, and note any guidance you have received. Also describe your own familiarity (or not) with the location that you will be utilising.

### **Section F: Scope of Research Activity**

Please tick ALL of the research activities that might be undertaken. If any additional types of activity are intended then please add an extra box and describe these.

If you have answered no to all questions in F then sections G and J do not need to be completed. Section H should be considered, and may be completed. Signatures are still required in section K.

### **Section G: Intended Participants**

Please tick all categories that might apply.

**Numbers & Source:** if you are using a series of different methods or research activities please list numbers for each stage/phase. Be clear about how you will find respondents. Will you use intermediaries, and if so how? How will you ensure compliance with your sampling strategy?

**Information for participants:** all participants should be appropriately informed about the research, what is expected of them and what will happen to the information that they provide. The Ethical review process does not ask to see this documentation, but requires this to be reviewed and approved by the Director of Studies in the case of research students, the supervisor/module tutor in relation to students on taught programmes and the Head of School/Assistant Dean in relation to staff research.

### **Section H: Anticipate Risks**

All research carries some level of risk. The answers you provide to questions in this section will be reviewed to ensure that you have an appropriate understanding of the type of risks involved and how you can mitigate against these risks. If you have completed a full risk assessment, as required for example for laboratory work, field work, clinical tests, diving operations, or by a collaborative partner, you may append that to this form. In that case, please tick the box indicating this has been provided. You will not then be required to complete Section H.

**Risk to participants** Think very carefully about how your actions/questions/discussions might affect the people you are involving as participants. You might identify the risk as small but it would still be a risk. Many types of question have the potential to make respondents less content with their life / job; you need to recognise and try to ameliorate any such effects

If these are business owners, time with you may reduce profit.

In some locations physical risk is very real to both participants and yourself, please consider this.

**Risk to you, the researcher** Think about where you will meet people, if there are any dangers involved in the location. If you are meeting people as individuals think

about using a public place. In general do not visit people in their own homes or remote locations. If you are talking to individuals about certain issues think about how their responses might affect you emotionally. What about the risk of collecting insufficient data?

**Risk to the University** When undertaking your research, you are acting as a member of the University (student or staff). Professionalism is important, so it is important to be well organised and well prepared. Punctuality, clarity etc. are all part of this. What will you do to ensure this? You must ensure you do not harm the good name of the University in any way and do nothing to undermine the reputation of the research it conducts and sponsors. Upholding high standards of conduct and integrity are vital in this regard. You must also conduct the research in such a way to minimise the potential for claims of negligence made against the University, its researchers and any collaborating individual or organisation. In this respect you should always comply with ethical, legal and professional frameworks, obligations and standards as required by statutory and regulatory authorities, as well as the university's Research Integrity and Ethics Code of Practice. Research misconduct in this respect can take many forms, including:

- fabrication: making up results or other outputs (eg, artefacts) and presenting them as if they were real
- falsification: manipulating research processes or changing or omitting data without good cause
- plagiarism: using other people's material without giving proper credit
- failure to meet ethical, legal and professional obligations: for example failure to declare competing interests; misrepresentation of involvement or authorship; misrepresentation of interests; breach of confidentiality; lack of informed consent; misuse of personal data; and abuse of research subjects or material
- improper dealing with allegations of misconduct: failing to address possible infringements such as attempts to cover up misconduct and reprisals against whistle-blowers

**Adverse Outcomes.** Think carefully about the possibilities, and cover here

### **Section I: Feedback, Consent and Confidentiality**

**Feedback to participants:** outline your approach. Will interview transcripts be shared with respondents to check accuracy? Will summaries of questionnaire analysis be made available to respondents in some way? Will an overview report be provided? How and when?

**Informed consent:** Draft letter / e-mail / or heading (or footer) section of questionnaire must be approved by DoS/supervisor (if research student), supervisor/module tutor if taught student, or Head of School / Assistant Dean if a member of staff.

**Confidentiality/Anonymity.** Explain clearly how you will ensure confidentiality and anonymity.

### **Section J: Data Protection and Storage**

Before completing this section it is necessary to read the University's Research Data Management information. The questions that follow are designed to ensure compliance with the Data Protection Act as well as established research protocols.

Many research activities will involve electronic transfer of data and use of data management systems in the summarisation and analysis of data. You will need to explain these in relation to compliance with the Data Protection Act.

Think carefully about who will have access to your data, this will include supervisors and examiners. Also that a thesis will be made available via the University library and the British Library system. If you are seeking an access bar for a period of time after completion then mention it here. If you will provide a copy of your findings, or intend to give a presentation, to a facilitating/supporting/accessing organisation then explain that in this section. But also think about the general principle of data sharing, as explained in the Research Data Management information.

In terms of storage of data please ensure security, and also mitigate against loss of data.

### **Section K: Declaration**

Ensure the appropriate countersignatures have been provided

Look carefully at the checklist and ensure that you comply with and tick all that are relevant to your research.

## APPENDIX-4-FIGURES

Figure- 3

*Contribution of different SME size classes to employment in the non-financial business sector in 2016*



Figure-3.2.1

Group wise growth and Point Contribution rate of LSM for the Period of Jul-Mar 2016-17 Vs Jul-Mar 2015-16						
S.No.	Groups	Weights	% Change		% Point Contribution	
			July-Mar 2015-16	2016-17	July-Mar 2015-16	2016-17
1	Iron & Steel Products	5.392	-7.48	16.58	-0.40	0.89
2	Electronics	1.963	-5.69	15.24	-0.11	0.30
3	Automobiles	4.613	23.51	11.31	1.08	0.52
4	Food, Beverages & Tobacco	12.370	3.77	9.65	0.47	1.19
5	Pharmaceuticals	3.620	6.85	8.74	0.24	0.32
6	Non-Metallic Mineral Products	5.364	10.28	7.11	0.55	0.38
7	Paper & Board	2.314	-2.93	5.08	-0.07	0.12
8	Engineering Products	0.400	-14.04	2.37	-0.06	0.01
9	Fertilizers	4.441	15.92	1.32	0.71	0.06
10	Textile	20.915	0.66	0.78	0.14	0.16
11	Rubber Products	0.262	9.17	0.04	0.02	0.00
12	Wood Products	0.588	-58.09	-95.04	-0.34	-0.56
13	Leather Products	0.859	10.13	-17.97	0.09	-0.15
14	Chemicals	1.717	10.28	-2.20	0.18	-0.04
15	Coke & Petroleum Products	5.514	2.40	-0.32	0.13	-0.02

Source: Pakistan Bureau of Statistics (PBS)

Figure-3.2.2

Production of Selected Industrial Items of Large Scale Manufacturing							
S. No.	Items	Unit	Weight	July-Mar		% Change (Jul-Mar) 2016-17	% Point Contribution (Jul-Mar) 2016-17
				2015-16	2016-17		
1	Deep Freezers	(Nos.)	0.1622	55,206	80,208	45.29	0.07
2	Jeep & Cars	(Nos.)	2.8183	137,688	144,129	4.68	0.13
3	Refrigerators	(Nos.)	0.2394	1,008,265	1,267,235	25.68	0.06
4	Upper Leather	(000 sq.m.)	0.3924	18,849	19,687	4.45	0.02
5	Cement	(000 tonnes)	5.299	25,912	27,775	7.19	0.38
6	Liquids/Syrups	(000 Liters)	1.1361	79,946	87,403	9.33	0.11
7	Phosphatic Fertilizer	(N tonnes)	0.3996	502,555	503,723	0.23	0.00
8	Tablets	(000 Nos)	1.9143	20,499,188	21,613,529	5.44	0.10
9	Cooking Oil	(Tonnes)	2.2271	285,017	290,859	2.05	0.05
10	Nitrogenous Fertilizer	( N tonnes)	4.0411	2,256,438	2,289,342	1.46	0.06
11	Cotton Cloth	(000 sq.m.)	7.1858	780,233	784,250	0.51	0.04
12	Vegetable Ghee	(000 tonnes)	1.1444	930,676	955,610	2.68	0.03
13	Cotton Yarn	( tonnes)	12.9646	2,552,654	2,572,613	0.78	0.10
14	Sugar	( tonnes)	3.5445	4,949,653	6,401,398	29.33	1.04
15	Tea Blended	(tonnes)	0.3818	105,923	111,577	5.34	0.02
16	Petroleum products	(000 Liters)	5.4096	10,763,001	10,811,086	0.45	0.02
17	Cigarettes	(Million Nos.)	2.1252	42,892	24,678	-42.46	-0.90
18	Billets/Ingots	(Tonnes)	1.5234	2,416,258	3,017,000	24.86	0.38
19	H/C.R sheets/ Strips/ Coils/	( Tonnes)	2.2841	2,354,200	2,585,700	9.83	0.22

