Issues faced by SMEs in the internationalization process: Results from Fiji and Samoa

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Issues faced by SMEs in the internationalization process: results from Fiji and Samoa

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Abstract

Purpose – The purpose of this paper is to scrutinize the issues, challenges, and impediments coming in the way of small- and medium-sized enterprises (SMEs) internationalization in small developing nations of South Pacific like Fiji and Samoa.

Design/methodology/approach – The paper encompasses both quantitative and qualitative data. Analyses of antecedents are descriptive in nature, while establishing the relationship between intervening variables and outcomes are quantitative. For quantitative data, structured questionnaires are used, while for the collection of qualitative data, archival and library research methods are employed. Structured questionnaire is used to collect data from 118 and 78 sampled respondents in Fiji and Samoa, respectively, and statistical analysis is performed using Statistical Package for the Social Sciences package.

Findings – These research findings pinpoint that the problem lies in evaluating the nature of issues affecting internationalization of SMEs. The results also show that the performance of Fijian and Samoan SMEs is same across different business sectors and those SMEs in these two countries exhibit different change patterns in their export growth.

Research limitations/implications – The scope of the paper is limited only to the SMEs in Fiji and Samoa and cannot in any way be generalized to large firms.

Practical implications – SMEs seeking to internationalize will need to learn a lot about the internal and external factors impacting their organizations. Many a times entrepreneurs believe that through sustained planning, they can reduce the shocks resulting from environmental uncertainty, however, in reality some of them may be able to benefit while others despite planning may not be able to overcome growth-related problems, as they may require reactive action. Therefore, learning is essential in international expansion and so is having a clear understanding of the environment that entrepreneurs operate in. Future research should seek to highlight documented cases of SME internationalization.

Originality/value – This paper is one of the important studies taken in the context of Pacific SMEs. The research that has been conducted in the past are mostly confined to Asian countries, with very little in the area of SME internationalization. The findings of this paper will have relevance for policy making and supportive measures at government levels for SME internationalization.

Keywords Small to medium-sized enterprises, Fiji, Samoa, International business

Paper type Research paper

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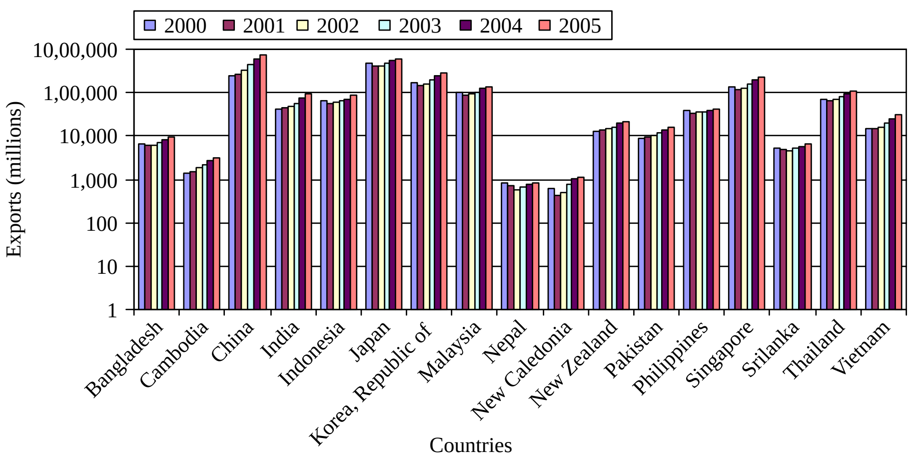
Introduction

Internationalization is a term that has been used extensively in the literature and various authors have defined the term differently. This is not only confined to exporting, but also encompasses trade, cross-border clustering, cross-border collaboration, alliances/subsidiaries, branches, and joint ventures that extend beyond the home country environment. Throughout the developing countries, due to the forces of globalization, nations are embracing small- and medium-sized enterprise (SME) as a vehicle for social and economic development (Arinaitwe, 2006; Fletcher, 2004; Reid and Harris, 2004; Hamilton and Dana, 2003; Muma, 2002; Curran, 2000; Gibb, 2000; Robbins *et al.*, 2000; Smallbone and Wyer, 2000; Solymossy and Penna, 2000) and many other authors have noticed an upsurge in international activity around the world (Halabisky *et al.*, 2005; Malhotra *et al.*, 2003; Havens, 2002; Cecora, 2000), where many SMEs are globalizing at an earlier age in comparison to previous decades (Andersson *et al.*, 2004). As per World Trade Organization (WTO, 2007), this peak in international activities is attributed to the dynamic growth of global trade in 2006. WTO comments that real merchandise export growth (provisional estimate) is by 8.0 percent in 2006, almost 2 percent more than 2005, which is also well above the average expansion for the period 1996-2006. Figure 1 shows the trend for global movement in selected developing nations and the graph shows that there was an upward movement in global trade nearly all the nations.

