
Networking, internationalization of SMEs and export performance: A theoretical framing

Mina ELGRAINI¹ & Mohamed Anis TAMIRI²

¹Professor at Mohamed V University of Rabat, melgraini@gmail.com

²PhD student at Mohamed V University of Rabat, mohamed.anis.tamiri@gmail.com

Résumé

A partir des études antérieures, nous cherchons à travers cette contribution théorique à mettre l'accent sur le rôle des réseaux dans le développement des PME à l'international et leur performance à l'export. Ces rassemblements d'entreprises, soutenus par les pouvoirs publics, favorisent l'action réciproque Gagnant-Gagnant, la création de synergies à travers le partage des ressources financières et/ou non-financières, le savoir-faire et l'expérience. L'objectif est de combler de déficit des ressources chez les PME, utiles pour l'identification des opportunités d'affaires sur les marchés étrangers. L'appartenance à un réseau permet de minimiser les coûts d'accès aux informations et de renforcer la position concurrentielle de ses membres par une réduction des risques et de l'incertitude qui accompagnent les activités internationales.

Mots-clés : Internationalisation des entreprises – PME – Approche par les réseaux – Performance à l'export.

Abstract

Based on previous studies, our objective, through this academic paper, is to focus on the role of networking in the development of SMEs in an international market and their export performance. Those business meetings, supported by governments, promote win-win interaction, synergies and sharing of financial and / or non-financial resources, know-how and experiences in the aim to make up the lack of resources in SMEs, also to identify business opportunities in foreign markets. Being part of a network reduces the risks and uncertainty that go with international activities as a consequence. A network minimizes also the costs of access to information and consolidates the competitive position of their members.

Keywords : *Internationalization – SMEs – Networks approach – Export performance.*

INTRODUCTION

For a long time, the literature on globalization of enterprises has considered the Large Company (LC) as the only unit of analysis. The idea is that small and medium-sized enterprises (SMEs) are "large firms in reduction" with particular characteristics (Torres, 1999).

Due to the increasing notable role of SMEs on foreign markets, those entities are legitimately imposed as the subject of independent research and are no longer treated as thumbnails of the LC.

The importance of SMEs in the economic structure is everywhere verified. It is universally recognized that SMEs remains the main creator of wealth, essential lever of economic growth and social development, first creator of jobs also the prime producer of goods and services (Torres, 1999 ; Mohammed ABDELLAOUI and Amina HAOUDI, 2012 ; PLUCHART, 2014).

Yet, in a context of the global economy, their potential of development and growth remains minimal compared to LC, incurring even the risk of an early death (Chafik Bentaleb & Abdenbi LOUITRI, 2011).

The conquest of foreign markets by SMEs has become a necessity because the interplay of market forces as well as the functioning of the current economy do not play in their favor (Mostafa ABAKOUY, 2006).

The problem of SMES lies in the inadequacy of their financial, technical and human resources, useful to their international growth (Aragon-Sanchez and Sanchez-Marin, 2005 ; Grimes and Al, 2007).

This lack of financial resources, managerial skills and knowledge of foreign markets (Buckley, 1997 ; Leonidou, 2004) prevent the SMEs from identifying business opportunities to acheive profit and international growth (Johanson and Vahlne, 2009).

Based on a literature revue, we aim through this paper to establish a link between the phenomenon of networking SMEs and their export performance, trying to respond the following problem : **Being part of a network, could it foster the internationalization and export performance of a SME ?**

In order to achieve our goal, we opted for a three part plan. First of all, we will establish an overview of theoretical approaches on the internationalization of enterprises. Then, we will expose the results of the major works which falls within the scope "internationalization of

enterprises”. Before concluding, a third part will be devoted to discuss the importance of the reticular dimension in the growth of SMEs and its impact on their export performance.

I. INTERNATIONALIZATION OF ENTERPRISES : A REVIEW

Several definitions of internationalization of enterprises have been proposed. We retain the one of Ruzzier et al. (2006) according to « *the internationalization of a company means the geographical expansion of its economic activities beyond the national borders* ».

Due to the complex process of internationalization, several theories have attempted to explain the phenomenon. A literature review has allowed us to identify three theoretical approaches to analyze the process: “internationalization of enterprises”, the approach by steps or the Model Uppsala, the approach by networks and the economic approach (McDougall and Oviatt, 2000; Ruzzier et al, 2006; Torres, 1999).

In what follows, we simply list the main contributions of the Uppsala model before analyzing the phenomenon according to " network" Perspective. The latter is an extension of the approach by steps (Johanson and Vahlne, 1990).