Source: Pakistan Bureau of Statistics (PBS)

Figure-4

**Share of unpaid employment in total employment in the non-financial business sector in 2014**

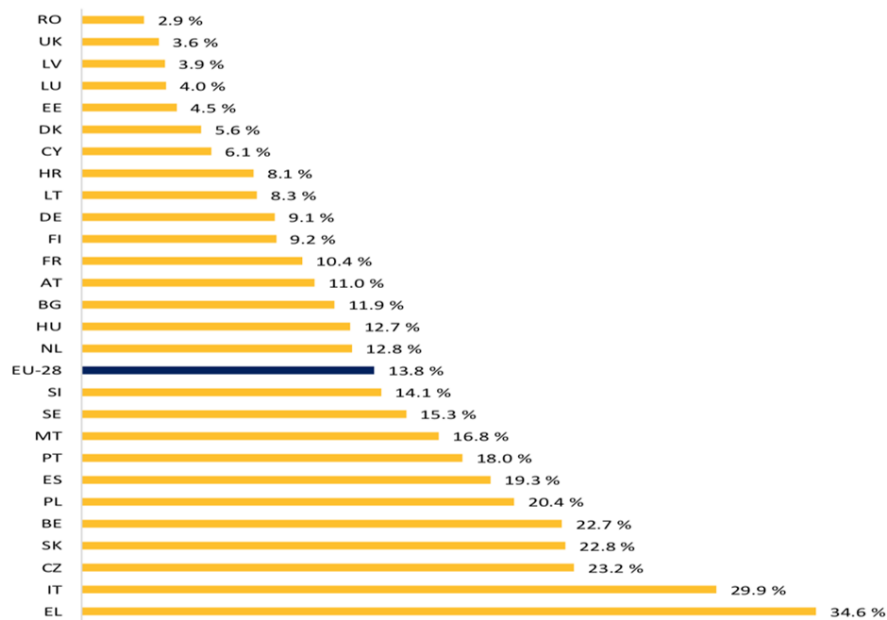


Figure-5

**Most pressing issues faced by SMEs in recent years – EU-28 SAFE survey**

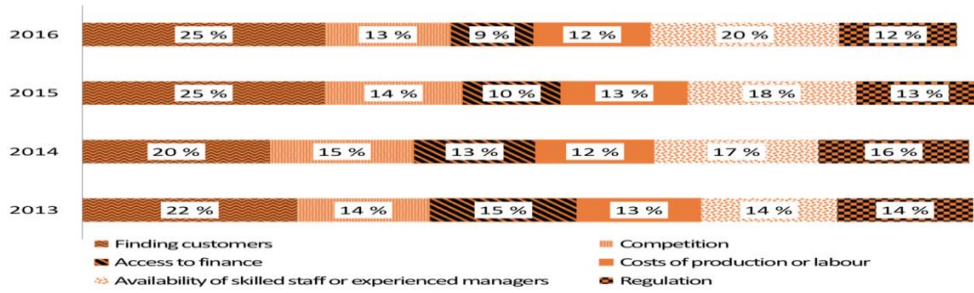


Figure-6

**Employment and value-added growth (in %) of EU-28 SMEs in 2015 and 2016**

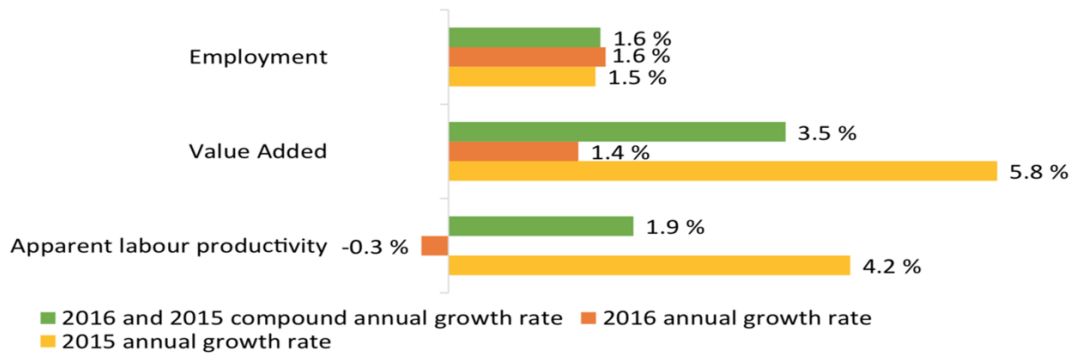


Figure-7

**Number of EU-28 SME enterprises, employment and value added, from 2008 to 2016 (2008=100)**

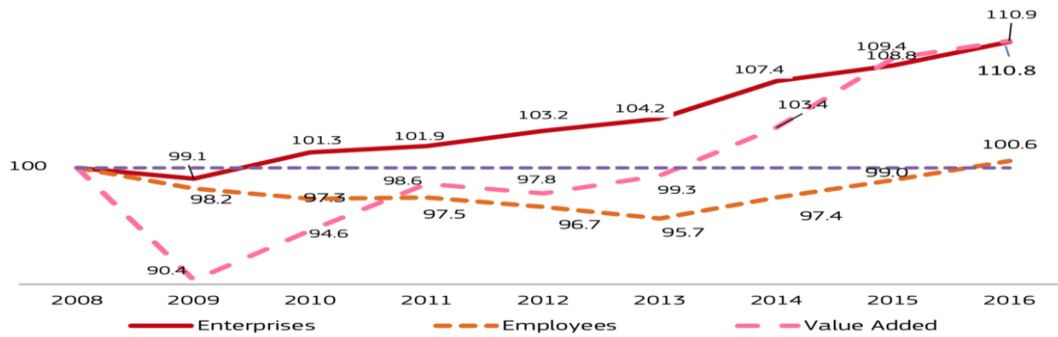




Figure-8

**Annual growth in SME employment in 2016**

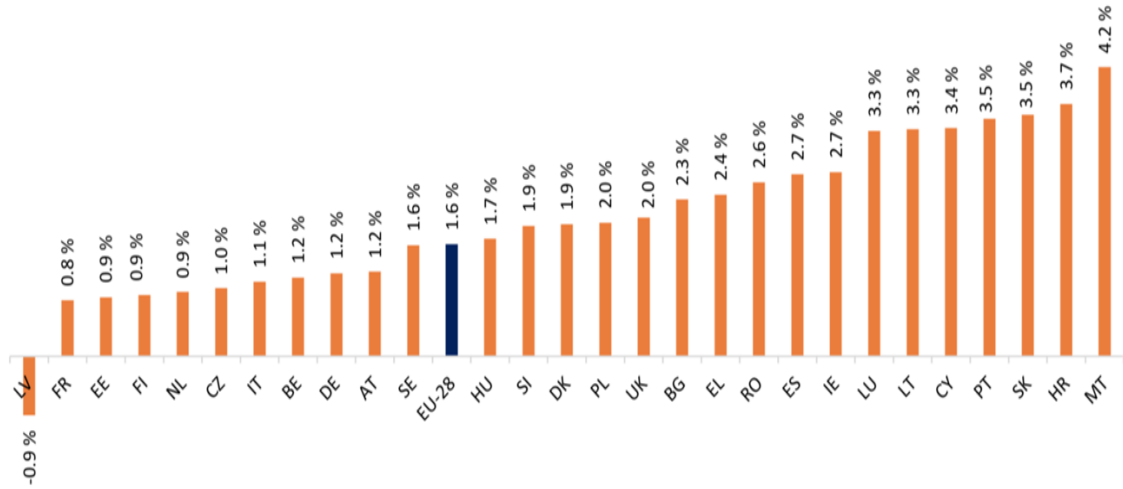


Figure-9

**Contribution (in %) made by enterprises with 0 employees to the change in the number of active enterprises from 2009 to 2014, for those Member States experiencing increases in the number of active enterprises in the non-financial business sector from 2009 to 2014**