The advantages that SMEs can gain from the internationalization process are multiple, but the barriers hamper SMEs seeking to access international markets. Owing to numerous barriers that SMEs face, they have attracted the attention of policy makers and various governments who have realized that these barriers have the effect of reducing the ability of these potential high-growth firms to achieve their full potential from international markets.

OECD (2004) comments that to date there has been very limited research studying the nature and pervasiveness of the problems facing SMEs in the internationalization process, therefore giving impetus for this study. In its study, OECD (2004) highlights that the barriers that SMEs face are due to competition policy, legislative and regulatory frameworks, telecommunications infrastructure, and research and education policy which all either contribute towards SME preparedness or lack of preparedness thereof for globalization. Other barriers listed in its study were: intellectual property rights; political risks; corruption; and rule of law issues. OECD (2004) further comments that "SMEs are less well-equipped than larger firms to address these difficulties."



Source: WTO (2006)

Figure 1.
Exports for selected developing countries

According to Muma (2002), close to 80 percent of all start-up businesses globally fail within the first year and in Fiji and Samoa, that rate is probably higher. Many aspiring entrepreneurs are left to simply "go it alone" during the most difficult period in which managing growth and developing new skills pose a major challenge. Although the development of the SME sector alone is unlikely to solve this entire problem, it certainly will alleviate some of the difficulties faced by the entrepreneurs when they attempt to internationalize their enterprise.

Recently, an increasing number of Pacific SMEs have become internationally oriented in their trading and operational activities. WTO (2006) have reported the export orientation for selected Pacific Island economies (Solomon Islands, Vanuatu, Kiribati and Tuvalu, Tonga, New Caledonia, and Papua New Guinea (PNG)) and the figures show that in Kiribati and Tonga, exports have deteriorated, while in Tuvalu exports have been nil. The case for PNG, New Caledonia, Solomon Islands, and Vanuatu shows that exports have spiked. In PNG and Vanuatu exports declined in 2001 and 2002, and then improved dramatically, while in New Caledonia and Solomon's it declined in 2001, but upward movement was seen.

There is sufficient evidence that points out the scenario of an increase in internationalization not only in developing countries globally but also in the Pacific environment. The next section provides a brief overview of the Fijian and the Samoan economy, their status of internationalization and export growth in the two economies and the need for research outlining the research objective of this study.

Background, status of internationalization, and problems in the Pacific

Background: Fijian and Samoan economy

In Fiji, a growing number of families are settled in crowded urbanized settlements around towns and although the number of professional workers is said to be increasing, the rate of economic development and social change has not been sufficient to create an environment wherein every citizen has the opportunity to earn a decent living (Hailey, 1987). Long-term problems, among others, include low investment, uncertain land ownership rights, and the government's lack of clear direction in development. This imbalance has opened up both opportunities and challenges for the people of Fiji (Central Intelligence Agency, 2007; International Labour Office (ILO), 1990-2005). The economically active population as a percentage of working age population (15-54 years) has not recorded a dramatic increase over the past two decades – from 1980 to 2000. The female working population increased from 70.6 percent in 1980 to 74 percent in 2004, whereas the economically active male population remained relatively stagnant (86.5 percent in 1980 and 85 percent in 2004), according to Bureau of Statistics (1998-2003). Approximately, one-half of the males were engaged in agriculture-related work whereas the females in the same category were about 28 percent. The agriculture remained a major source of income for both men and women. The economic outlook for Fiji, although not overly optimistic, is promising given the increase in infrastructure development, foreign investments, and foreign aid (ILO, 2002; The World Bank, 1997-2004). In Fiji, SME is defined along two lines:

(1) *Small business.* Any enterprise, which has a turnover or total assets between $30,000 and 100,000 and employs between six and 20 people.