The Uppsala model was originally developed by Johanson and Vahlne (1977). This approach describes the internationalization as a linear process obedient to steps and the development of the company on an international scale depends on the knowledge and experience accumulated on foreign markets.

According to this model, firstly the company is in a situation of uncertainty and seeks minimizing the risk. Therefore, it is little committed to the Export and its exportations are irregular. Over time, its position on foreign markets is strengthened and begins to export its products in a more or less regular basis through intermediaries.

As a consequence of the knowledge acquired as well as the accumulated experience the company will move to more advanced stages in its internationalization process namely the creation of commercial units and finally the relocation of its production unit (Johanson and Vahlne, 1977).

Two key concepts constitute the core of this approach. First “the learning process” and then “the psychological distance”.

The model places the experience gained progressively by the leader and his organization as a key ingredient of internationalization process (Johanson and Vahlne, 1977).

Regarding the psychological distance, it is defined as "*the set of cultural and linguistic differences have an influence on the flow of information and decision-making in international transactions*" (Johanson and Vahlne, 1977).

The Uppsala model shows that the experience gained by the leader and his organization on international scales, reduced the psychological distance separating the SMEs from foreign markets.

This decrease in the psychological distance allows a progression more extended of the SMEs and increase the ability to seize business opportunities that are available in served countries (Johanson and Vahlne, 1977).

Due to the inability of the model to explain certain phenomena, including companies "born global" (Torres, 2004), its review by its founders has helped to develop a new vision of the companies internationalization process thanks to the approach by networks.

To study the phenomenon, Johanson and Vahlne (1990) have focused on the role played by the position of the firm within a network in its process of internationalization. The latter then takes the definition of a network which is developing through the trade relations with companies of one or several foreign countries.

Indeed, the financial, technological and trade relations established with other actors within their network allow concerned organizations, including SMEs, to extend their connections either formal or informal, to guide and gradually expand their activities outside of their space of localization (Gemser et al., 2004).

Therefore, in view of the limited resources that they have, an analysis of the internationalization process of SMEs in terms of belonging to a network appears much more relevant, or even a decisive factor in the INTERNATIONAL DEVELOPMENT of SMEs.

By taking into account the phenomenon of networking who has offered new prospects for the analysis and interpretation of the internationalization process, more particularly in a context of SMES, for which reason the research on the internationalization of enterprises is developed by putting on premium the approach by the networks compared to other approaches.

II. NETWORK APPROACH : RESULTS OF THE MAIN WORKS

Since the work of White (1981) and Granovetter (1985), studies on the social networks have been developed. The networks are composed of nodes, which means actors or groups of

actors and/or organizations, linked by formal or informal relations and by transfers of resources (Degegne and Forsé, 1994, cited in PLUCHART 2014).

The studies show that the continuity of small and medium-sized enterprises depends on several factors, among which, the effectiveness of their support. The survival rate of a company with support is about 70% to 85% for five years of existence, compared to less than 50% only for a business without support for the same period (PLUCHART, 2014).

The study of Deshais, Joyal and Julien (1992) on a sample of exporting SMEs falling to three regions of Quebec has shown that 43.5% of these SMEs resort to the benefits provided by their environment to internationally develop.

Grosseti and Barthe (2010) show that a network accompaniment must allow its members an access to funding, to partners, to supplies and opportunities, training, to the labor market, patents and trademarks, to the premises, equipment and material ... necessary to the construction of competitive advantages of their businesses. These works are inspired by the Resources approach Highlighted by Koenig (1999).

TORRES (1999), advance the concept of "*internationalizing environment*", defined as "*the set of actors that facilitate the internationalization of SMEs and the local entrepreneurial fabric*" (Fourcade and Torres, 2003, p. 3), or as "*a system of sustainable cooperation where local actors, namely SMEs, territorial communities, public institutions or quasi-public, university research centers, banking systems... are working together to create a dynamic of internationalization*" (Torres, 2003, p. 29). In effect, the local integration is a way offered to SMEs to develop and strengthen their competitive position on the international markets (Torres, 2003).

The analysis in terms of networks has also provided answers to the phenomenon of companies "born global", means capable of export to several countries in the same year of their creation or in start-up period (Torres, 2004).

Those *international new ventures* (Oviatt and McDougall, 1994), also called *Born globals* (Madsen and Servais, 1997) rely on internal resources, such as the training and experience (Fischer and Reuber, 1997 ; Ortiz and Lombardo, 2009), the International vision (McDougall and Oviatt, 2000), the technological advances (Pla-Barber and Escriba-Esteve, 2006), but also external, mainly relational (Etemad, 2005).