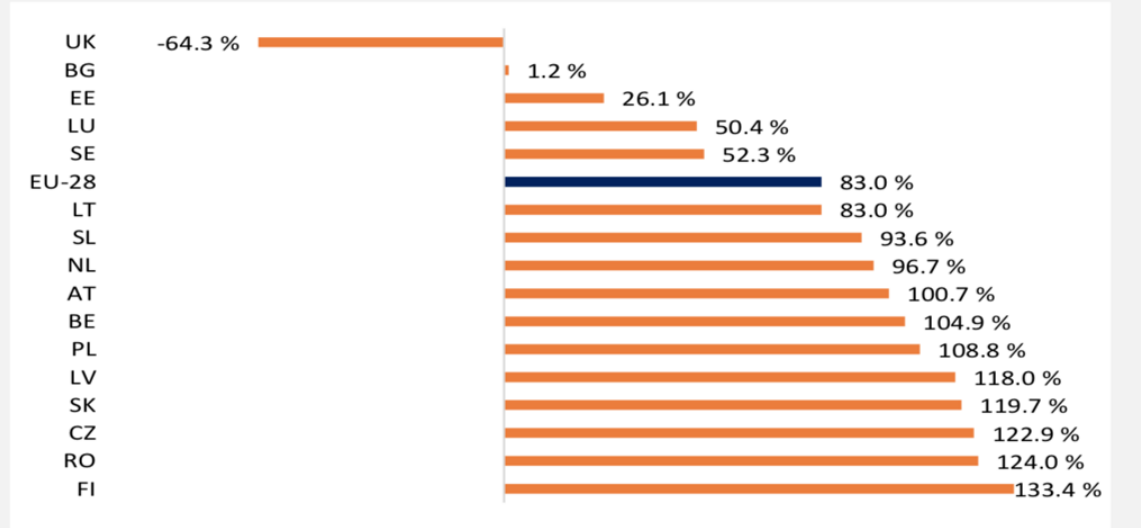


Figure-10

**EU-28 and aggregate demand in 2015 and 2016**

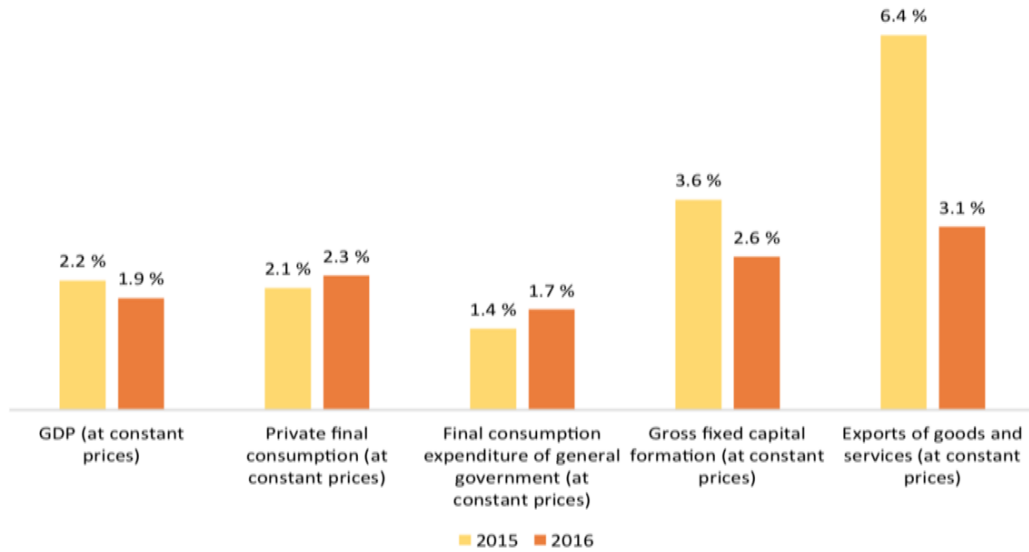
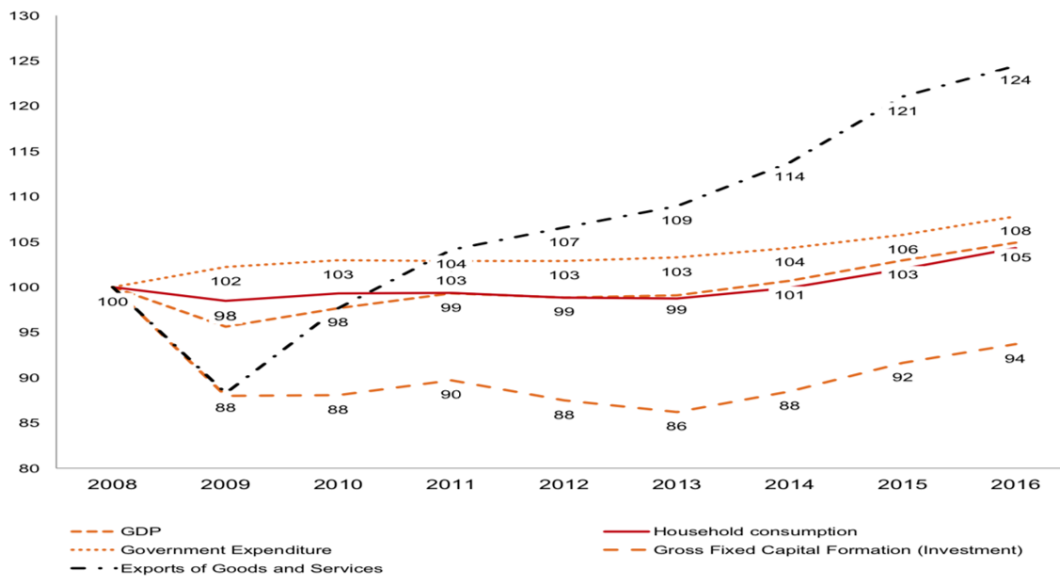


Figure-11

**EU-28 aggregate demand – from 2008 to 2016 (2008=100)**



## APPENDIX-5-PARTICIPANTS INFORMATION SHEET

### Company A

Established Year	2001
Type	<b>Joint Family; owner-managed</b>
Industry	<b>Rice Mill (food industry)</b>
International and geographical Markets	<b>Iran, Germany, Canada, and the UK</b>
Internationalization decision	<b>Personal contacts and ambition</b>
Beginning of internationalization process	<b>2001</b>
Employees	<b>40</b>
Interviewee	<b>CEO and MD</b>

### Company B

Established Year	1989
Type	Joint Family; owner-managed
Industry	Electronics (Fan industry)
International and geographical Markets	UAE, Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa, Yemen, and Bangladesh
Internationalization decision	Born Global
Beginning of internationalization process	2009
Employees	90-100
Interviewee	CEO and COO

### Company C

Established Year	2004
Type	Partner; owner-managed
Industry	Garments (Textile industry)
International and geographical Markets	United Kingdom
Internationalization decision	Exposure and challenge
Beginning of internationalization process	2004
Employees	30-40
Interviewee	CEO and COO

### Company D

Established Year	2007
Type	Joint Family; owner-managed
Industry	Polypropylene Bags (Plastic industry)
International and geographical Markets	United Kingdom
Internationalization decision	Exposure and challenge
Beginning of internationalization process	2008
Employees	100-150
Interviewee	CEO and MD

## **APPENDIX-6-SAMPLE OF COPIES OF TRANSCRIPTS**

### **Interview with CEO of Denim Vogue Private Limited**

**1. When did your organization go international and what were the reasons for doing so (give up to three reasons).**

**Answer:** My name is Afaq Ayub and I am running a garment export unit in Lahore by the name of Denim Vogue private limited. And we are into woven stitching that mainly in the common language the denim jeans. We went international in 2004 and started exporting our garment product to UK Manchester. The three reasons why we went international was the foreign exchange and the larger market as compared to our domestic market. And the exposure and the challenge we can enjoy and we can expect in the international market. We do have the local market for the denim jeans again the reason we went to international trade was the foreign exchange as I mentioned earlier we couldn't get that much return and if I talk about market in the year 2004 and 2005 there were no local good garment franchises or good denim producers available as we had in European countries like Next, Marks and Spencer and BHS. Like the Levis now has the complete retail chain throughout the Pakistan. And the quality we were producing we didn't find the buyers for such a good stuff in the domestic market and the growth of the market was a bit stationary.