(2) *Medium business.* Any enterprise, which has an annual turnover or total assets above $100,000 and 500,000 and employs between 21 and 50 people.

The economy of Samoa has traditionally been dependent on development aid, private family remittances from overseas and agricultural exports. The country is vulnerable to devastating storms. Agriculture employs two-thirds of the labour force, and furnishes 90 percent of exports, featuring coconut cream, coconut oil, and copra. Outside of a large automotive wire harness factory, the manufacturing sector mainly processes agricultural products. Tourism is an expanding sector; more than 700,000 tourists visited the islands in 1996. The Samoan Government has called for deregulation of the financial sector, encouragement of investment, and continued fiscal discipline. Observers point to the flexibility of the labour market as a basic strength for future economic advances. The total land area of Samoa is relatively small and the majority of women are still partly or wholly living traditional self-supportive lives in coastal areas or rural areas. The rate of economic development and social change has not been sufficient to create an environment wherein every citizen has the opportunity to earn a descent living. Long-term problems, among others, include low investment, low savings, land ownership rights, and unemployment among the young people and women. This imbalance has opened up both opportunities and challenges for the people of the South Pacific (Central Intelligence Agency, 2007; WBDR, 2000/2001; ILO, 2000). Table I depicts the gender difference in economic activities. In Samoa, the economically active population as a percentage of working age population (15-54) has not recorded an increase over the past decade – from 1991 to 2001. In fact, female working population has decreased by 11.4 percent and males by 5.4 percent. On the other hand, the economically inactive population has increased dramatically. In Samoa, SME is a firm with a turnover of less than 20,000 Tala (Hailey, 1985; Fairbairn, 1988); where a small business employs five or less people and a medium enterprise employs 40 or less employees (Government of Samoa, 1999-2000, 2000-2001 cited in Purcell, 2002).

According to European Commission (2006), SMEs are officially defined as having fewer than 250 employees. In addition, they can have an annual turnover of up to €50 million or a balance sheet total of no more than €43 million. This SME definition is important since 99 percent of businesses in the EU are small- and medium-sized companies (European Commission, 2006). As per the definitions for SMEs in Fiji and Samoa, this illustrates that in some countries the upper limit are not as low. Therefore, all firms studied in this paper would be classified as small.

As a consequence of the limitations imposed on the rapid economic development, unemployment rates tend to run significantly higher for the indigenous people in the Pacific. There are a variety of factors that contribute to the persistent unemployment among the indigenous people, including educational levels, work experience, and isolation.

Economic status	Gender	1991	2001	Change	Percentage of change
SAMOA (population 176,000)					
Economically active	Male	38,839	36,739	−2,100	−5.4
	Female	18,303	16,206	−2,097	−11.4
Economically inactive	Male	11,431	17,673	6,242	54.6
	Female	27,375	34,106	6,731	24.5

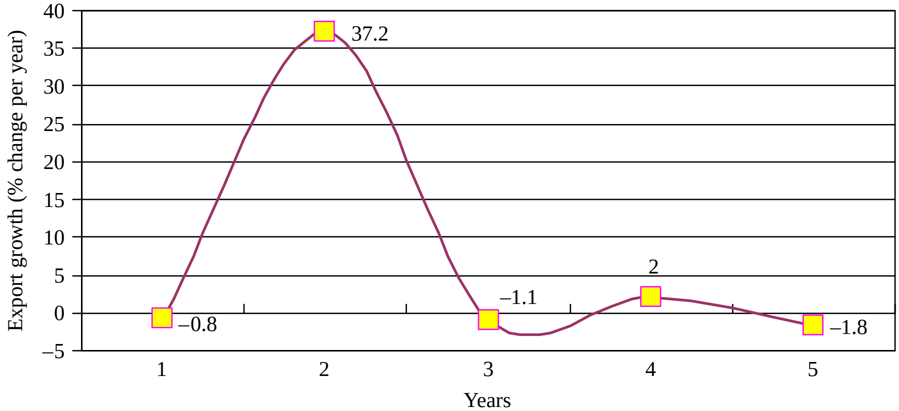
Source: www.spc.int/prism/country/to/stats/Economic/Labour/labour_market.htm