The founders of Born-Globals found networks a support for the identification of international business opportunities (McDougall and al, 1994). The work of Meier and Meschi (2010) have stressed in their turn on the important role of networks in the internationalization of firms.

On the basis of those works, we conclude that, membership in business networks is crucial in the Global Approach (Oviatt and McDougall, 2005), especially in a context of exporting SMEs whose main constraint is the lack of resources.

III. EXPORT PERFORMANCE : DEFINITION AND MEASUREMENT

At the time of the spectacular development of the market economy, the notion performance of the company it's only related to the financial dimension (Bourguignon, 1998). However, the research work in management science, their object is to explain the differences between the levels of performance recorded by firms, still concentrated on the multidimensional character of the concept (J-C. Mathé and V. Chagué, 1999).

In fact, the assessment of enterprises performance requires us to take into account the non-financial dimensions in addition to the financial indicators commonly accepted (C. Germain, 2006).

For example, evolution of the company in time, satisfaction of its customers as well as its competitive position on the market, also constitute relevant criteria for a better analysis of the performance (I-B. Carriere, 1999 ; Mr Boyer, 1999 ; J-P. Mr. Mamboundou, 2003 ; W. Azan, 2007).

Generally speaking, the performance of a firm is based on the concepts of effectiveness and efficiency (Bourguignon, 1998). The effectiveness refers to the ability of an organization to achieve the objectives set (Villarmois, 2001) without taking into account allocations in the mobilized resources to this effect. Regarding to efficiency, it incorporates the concept of optimization of resources, i.e. the achievement of the objectives under the constraint of the cost.

In order to better identify the concept, a literature review highlighted the plurality of company performance approaches according to research within the field of corporate finance, entrepreneurship, marketing or other.

Depending on the disciplinary scope, those works seek to study the performance from different perspective as : financial, operational, commercial, social, organizational... Or, the export performance which have been the subject of several research on the

internationalization of enterprises which refers to the achievement degree of international goals (Atabay, 2008).

According to Favre-Bonte and Giannelloni (2008), three dimensions allow to assess the export performance : the effectiveness, efficiency and the ongoing commitment in the export activity. In order to measure business performance of companies operating beyond national borders, several scales have been proposed but without making the object of a consensus. Gemunden (1991) identifies more than 700 variables used in the research aimed to explain the export performance.

By the same logic, Blesca-Spasova (2014) proposes a classification of indicators to measure the export performance depending on whether it is to :

- ✓ The financial measures, non-financial or composed.
- ✓ Static or dynamic measures.
- ✓ Objective measures, subjective or hybrids.
- ✓ Other measures.

The classification according to the objectivity and/or the subjectivity of the indicator of measurement remains the most dominant in literature.

According to Atabay (2008), the objective measures are of a financial nature such as the export intensity, the profit and the growth in export, and/or non-financial such as the number of export market.

Concerning the Subjective measures, they are based on the satisfaction of the manager by the performance achieved by its business on foreign markets, its perception of the export profitability, the satisfaction of the customers... Finally, hybrid measures are multidimensional, that means they are objective and subjective.

The uses the subjective criteria by using indirect measures based on the leaders perception of their export performance presents the advantage to compensate the absence of reliable data to establish a measure of the export performance and to avoid the phenomenon reluctance of business leaders to provide certain information deemed confidential (L. Ndangwa et al., 2007).

IV. THE ROLE OF NETWORKS IN THE PROCESS OF INTERNATIONALIZATION OF SMEs AND THEIR EXPORT PERFORMANCE : A SUMMARY

If several authors consider that the factor reduced size prevents SMEs from development and success internationally, for others unlike the firsts, minimal size constitutes a necessary condition to conquest international markets (Jean Luc Bricout, 1991).

Therefore, the conditions for SMEs success of and their expansion on foreign markets are at the heart of political debates and as an object of research in management science.

The lack of resources is the principal obstacle to SMEs development internationally. Overcoming this deficiency, conditions become more favorable to their growth.

By basing our reasoning on the results of previous studies, we adhere to the thesis that involvement in a network allows you to take advantage, at a lower cost, the resources necessary to achieve the objectives for export.

Indeed, in their reviewed version of the internationalization model Uppsala, Johanson and Vahlne (2009) argue that the insertion in networks allows a company to internationalize successfully thanks to the trust, learning and development opportunities in an environment that facilitates the conquest of foreign markets.

The selection of these and participation in international activities are examples of opportunities that are rooted in the relationships within a network.