**2. Which mode of entry best describes the internationalization process of your firm?**

**Answer:** Well the mode of entry that we cater for in the international process was the exporting. The size we were having and the best possible option amongst the available was the exporting because we could export as per our company production and size and specially our capacity. If I talk about the joint venture in year 2004 and 2005 our company don't have that much capacity and size to do joint venture with any of the big garment merchants and importers. Even if someone interested from foreign countries for the FDI my company was not fulfilling the criteria.

**3. Please give the details of the international activities of your organization, i.e. Names of and the number of countries your company has international activities with.**

**Answer:** I had the only client for the export in the international market from the UK. And I have been exporting to Manchester to the different clients and that was the ladies and men jean. As I had a good contacts in the UK and I had the comfort level with the importers in UK that's why I started off with Manchester. And the quality of stuff of our jean made in

Pakistan was one of the famous as our textile sector really do wonders in the field of making cloth and jeans.

**4. Which of the following best describes the internationalization process of your firm?**

**Answer:** Well we enter into international market through personal contacts and the friend and family network. I had a strong contact in UK who has earlier has the same business of stitching garment but because of the rising prices in the UK and the labor cost was a bit high they shut their unit off and started importing from different countries. So I had an option that why don't my company supply them garments like jeans etc. and after having more strong bonding in the field of garments I was part of few international entrepreneurial activities through exhibitions as well.

**5. Which of the following factors helped your company's internationalization process?**

**Answer:** Well I would say we had the market opportunity and I can say the knowledge of the market, as it was a bit similar. And the importer of our product knew the UK local market and the style and the taste of the people. Through my contacts in the international market specially UK and the community of the local importers so I met different people who had earlier this garment manufacturing units in UK so they closed their stitching units and started importing the product from different countries. So I had the reasonable share of the Pakistani market of their imports.

**6. What has been the impact of going international?**

**Answer:** I will go for all of your options as I have seen the impact of every point you mentioned in my organization when we went international. Because if we talk about the profitability there are good profit margin available in the form of foreign exchange and there are rebates available to the exporters in the local market. Than their are humongous chances of growth in the international market because the whole world is your target market. And than the strategy how you make a contact with the larger importers in the international market. Employee Morales really gets high when you get any one good order from the large importer and he asked you to meet the international standards and we are requiring certifications for that they keep the morale very high, as you have to take care of your labor as per the international standards.

**7. What has been the strategy you adopted for going international?**

**Answer:** Well as a beginner I have a good customer contact in UK I started off with the export of the basic garment first. Then I started fashion garment than I went to the higher fashion garments. That is the more risky and volatile market because the fashion keeps on changing on the monthly basis probably in one season you have two three different fashions and designs. So I focused on the export of basic garment first and then slowly I went into fashion market. And to get the excess of the fashion market these fairs and exhibitions really helped me a lot in getting good clients. And the strategy we adopted was the direct export.

**8. What challenges did you face in this journey? Could you please highlight what are the main barriers faced by the entrepreneur in the international process?**

**Answer:** You see there are multiple challenges you are facing when you go international. Because you are competing in the whole world in general and this Asian region in particular because we are facing competition with China, India, Sri Lanka and Bangladesh. We still have very good price we are offering to the international garment importers. And if we see the local economic condition all these for competitor's countries we have numerous challenges. If I talk about the barriers we don't have direct market access we don't have any platform or our country local embassies doing any effort to ease their exporters in their respective countries they are serving. The banking support and financial problems for the SMEs as compared to large firms. And the capital is the other problem if you want to change your company size from small to larger size you don't get the financial support.

**9. How do you perceive the role of creativity / innovation in the process of internationalization?**

**Answer:** I would say innovation and creativity has a key role in the process of internationalization. But SMEs in our countries are lacking this creativity factor as in our country companies don't have the R&D and garment and let us take our personal example if we open our wardrobe we can see different cloths with time to time fashion design changes we don't wear it again and it just becomes the part of your wardrobe. That's is the point when we say in any business the creativity and innovation play their role.

**10. What would be your suggestions to the SMEs that are planning to internationalize in the near future, particularly regarding strategy and processes that would be helpful?**

**Answer:** I think what world is moving towards the specialization and we should master our product first before going international. We should have the complete knowledge of our product. Then you should have a unique selling point you should be creative with the local trends in the market. Another important thing there are many clients in the market but the major portion goes for the cost now why the China and Bangladesh has the largest share in the garment industry now because they have gone very cost effective but there are expensive garment also sellable but that is higher fashion. I think strategies varies from company to company person to person vision to vision what exactly you are aiming for either you just want to be a money making machine or you want to have some standing in the market and sustainability for the longer time.

**11. What guidance, training and support do you think can be provided by the following bodies to help the entrepreneur in this process?**

**Answer:** Everything every organization platform has its own role and standing you cant minus any of these its starts from the micro level and go up to the macro level I would say local authorities should understand the needs of the local SMEs. I think it's a funnel shape structure you always start from micro and go to the macro level to address to give signs and symbols to the government agencies to form the policies accordingly. Government makes policies with major or mini budgets end of the year or beginning of the years they ask the local chambers for the proposal. Government agencies should facilitates by making the policies or commercial attaches in the foreign embassies they should give excess and time if they have problem in their respective counties in the world. Whenever chamber of commerce is asked by the government to formulate the policies what your local industries requires and demands and chamber of commerce should convey the exact position that would be helpful for the government to make the policies and rules regulations. Actually chamber of commerce in all the districts and cities are not addressing all the issues and all the sectors working and prevailing in these regions and probably there is not proper representation of that sector in the chamber of commerce. Financial institution has the key role they don't have the proper specific solution to the SMEs for the financing for the ease of doing business ease of excess to the cash there are no such product available and the major chunk of the economy Pakistan consist on the SMEs we need to work on it but they have financial solution only for the large scale units because they are more comfortable with it.

**12. Would you like to add any other information that would help throw more light in this area of internationalization process of Pak SMEs with a focus on European markets?**

**Answer:** The suggestion is especially if you are looking to export in European market it is very comparative market they goes for the third party certification there without that they can't import your product and you can't export if you don't meet the standard criteria. And our Pakistan Council of Scientific and Industrial Research (PCSIR) laboratories are not aware of such certification and they have not made such arrangement to facilitate SMEs for such certifications.

**Interview with CEO of Belvin Private Limited**

**Question 1. When did your organization go international and what were the reasons for doing so (give up to three reasons).**

**Answer:** All right first of all let me introduce myself to you my name is Amir Aslam and I am the CEO of the company. And we are engaged in the manufacturing of television DVD players and then later on we started manufacturing fans "Aah" to be actually onto your first question is we wanted to be global number one we went into export market in 2009 why "Aah" we go for an export yes we were heading for to explore new market because the growth was a little bit stagnant in our domestic market so we were thinking the quality which we produce in fans they are so good that we can compete in international market at any level so that is why to explore new markets to enhance the growth in our company and to be a global leader in our product.