Table I.
The economically active/inactive people in Samoa

Status of internationalization in Fiji and Samoa

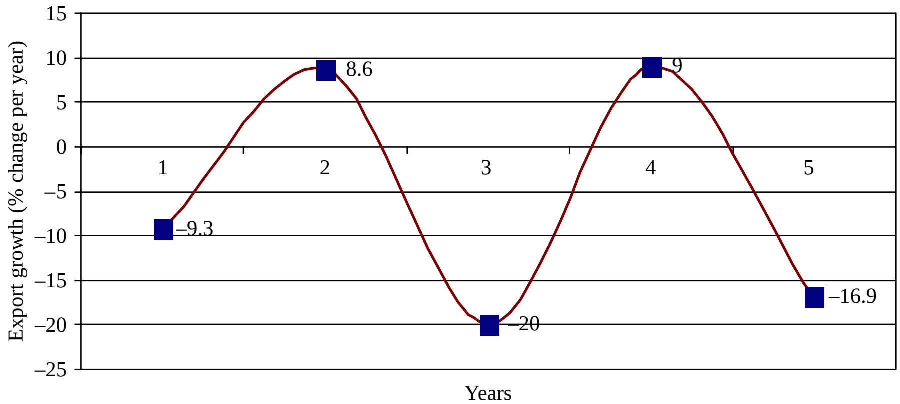
With particular reference to Fiji and Samoa, the export figures indicate that export growth was negative in 2002, but managed to improve in 2003. In 2004, again it was seen that growth was on a decline, after which it improved in 2005 and further declined in 2006. Figures 2 and 3 show that internationalization/export was taking place, but in some years, the country was experiencing positive growth while in other years, exports declined (Asian Development Bank (ADB), 2007).

For Fiji, the negative export figures in 2002 can be explained by a contraction in fisheries by 13.2 percent and due to the effect of cyclone Ami. The other part of the explanation for low-economic growth has been a sustained period of political instability and the non-resolution of land leases since 1987-2002 (Narayan and Narayan, 2004, 2005). The positive growth in 2003 over 2002 can be attributed to the economy expanding. The main contributions to growth were: agriculture, fishing and forestry; building and construction, manufacturing; wholesale and retail trade; and



Source: ADB (2007)

Figure 2.
Economic indicators for Fiji from 2002 to 2006



Source: ADB (2007)

Figure 3.
Economic indicators for Samoa from 2002 to 2006

hotels and restaurants (Ministry of Finance and National Planning, 2004), while in 2004, the export performance of the first five months of 2004 was disappointing. Exports of sugar, garments, mineral water, and fish all declined (ADB, 2004). In 2005/2006, weak export performance was anticipated due to uncertainty in clothing and footwear industry (Ministry of Finance and National Planning, 2004). In 2006, due to the political crisis, the Emperor Gold Mining Company ceased production, whereas the cane, sugar and copra industries remain subdued (Reserve Bank of Fiji (RBF), 2006).

For Samoa, the negative export figures in 2002 can be explained by a contraction in fishery, agriculture, and construction sectors followed by a drop in global demand for garment exports which undermined economic growth (World Market Research Centre (WMRC), 2003) resulting in poor export figures. The positive growth in 2003 over 2002 can be attributed to the economy expanding (Commonwealth Secretariat (CS), 2006), while in 2004, the economy expanded by 3.2 percent, and growth was seen in the service and industrial sector, but fishing and agriculture fell during this year of assessment. Overall, the drastic impact of cyclone Heta on the agricultural sector at large led to a negative growth (−20) for 2004 (CS, 2006). In 2005/2006, weak export performance was anticipated due to structural problems and slow export growth (International Monetary Fund (IMF), 2005).