Networking also promotes the development of a business climate for SMES and achieving satisfactory performance levels for several reasons

First of all, the involvement in a group where the win-win principle reign allows reducing uncertainty, acquiring knowledge and developing business opportunities (Johanson and Mattsson, 1988 ; Oviatt and McDougall, 1994 ; Chetty, 2000 ; Arenius, 2005 ; embrace, 2006 ; Weerawardena, Sullivan Death, Liesch and Knight, 2007).

The market studies, competitive information, professional trade fairs and events organized for sharing among network members the effects of experiences, without resorting to investments, are examples of means likely to benefit SMEs involved in networks.

Then, a business network allows you to share means and create synergy effects, therefore, contributes positively to improve the competitiveness of SMEs and their export performance. (Bonneveux and Saulquin, 2009).

Similarly, the resources provided through a network of companies allow SMEs to cope with the challenges associated with access decisions to foreign markets and to reduce the uncertainty and risks often associated with international affairs (Olfa BEN Ayed & Younes Boujelbene, 2014).

In the same logic, belonging to a network is a means of access to resources, it will accordingly improve the competitive position. The network is therefore a source of competitive advantage for its members.

Finally, networking reduces one hand, the transaction costs between the different members of the network (PLUCHART, 2014) thanks to the agreements concluded with local partners and foreigners, and on the other hand, the costs of looking for market information.

The relationships established through a local or international network trigger and motivate the internationalization of firms, influence their selection of markets and their mode of entry, help them to acquire credibility, provide access to other relationships and established channels, contribute to reduce costs as well as risks and ultimately influence their rhythms and patterns of internationalization (Zain and Ng, 2006).

As well, SMEs are able to overcome their disabilities related to limited resources on the occasion of their integration in business networks, provided that they are able to take advantage of their network position to develop their international activities (Fernhaber et al., 2008).

SMEs find in the networks a way to successfully launch in international markets (embrace and Munro, 1995, 1997 ; Chetty and Blankenburg Holm, 2000 ; Lu and Beamish, 2001, 2006). The insertion into networks so can significantly improve the capacity of SMEs to internationalize (Oviatt and McDougall, 2005 ; Zain and Ng, 2006 ; Fernhaber et al. , 2008).

CONCLUSION

Given the lack of resources, SMEs can overcome the obstacles to develop their international activities thanks to networking policy.

The analysis of the internationalization of companies from a network approach supports this finding and provides a relevant tool for analyzing the competitiveness and export performance, particularly in a context of SMEs.

Based on a literature review, we highlighted the role of networks in the creation of synergies and sharing of experiences and resources to offset the lack of resources of SMEs to identify business opportunities internationally.

Business networks are a way to enhance the competitiveness of SMEs and therefore the expansion of their activities and their growth globally. They also reduce the risk and uncertainty that accompany the international activities and the costs of access to strategic information.

In conclusion, the involvement in business meetings supported by the government with the aim to share tangible or intangible resources, including know-how and experience, encourages win-win interaction among members.

Therefore, networking should be seen as an effective policy for SMEs wishing to conquer new markets beyond national borders, strengthen their competitiveness, performer export and successful international experience.

BIBLIOGRAPHY

ABAKOUY, M., (2006), « Performances à l'international de la PME marocaine », Congrès International Francophone en Entrepreneuriat et PME (CIFEPME).

ALAOUI, A. et EL MAKRINI, H., (2014), « Analyse des effets des pratiques managériales sur la performance à l'export. Etude empirique des PME marocaines », *Management & Avenir*, N° 72, pp. 15-33.

ARAGON-SANCHEZ, A. et SANCHEZ-MARIN, G., (2005), « Strategic Orientation, Management Characteristics, and Performance : A Study of Spanish SMEs », *Journal of Small Business Management*, volume 43, n° 3, pp. 287-308.

BARNEY, J., (1991), « Firm resources and sustained competitive advantage », *Journal of Management*, n° 17.

BENTALEB, C. et LOUITRI, A., (2011), « La construction de la croissance des PME au Maroc », *Management & Avenir*, N° 43, pp. 77-81.

BUCKLEY, P., (1997), « International technology transfer by small and medium-sized enterprises », *Journal of Small Business*.

CATANZARO, A. et AL., (2012), « Accompagner l'entreprise à internationalisation précoce et rapide : la place centrale de la dimension réticulaire », *Revue de l'Entrepreneuriat*, Volume 11, pp. 33-53.

CHETTY, S. et BLANKENBURG, H., (2000), « Internationalisation of small to medium-sized manufacturing firms : A network approach », *International Business Review*, Volume 9, N° 1, pp. 77-93.

COVIELLO, N. & MUNRO, H. J., (1995), « Growing the entrepreneurial firm : Networking for international market development », *European Journal of Marketing*, Volume 29, N° 7, pp. 49-61.