**Question 2. Which mode of entry best describes the internationalization process of your firm?**

**Answer:** "Aah" obviously it exporting as we think we are born global and our company has the potential to compete in any international marking by direct exporting in this particular area of fan industry. And once you think you are the best in your domestic market you should look for export opportunities.

**Question 3. Please give the details of the international activities of your organization, i.e. Names of and the number of countries your company has**



**international activities with.**

Answer: “Ohh” there are few of them “Amm” to start with its UAE than in Sudan, Iraq, Afghanistan, Saudi Arabia, South Africa “Aah” Yemen and Bangladesh. Why Middle East and Africa why not European countries as we know the Arab countries and African countries they have a very hot temperature throughout the year and consumption of our product is more in that region. That’s why we preferred these regions to be more lucrative from sale point of view.

**Question 4. Which of the following best describes the internationalization process of your firm?**

Answer: Well there are few I go step by step yes entering into foreign market through networks contacts yes also that there is another avenue which we used was the international fair and exhibition that is another avenue which we used to get into export market.

**Question 5. Which of the following factors helped your company’s internationalization process?**

Answer: “Hmm” ok there are few things, which I agree, “Aah” and few I don’t like there is always the growth opportunities but markets are not always similar you have to customize according to the markets “Aah” yes there was market opportunity and a liitle bit of market knowledge yes your first point 75% a part of it second point similarity in business culture, and maturity of the business I don’t think “Aah” fourth point creativity and innovation why I say that because once you go into international market you see the requirement of your customer and you innovate and create according to the requirement of the customers that was the basic need to create and innovate that is what we are thrive for and the fifth point definitely managerial motivation.

**Question 6. What has been the impact of going international?**

Answer: “Oh” I will say that its growth employee’s morale and overall performance I think every entrepreneur looks for these area to go international where he think his product will do wonders and obviously we will get more profit and the growth of our business will definitely enhance.

**Question 7. What has been the strategy you adopted for going international?**

Answer: “Aah” it was basically we went for the exhibition we identify the resources and

“Aah” you know we innovated our product according to the customer requirement and that was how we went into the export market by identifying the need of the markets through exhibitions and through personal contacts. And I would say it’s more of a direct exporting.

**Question 8. What challenges did you face in this journey? Could you please highlight what are the main barriers faced by the entrepreneur in the international process?**

Answer: Yeah, first thing is “Aah” finding the right people for the right job and number two is in some place yes language barriers were also there and thirdly was the competition between China and India and than Pakistani product the three things I already mentioned and also the main thing was in some countries where we are exporting like Sudan and Iraq where the export were restricted by the United Nations that was also the major cause and “Aah” a little role of SMEs as well because we must educate our industry according to the need of the export the vendors must maintain the quality of the product which we supply and use for the export we really had to work with our supplies to identify and “Aah” root out the quality issues relevant to export product.

**Question 9. How do you perceive the role of creativity / innovation in the process of internationalization?**

Answer: Extremely important because you need to be creative and innovative to make a mark because you have competition from all over the place and “ Aah” you need to be one step ahead you won’t be progressing unless you are innovative or creative so that is the basic soul of the company if you want to be in export business.

**Question 10. What would be your suggestions to the SMEs that are planning to internationalize in the near future, particularly regarding strategy and processes that would be helpful?**

Answer: Well the most important thing for the SMEs is to improve “Aah” their process of manufacturing the quality control systems they should identify the needs of their customers the certifications that what kind of certification are needed to export in the specific market so SMEs really need to work on their skills to produce the quality product and identify the need and to control their “Aah” process using modern techniques of productions.

**Question 11. What guidance, training and support do you think can be provided by the following bodies to help the entrepreneur in this process?**

Answer: Ok the first thing is “Aah” the government agencies should facilitate the SMEs to look for the market that wants to export ok look for the products markets and also the certifications specially like if you want to export the product to USA than you have different kind of certifications you need some help from them to get those certifications and must have those certifications agencies. Number two is to be competitive in the market “Aah” you need to have relief in taxation and also some rebates on export so that you should be competitive with the other exporting nations. Second is chamber of commerce “Aah” basically helps you to make advancement in your industry using your resources what are available “Aah” Chamber of Commerce plays a very important role as for as linkage of industries with the government agencies are concern and whatever the bottle neck are whatever the barriers are if you are not been able to overcome those barriers than chamber of commerce must help you to get over from those barriers to go for “Aah” better industry. Yeah you definitely need a financial assistance and financial institutions plays big role to go into the international market specially the interest rate etc. Local authorities ok “Hmm” I am not really sure “Aah” I think logistics and the supply chain management they can support.

**Question 12. Would you like to add any other information that would help throw more light in this area of internationalization process of Pak SMEs with a focus on European markets?**

Answer: “Aah” For the European markets there are certain rules and regulations which you have to follow and there are certain certifications “Aah” which your product must qualify for to export to the European markets. In order to do that you need to have proper components, which have to be dually approved through those certifications than you have the proper system of producing a product under the regulations of those certifications so it’s a process you need to train your people you need to educate “Aah” you need to develop that skill set so that they produce the product according to the certifications required in the European countries.

## **Interview with CEO Haroon Rice Processing Mills**

**1. When did your organization go international and what were the reasons for doing so (give up to three reasons).**

**Answer:** Ok before I start with the interview let me introduce myself my name is Sardar Ghulam Mustafa Khan and I am the CEO of the company. And we have started this rice business in 2001 and when we started business of rice at that time there were less processing plant that means our industry can give the best product which can be accepted in any part of the world with regards to the quality. The reason why we went for internationalization is that our machinery was very high tech and its straight of the art at that with regards to bring the quality of product. Secondly we were having clients from Iran who were the big importers of rice so initially we didn't have the problem for seeking clients from international market as the importers are the Gurus of their respective fields so they know which industry to choose to get the product. Thirdly the quality of the product we were producing the domestic market can't give that rate to this quality of rice and the buying power for this rice was very limited.

**2. Which mode of entry best describes the internationalization process of your firm?**

**Answer:** I think if I consider your points which you asked for my firm international process the best entry mode was the exporting why because there is no secondly thought in the international market when it comes to the taste of Pakistani Basmati rice. And our rice taste has the potential to hit any market internationally because the smell and the taste of the rice no other country rice can give. India has the potential of rice as it's the neighbouring country and we have the same culture but our product uniqueness was the edge for our company to go for direct export.

**3. Please give the details of the international activities of your organization, i.e. Names of and the number of countries your company has international activities with.**

**Answer:** We have started our international export activities with the countries like Iran, Germany, Canada and UK why we have started with these counties because as I mentioned earlier the clients from Iran directly came to us for the export business due to the new technology processing plant we had so we didn't faced the marketing problem as the buyer himself approached us. Going into Canada was the go decision as the Asian were giving the immigration from the Canadian government as the people wanted to eat the Basmati

rice from Pakistan so we didn't face much problem in entry into that market. And choosing European countries was also having the same reason as the Pakistan rice has the name due to its taste and quality so the demand of Pakistani rice was too much.

**4. Which of the following best describes the internationalization process of your firm?**

**Answer:** I think considering your question points we have gone into international market through contacts and partners. In Iran we had the partnership that was very good and the market potential for this product was amazing and we didn't have any problem of selling our product. Secondly we used to go to all the international exhibitions and fairs by the direct invitation from that country so taking the product into that country and representing Pakistan was a proud moment and by this process we made many contacts which not only helped us selling our product in that country but also we impressed clients from different countries. So it was a good platform to get the best out of it.

**5. Which of the following factors helped your company's internationalization process?**

**Answer:** I will say the growth opportunity in the market the product people are wanted have the similar culture and taste than the market was a bit similar in case of Iran. The quality of the product and the maturity in the business also helped us to go international. We had the advanced technology in the field of rice processing so that also helps our company in the international process. Being creative and innovative in the rice quality as by giving different product like polishing the rice making it more silky and giving the looks like crystal helped our company in the international process.

**6. What has been the impact of going international?**

**Answer:** The main impact on our firm being part of international business community was the overall performance of the company improved by getting the product good reputation in the international market. We created the brand name that means a lot to my company. Our company growth and profits really boost up and nevertheless the morale of the employees really boosted as we were giving them incentives due to their hard work and bringing that quality product.

**7. What has been the strategy you adopted for going international?**

**Answer:** As such we didn't focused on any strategy to go international as we already had the buyers from Iran, which already knows the quality and the production capacity of our company. So we didn't faced problem in selection of the market as the buyers straightaway came to us for the export so starting off with them really a good step to entry into international market by direct exporting. Though latterly we had the offer of opening our production setup in Iran but we refused due to language constraints.

**8. What challenges did you face in this journey? Could you please highlight what are the main barriers faced by the entrepreneur in the international process?**

**Answer:** The main challenges and barriers which we faced in exporting Iran was the language as and secondly we were not familiar with the payments procedure and so initially we had slow cash return. The government has not given any incentives for exporting the product rather they have the weak policies for trading internationally. So in case of Germany we had some sociocultural differences and the currency rate differences as the when we change the rate of the currency we had risk of currency exchange which was really a big barriers for us.

**9. How do you perceive the role of creativity / innovation in the process of internationalization?**

**Answer:** I think in the international process the creativity and innovation has a pivotal role in making your product unique from rest of the company's product already in the market. It is a human psychic that people need change and looking for different product in our case we have started par boiled rice, which was a new product in the market of Iran. Due to par boiled the length of the rice becomes lengthier and looks amazing after cooking. So I think without innovation you can compete in the international market.

**10. What would be your suggestions to the SMEs that are planning to internationalize in the near future, particularly regarding strategy and processes that would be helpful?**

**Answer:** I suggest in this current scenario keeping in view the international situation that before they look for the business opportunity that should first make contacts in the country they want to operate means they should first select the countries where they want to sell their product that they should look for the business strategy either they want to collaborate with any company our they want to go for the direct export. So it depend which ever they

think will suit them.

**11. What guidance, training and support do you think can be provided by the following bodies to help the entrepreneur in this process?**

**Answer:** Government agencies are the one who make the business person by giving the governmental support in making policies which favours the exporters and make the procedure short so that one should not wait for a long time. Government should give incentives to the exporters in shape of taxes and other rebates that will boost the economy of the country as the SMEs role in any country's GDP is very important and these SMEs are making the country economic value. Chamber of commerce is the face of the government and the business community. They should address the problem of SMEs at governmental level so that the business community should say that there is someone who is protecting them. Coming over to financial institutions as it's a normal practice that they support the large firms and helping them in financial support and capital. The same thing they should do for SMEs, as they are more deserving for the capital support. Local authorities as such have no role but to tease in the process of waste material dumping and in the logistics of the goods. That made their own domains where they charge money from the transporters and making them stopped for a long time which delays the supply chain process.

**12. Would you like to add any other information that would help throw more light in this area of internationalization process of Pak SMEs with a focus on European markets?**

**Answer:** I think nowadays the international process for SMEs is a bit difficult in meeting the standards of European markets. Normally SMEs don't have the certifications which is normally required by the international importers so that the main area which SMEs need to focus before going into international. The government policies and the taxation process should be made easy for the exporters so that they should smoothly do business with the international market.

## **Interview with CEO Shiraz Industries Private Limited**

**1. When did your organization go international and what were the reasons for doing so (give up to three reasons).**

**Answer:** Let me start this interview with a short introduction my name is Shiraz Ahmed and I am the CEO of the company. And we started our polypropylene business in year 2007. And the reason our company goes international was our clients they were having plants in different countries and they were using our bags for their product. The other reason when we went international was the machinery of our plant. We have installed Starlinger plant, which is the world leading plant in producing plastic woven bags so the product we get from this plant is not for domestic sale as the quality is much high and the local suppliers can't afford this material bags. So this is how we went international.

**2. Which mode of entry best describes the internationalization process of your firm?**

**Answer:** The best entry mode describe my firm internationalization process is the direct exporting through personal contacts. The domestic market is very saturated in case of our product because our machine don't use recycle product to remake the product so due to which the price of the product goes high and the local supplier normally go for recycle bags in case of polypropylene. So the option available for us to sell our product is through exporting.

**3. Please give the details of the international activities of your organization, i.e. Names of and the number of countries your company has international activities with.**

**Answer:** My Company started international activities with the neighbouring countries as the demand was quite high and the production capacity of our plant was very efficient. We have started exporting our polypropylene bags to Oman, Iran, UAE and Afghanistan. As we have the direct link from these countries and the machinery installed is the world's leading brand so to attract the buyers was not difficult. Mostly our clients were the fertilizers, urea, chemicals and flourmills.

**4. Which of the following best describes the internationalization process of your firm?**

**Answer:** I think if I chose from your question option the best internationalization process



describe for my firm is through personal links and in one case partnership. By selling our product to Middle East we has been taking part in exhibitions just to introduce our company and the product. By the help of exhibitions we made a good contacts with buyers of polypropylene bags from Iran and Afghanistan. So luckily we hooked up with the good importers of the bags, which gave us a good business in the initial run of the business.

**5. Which of the following factors helped your company's internationalization process?**

**Answer:** Considering your question options I think market knowledge and market growth. When I say market knowledge as the countries like UAE, Oman and Iran they are the oil producing countries and there are many byproduct of the oil, which need this bag for the packing. Secondly we were having clients who were buying feed, fertilizers and Urea from Pakistan so that suppliers uses our bags for their product. And we were more creative and innovative in making and good business contacts and network and we were very motivated to go to any extreme to take risk and sell our product.

**6. What has been the impact of going international?**

**Answer:** The impact of going international to our firm is definitely growth of the company and the profit gain. But we the huge demand and order from the foreign clients the employee morale gets boosted due to over time and that is how our labor and employees mint money with extra time bonuses. Keeping all the points in one word if I say it's the overall performance of the company enhanced and heightened.

**7. What has been the strategy you adopted for going international?**

**Answer:** I think we have never think of strategy to start off with this business I can say we were born global so when I say this term due to the efficiency of the plant and the employees we only look for the foreign buyers as we know that our local market will not buy this product because they were mostly interested in buying the recycle bags which were low in cost and fulfill their need too. So we looked for the direct exporting through our personal clients, contacts and partnership. I think still in Pakistan the entrepreneur don't use any strategy and they use the simple method of export in case of SMEs.

**8. What challenges did you face in this journey? Could you please highlight what are the main barriers faced by the entrepreneur in the international process?**

**Answer:** The main challenges and barriers which we faced in exporting bags to international clients was the governmental barriers the procedures and the processes for the export were very complicated and the support and incentives were not given by the government which help the firm to go into international market. The currency exchange rate for the other main barrier faced by our company as the local banks from where we do export through letter of credit the exchange rate given by the banks and the rate given by the open currency brokers were different. So the financial institutions in the country were not supportive to give us the good exchange rate. In Afghanistan we faced language constraint due to which in many case we use to hire interpreter to mature the business deal.

**9. How do you perceive the role of creativity / innovation in the process of internationalization?**

**Answer:** I think the key role in the process of internationalization is the innovation and creativity. When we say creative I think we are talking about the exclusiveness of the product in our case the digital printing we started with different color bags really attracted the foreign clients and being innovative we had flourished our business to the level we were hoping for. The dedication and hard work pays back the efforts you make and the endeavors you put in. being creative your are more refreshing.

**10. What would be your suggestions to the SMEs that are planning to internationalize in the near future, particularly regarding strategy and processes that would be helpful?**

**Answer:** I suggest in this current international situation and the prevailing country scenario we have to seek for the best business opportunities by using different tools to be connected. Making proper contacts and link in the country you want to operate and sell your product so the market choice I must say in very important and has the pivotal role in the success of the business. I think for the SMEs doing joint ventures is very difficult due to budget and financial constraints. The option and choice for any company to test their skills and performance is through export or partnership.