COVIELLO, N.E. & MUNRO, H.J., (1997), « Network relationships and the internationalization process of small software firms », *International Business Review*, volume 6, n° 4, pp. 361-386.

DESHAIS, JOYAL & JULIEN, (1992), « Le recours au milieu par les PME québécoises exportatrices », *Revue Canadienne des Sciences Régionales*, Volume 15, N° 2, pp. 239-254.

ETEMAD, H., (2005), « SMEs internationalization strategies based on a typical subsidiary evolutionary life cycle in three distinct stages », *Management International Review*, volume 45, N° 3, pp. 145-186.

FISCHER, A. et REUBER, R., (1997), « The influence of the management Teams international Experience on the internationalization behaviors of SMEs », *Journal of International Business Studies*, volume 28, N° 4, p. 807-825.

FOURCADE, C., (2002), « Le territoire comme atout des processus d'internationalisation des PME : Le concept de milieu internationalisant », in Actes du XXVIIIème Colloque de l'ASRDLF, Trois-Rivières, Québec.

GEMSER, G. et al., (2004), « Exploring the Internationalisation Process of Small Businesses : A Study of Dutch Old and New Economy Firms », *Management International Review*, vol. 44, n° 2, p. 127-150.

GRIMES, A. et al., (2007), « Profiling the capabilities of SMEs to compete internationally », *Journal of Small Business and Enterprise Development*, volume 14, N° 1, p. 64-80.

GROSSETTI, M. et BARTHE, J-F., (2010), « Dynamique des réseaux interpersonnels et des organisations dans les créations d'entreprises », *Revue Française de Sociologie*, Volume 49 N°3, pp. 585-612.

JOHANSON, J. et VAHLNE, J.E., (1990), « The mechanism of internationalization », *International Marketing Review*, volume 7, N° 4, pp. 11-24.

JOHANSON, J. et VAHLNE, J.E., (2009). « The Uppsala internationalization process model revisited : From liability of foreignness to liability of outsidership », *Journal of International Business Studies*, Vol. 40, p. 1411-1431.

JOHANSON, J. et WIEDERSHEIM-PAUL, F., (1975), « The internationalization of the firm- four Swedish cases », *Journal of Management Studies*, volume 12, n° 3, p. 305-322.

KALANTARIDIS & CHRISTOS, (2004), « Internationalization, Strategic Behavior, and the Small Firm : A Comparative Investigation », *Journal of Small Business Management*, Volume 42, N° 3, pp. 245-262.

KOENIG G., (1999), « Les ressources au principe de la stratégie : De nouvelles théories pour gérer l'entreprise du XXIe siècle », *Economica*, pp. 198-226.

LAGHZAOU, S., (2009), « Internationalisation des PME : apports d'une analyse en termes de ressources et compétences », *Management & Avenir*, N° 22, pp. 52-69.

LEONIDOU, L.C. et KATSIKEAS, C.S., (1996), « The export development process : an integrative review of empirical models », *Journal of International Business Studies*, volume 27, N° 3, pp. 517-551.

LEONIDOU, L.C., (2004), « An analysis of the barriers hindering Small Business Export Development », *Journal of Small Business Management*, Volume 42, n° 3, p. 279-302.

MADSEN, T. et SERVAIS, P., (1997), « The Internationalization of Born Globals : an Evolutionary Process ? », *International Business Review*, N°6, pp. 561-583.

MCDUGALL et al. (2008), « International entrepreneurship and geographical location : an empirical examination of new venture internationalization », *Journal of International Business Studies*, Volume 39, pp. 267-290.

MEIER, O. et MESCHI, P., (2010), « L'approche intégrée ou partielle de l'internationalisation des firmes : Les modèles Uppsala (1977 et 2009) face à l'approche International New Ventures et aux théories de la firme », *Management International*, Vol. 15, N° 1, pp.11-18.

OLFA, B. et *al.* (2014), « Les déterminants de la performance des petites et moyennes entreprises exportatrices – Cas de la Tunisie », *Economic & Strategic Management Process*, Volume 2, pp.172-178 ;

PLUCHART, J.J., (2014), « L'approche par les ressources des réseaux d'accompagnement entrepreneurial », *Recherches en Sciences de Gestion*, N° 102, pp. 47-71.

SOGBOSI, B., (2010), « Perception de la notion de performance par les dirigeants de petites entreprises en Afrique », *La Revue des Sciences de Gestion*, N°241, pp. 117-124.

TORRES, O., (2004), « Essai de théorisation de la gestion des PME : De la mondialisation à la proxémie », Rapport d'Habilitation à diriger des recherches.