**11. What guidance, training and support do you think can be provided by the following bodies to help the entrepreneur in this process?**

**Answer:** Government agencies are the one who are responsible for the country growth and GDP. The support and ease, which a government department can give to the businessman, can boost their morale to excel in their respective field. The policies and procedures for export should be made easy so that time should not be wasted in shipping the product. The mother of the business is the chamber of commerce in Pakistan. The chamber is the one who gives opportunities in the form of international exhibitions and fairs. The problem industries faces can be conveyed at governmental level through chamber. So I must say chamber works like heart in the body. Financial institution like SME bank was made in Pakistan to support SMEs but these financial institutions and only helping the large firms and getting more interest from those firms as more percentage of interest for the SMEs is very difficult to reimburse. Local authorities in our country are just the bribe station. They just stop the logistics process by delaying the road shipment and transportation and nothing else. They government should be made responsible for this delay by the local authorities.

**12. Would you like to add any other information that would help throw more light in this area of internationalization process of Pak SMEs with a focus on European markets?**

**Answer:** I think in meeting the standards of European markets nowadays the internationalization process for any firm from outside the country is a bit difficult. The standards should be made similar for all the countries so that there should be some standardization in the procedure and process. The taxation and policies made by the government should be smooth and easy going for the entrepreneur. There is a huge demand from the European countries for the jumbo plastic woven bags but the standards are the main hurdles which make the process more complicated.

**FOCUS GROUP INTERVIEW WITH ENTREPRENEURS AND CHAMBER OF COMMERCE MEMBER**

**Q 1: what are the challenges and critical issues you think Pakistani SMEs are facing?**

**Answer: A** I think starting from the environment and regulatory authority of Pakistan for the SMEs growth and the overall performance the role of government is not very supportive and conducive and they give priorities to the large firms and concentrate more for their benefits and development. SMEs are not getting government and economic support, due to

insufficient funding they have shortage of skilled and trained manpower, they have low technology capabilities due to which they have outdated production facilities and the product is not much appreciated in the market. The misconduct and misbehaviour of the government officials and the corruption issues are also the disruption in SMEs progress. The income tax department behaviour is miserable and a critical issue needed to be addressed if government wants to improve the GDP. The other major and unpleasant issuer is the law and order situation in Pakistan due to terrorism and that is badly affecting the SMEs growth and is a big challenge nowadays.

**B** Yes I fully agree with you the government is not very supportive rather they create more hurdle in the procedures and regulations especially when it comes to SMEs. I think majority of SMEs are using the orthodox style and that's why they are facing low profit and growth and using the same old technology and old products. Secondly they don't have the proper business plans and actions for assessing the business for example return on investment, cash flow, balance sheets etc. The staff is not that much skilled and professional to handle the accounts and they also lack marketing, managerial and other technical skills. There are not proper technical institutes for training and skilled manpower, which is important to bring new innovative ideas and product for the developing country like Pakistan.

**C** Yes few things which was in my mind you both covered but I think the SMEs are not focusing on the product quality and not adopting standardized procedures and process in the conformity with the firm SOPs. Secondly lack of tangible resources like financial capital to support the business and that is one of the major challenge SMEs in Pakistan are facing they don't have access to get financed by getting the loans from the banks and the banks ask for the security to get the finance sanctioned. Most of the SMEs don't have proper account and financial information and that is the main hindrance in not getting the loan approved. And majority of the SMEs relies on the credit from the suppliers, personal financing and getting loans and financial support from friends and relatives.

**D** I 100% agree with you I just want to add few things that I think you have not covered the SMEs don't have the access for formal source of financing from the lending institutes or the banks. There is an element of corruption with high interest rates and the role of bank is limited as taxes. Secondly the SMEs don't have much skilled labor, they have lack of information and knowledge, they are not aware of the latest trends and technology, the government has more inference in business matters, that's why they have problems in procuring the raw materials as well as the license and registration for work. So the government has not been supportive and is the main barrier or challenge in SMEs progress. The other issue is the power shortfall, land transport and the technical expertise because of that SMEs are not much contributing in nations GDP.

**E** I think being part of the chamber of commerce and the facet of the industries you all have covered all the major areas that need to be addressed. In my point of view the essential element the affects the SMEs performance in Pakistan is the HRD. Low level of management training is utilized by the SMEs. That's the reason the SMEs in Pakistan are

facing low productivity and technical issues. The SMEs are not upgrading the technology and due to which the manufacturing sector is not progressing well. SMEs are lacking international market knowledge and awareness to take their product for exporting. The main point of concern that is very crucial is that the SMEs are located either in the dense areas of the city or on the fringes of the main cities where the access is very difficult for the transportation of the goods and product. Despite having the industrial estates in the major cities the road infrastructure is so poor that is creating hurdles for the logistics. Another big issue that really needs government attention is that many SMEs have their manufacturing plants in very old buildings, which is dangerous for the stakeholders as well as for the employees. The other point is that we don't have any proper data base where we can get information of other manufacturing or service based sector.

Q 2: What are the recommendation and solution you suggest to overcome SMEs issues in Pakistan?

Answer:

### **Internal Process**

“I suggest that government of Pakistan should create a favourable environment for the SMEs growth by encouraging regulation and supporting policies that will help the government in creating employment and boost the economy, this will further help the SMEs to make erudite good decision for their business strategy and business plans. Endeavors should be made to reduce the Bureaucratic burden on SMEs reduced by government officials. Government should try to reduce the unemployment and poverty by overcomes the corruption. SMEs. The SMEs burden of compliance can be lower if the government reduces the number of regulation and made the process easy”.

### **Learning Management Training and innovation**

I think the gap created between the SMEs and the educational sector need to be sorted. Government should make good technical institutions for producing the technical human resource. They will bring new innovative product for attracting the international firms. The SMEDA should be made responsible for arranging mass training programs for the SMEs so that they should use their improved human resource management practices to manage their employees for the betterment of their organization.

### **Technology up gradation**

I think the owners/ management of the SMEs can be encourage to upgrade of technology by government through SMEDA. This will enhance the SMEs capability to draw within the business world and the international development.

### **International trade and export**

The government of Pakistan through export promotion bureau should promote awareness of services and exporting their products amongst the Pakistani SMEs. Government should promote the entrepreneurial activities in the smaller region of Pakistan, and the awareness of the competitiveness of local regional SMEs from internationalization.

### **SMEs database and Research and Development**

Government of Pakistan to make proper R & D department at each chamber of commerce to bring new ideas and avenues for the SMEs to promote their product in the different part of the world fulfilling the criteria to overcome external barriers for international marketing. To attain the objective of promoting research and development the development of database centers are very important.

### **New infrastructure**

The government of Pakistan to take initiative and develop the new industrial estates with the state of the art building infrastructure and repair the roads of the old industrial estates for smooth logistics and transportation of the goods. Government to improve the power sector to provide 24 hours electricity to the industries for smooth production and less losses of material.

## APPENDIX-7- COMPARISON OF THEMES-INTERVIEW-2

4	<p>1. Dimension of internationalization</p> <p>2. International value chain network</p> <p>3. Business Platform</p>	<p>1. Business approach</p> <p>2. Business platform for the product</p>	<p>1. Managerial attitude and urge</p> <p>2. Dimensions for SMEs internationalization</p> <p>3. International platform for business</p>	<p>1. Dimensions of SMEs internationalization – – product, operational mode personal liaison</p> <p>2. A platform for the business</p>	<p>1. Dimension of internationalization</p> <p>2. International platform for business</p> <p>3. Managerial attitude and urge</p>
5	<p>1. Development prospect – culture awareness</p> <p>2. Experienced and innovative</p>	<p>1. Proactive motives for internationalization – – growth and profit, opportunities and foreign market information</p>	<p>1. Dimensions for SMEs Internationalization</p> <p>2. Drivers of internationalization — market knowledge, international</p>	<p>1. Proactive motives of internationalization — knowledge and growth</p> <p>2. Goals of profit and growth — proactive motives of internationalization</p>	<p>The proactive motive of internationalization</p> <p>2. Experienced and innovative</p> <p>3. Dimensions for SMEs Internationalization</p> <p>4. Drivers of internationalization</p>
6	<p>1. International operations</p> <p>2. Proactive motives for internationalization — Profit and growth and rewards</p> <p>3. Established business — overall performance, sustainability in the market</p>	<p>1. Factors of proactive motives for internationalization</p>	<p>1. Passion to achieve the goals</p> <p>2. Enhanced company performance</p> <p>3. External barriers for internationalization</p>	<p>1. The attitude of management and managerial urge</p> <p>2. Proactive motives of internationalization — gaining good profit and company growth</p>	<p>1. Proactive motives for internationalization</p> <p>2. External barriers for internationalization</p> <p>3. Established business – overall performance, sustainability in the market</p>
7	<p>1. Strategy for internationalization</p> <p>2. Business opportunities</p>	<p>1. Internationalization strategy</p> <p>2. Establishing international contacts.</p>	<p>1. Mode of entry into internationalization</p> <p>2. Growth and profit urge</p>	<p>1. Internationalization strategy and proactive motives</p> <p>2. Lack of professionalism and business dynamics</p>	<p>1. Strategy for internationalization</p> <p>2. Growth and profit urge</p>

8	<ul style="list-style-type: none"> <li>1. Environmental barrier — communication barrier</li> <li>2. International market barriers</li> <li>3. Macroeconomic stability — rate fluctuation</li> </ul>	<ul style="list-style-type: none"> <li>1. Socio-cultural and environmental factors</li> <li>2. Weak Business model</li> <li>3. International market barriers — export was restricted by the United Nations</li> <li>4. Government modest approach</li> </ul>	<ul style="list-style-type: none"> <li>1. The reactive motive of internationalization</li> <li>2. External international barriers and international market barriers.</li> <li>3. Economical pressure</li> </ul>	<ul style="list-style-type: none"> <li>1. Governmental and procedural barriers – –international marketing external barriers</li> <li>2. Socio-cultural barriers</li> </ul>	<ul style="list-style-type: none"> <li>1. Environmental barrier – communication barrier</li> <li>2. International market barriers</li> <li>3. Socio-cultural factors</li> <li>4. External international barriers and international market barriers</li> </ul>
9	<ul style="list-style-type: none"> <li>1. Innovative and creative</li> <li>2. Brand recognition and productive</li> </ul>	<ul style="list-style-type: none"> <li>1. Proactive motives for internationalization – – profitability and growth</li> <li>2. Brand loyalty</li> </ul>	<ul style="list-style-type: none"> <li>1. Product uniqueness and skills competence</li> <li>2. Weak governmental procedures and policies</li> </ul>	<ul style="list-style-type: none"> <li>1. Drivers of internationalization – – exclusiveness of the product eco-friendly bags</li> </ul>	<ul style="list-style-type: none"> <li>1. Innovative and creative</li> <li>2. A proactive motive for internationalization</li> <li>3. Drivers of internationalization</li> <li>4. Brand recognition and productive</li> </ul>
10	<ul style="list-style-type: none"> <li>1. Business opportunity</li> <li>2. SMEs Internationalization strategy</li> </ul>	<ul style="list-style-type: none"> <li>1. Internationalization strategy</li> </ul>	<ul style="list-style-type: none"> <li>1. Downstream internationalization</li> <li>2. Internationalization strategy</li> <li>3. Reactive motives of internationalization</li> </ul>	<ul style="list-style-type: none"> <li>1. Internationalization strategy and proactive motives</li> </ul>	<ul style="list-style-type: none"> <li>1. Internationalization strategy</li> <li>2. Downstream internationalization</li> <li>3. Reactive motives of internationalization</li> </ul>
11	<ul style="list-style-type: none"> <li>1. External barriers for internationalization</li> <li>2. Support for internationalization process</li> </ul>	<ul style="list-style-type: none"> <li>1. Government stance for entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>1. Self-supporting companies</li> <li>2. Governmental procedures and weak policies</li> </ul>	<ul style="list-style-type: none"> <li>1. Governmental and procedural barriers</li> </ul>	<ul style="list-style-type: none"> <li>1. External barriers for internationalization</li> <li>2. Governmental procedures and weak policies</li> <li>3. Support for Internationalization process</li> </ul>
12	<ul style="list-style-type: none"> <li>1. Government support for the internationalization process.</li> </ul>	<ul style="list-style-type: none"> <li>1. Governmental task barriers</li> </ul>	<ul style="list-style-type: none"> <li>1. International market barriers</li> <li>2. Dimensions for SMEs Internationalization</li> </ul>	<ul style="list-style-type: none"> <li>1. Governmental, procedural and international market barriers</li> </ul>	<ul style="list-style-type: none"> <li>1. Government support for the internationalization process.</li> <li>2. International market barriers</li> <li>3. Dimensions for SMEs Internationalization</li> </ul>



## **APPENDIX-8- PARTICIPANT CONSENT FORM**

### **DEVELOPMENT OF AN INTERNATIONALIZATION STRATEGY TO EFFECTIVELY MARKET PAKISTAN SMEs PRODUCTS TO EUROPEAN COUNTRIES**

#### **Consent to take part in research**

- I **Amir Aslam** voluntarily agree to participate in this research study.
- I understand that even if I agree to participate now, I can withdraw at any time or refuse to answer any question without any consequences of any kind.
- I understand that I can withdraw permission to use data from my interview within two weeks after the interview, in which case the material will be deleted.
- I have had the purpose and nature of the study explained to me in writing and I have had the opportunity to ask questions about the study.
- I understand that participation involves the internationalization strategy used by our firm to market our product.
- I understand that I will not benefit directly from participating in this research.
- I agree to my interview being audio-recorded.
- I understand that all information I provide for this study will be treated confidentially.
- I understand that in any report on the results of this research my identity will remain anonymous. This will be done by changing my name and disguising any details of my interview which may reveal my identity or the identity of people I speak about.
- I understand that disguised extracts from my interview may be quoted in the thesis and published papers

- I understand that if I inform the researcher that myself or someone else is at risk of harm, they may have to report this to the relevant authorities - they will discuss this with me first but may be required to report with or without my permission.
- I understand that signed consent forms and original audio recordings will be retained in the safe custody of the researcher who has access to data until the exam board confirms the results of their Doctoral thesis.
- I understand that a transcript of my interview in which all identifying information has been removed will be retained for will be two years from the date of the exam board.
- I understand that under freedom of information legalisation I am entitled to access the information I have provided at any time while it is in storage as specified above.
- I understand that I am free to contact any of the people involved in the research to seek further clarification and information.

Mr Mamoon Mustafa Degree Doctorate in Business Administration, University of Wales Trinity Saint David, Email of Researcher [1504293@student.uwtsd.edu.uk](mailto:1504293@student.uwtsd.edu.uk).



Signature of the research participant

Signature of participant Date **15 May 2018**



Signature of researcher

I believe the participant is giving informed consent to participate in this study

Signature of researcher Date **15 May 2018**

## APPENDIX-9- DECLARATION

### DECLARATION 1

**This sheet MUST be signed and included within the thesis**

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed ..... (student)  
Date .....31 Dec 2019.....

### STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed ..... (student)  
Date ..... 31 Dec 2019.....

### STATEMENT 2

I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

Signed ..... (student)  
Date ..... 31 Dec 2019.....


### STATEMENT 3

I hereby give consent for my thesis, if accepted, to be available for deposit in the University's digital repository.

Signed ..... (student)  
Date ..... 31 Dec 2019.....

## DECLARATION 2

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

  
Signed ..... (student)  
Date ..... 31 Dec 2019.....


### STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

  
Signed ..... (student)  
Date ..... 31 Dec 2019.....

### STATEMENT 2

I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

  
Signed ..... (student)  
Date ..... 31 Dec 2019.....

### STATEMENT 3

I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loans after expiry of a bar on access approved by the University.

  
Signed ..... (student)  
Date ..... 31 Dec 2019.....