Problems experienced by Pacific SMEs in internationalization resulting in poor performance

Internationalization process of SMEs in the South Pacific is difficult due to a number of reasons. Problems of SMEs in Pacific, have reported that most problems relate to environmental factors. Fairbairn (1988) cites the following obstacles: capital shortage, transportation, and weak domestic markets and traditional obligations. Briscoe *et al.* (1990) and Singh (1992) identified the problem of lack of government support. Singh (2000) in her thesis on small business management discusses awareness, accessibility and ease of obtaining support from the government sponsored agencies (such as Micro Finance Project Unit, Small Business Advisory Unit, Small Business Development unit, Handicraft Division, and Cooperatives Department) as relatively difficult. Timothy (2002) research highlights access to bank loans as an obstacle to internationalization due to the risks involved in such loan repayments and Singh (2006) research findings support this. ADB Key Indicators (2001) report elaborates that while small businesses have progressed, barriers still remain, especially relating to access to finance, business-related regulatory and legal impediments, and lack of entrepreneurial capacities and skills particularly in Samoa. It further highlights that restricted availability of land for economic activities; continue to be key constraints to private sector development in certain areas. For example, in Samoa (as well as in Fiji), 80 percent of land is communally owned and therefore land cannot be used as collateral to secure a loan. Other constraints include lack of education and training, difficulty in obtaining credit and absence of business development support services. Recently, the ADB Key Indicators (2001) has approved US$3.5 million grant to boost up the development of small businesses in Samoa, especially in the rural areas. Also, the exact nature and the pervasiveness of the problems facing indigenous people in SME internationalization in the selected nations are hitherto unexplored.

Leonidou (2004) research talks on the internal and external barriers impacting SME internationalization. The internal barriers are related to the resources and capabilities from within a firm and external factors from the environment. The key findings from the OECD/APEC joint project is that majority of SMEs surveyed rated barriers related to internal capabilities and access as the most significant barrier towards internationalization and those related to business environment (including trade policy) as being of lesser importance (OECD, 2006a, p. 46). Specifically, when the respondents in the survey were asked to rate a list of 47 barriers according to the degree to which they acted as an impediment to their ability to access international markets, internal problems to the firm were more important barriers to access to international markets than barriers stemming from the home and foreign/host environment within which firms operate, including policy barriers (tariffs and regulations). Trade barriers that were covered in the survey were not ranked amongst top ten barriers (OECD, 2006b). Research by Salmi (2000) discusses external constraints such as, psychic distance, lack of commitment from re-sellers, and government bureaucracy and legislation support. Axelsson and Johanson (1991) have also highlighted lack of commitment as the problem. This also supports the work of other researchers in the field such as Danis and Parkhe (2002), Darling and Seristo (2004), Longenecker (2001), including Salmi (2000), which identified these particular constraints as challenges for firms to overcome in order to gain successful entry into foreign markets. Chetty and Campbell-Hunt (2003) have identified labour and raw material shortages.

Zafarullah *et al.* (1998) and Raymond *et al.* (2001) identified lack of marketing capabilities, while Coskun and Altunisk (2002) found that inadequate foreign language skills, inability to envision change in consumer preferences and change in market environments was the problem. Badrinath (1994), Zafarullah *et al.* (1998) and Nakos *et al.* (1998) argue that lack of government support services was a major barrier and shortage of finance was stressed by Holland (2004) and Etamad (2004). In the 1970s, Bilkey's (1978) study found that lack of finances, foreign government restrictions, inadequate knowledge of foreign sales practices, inadequate distribution, and lack of foreign market contacts were common problems in the internationalization process, specifically exporting. Tesar and Tarelton (1982), Albaum (1983) and Bannock (1987) identified start-up export problems and problems associated with on-going export operations. Various researches not only in the 1980s but also in 2006 and 2004, show that due to limited resources and management skills, language, cultural differences, and psychic distance internationalization becomes problematic (Freeman and Reid, 2006; Fletcher, 2004; Bitzenis, 2004; Miesenbock, 1988; O'Farrell *et al.*, 1998; Sullivan and Bauerschmidt, 1989).

Research problem, justification, and objectives of the study

The main research problem is that most of the literature on internationalization, educational as well as research oriented is based on experiences from large enterprises (Chetty and Campbell-Hunt, 2003; Peskova, 2006); with very little in the area of SMEs. This sets the impetus for this research to investigate SME internationalization within the Fijian and Samoan context; that is within an emerging economy context. By analyzing the aforementioned results from ADB, RBF, MOFP, IMF, CS, WMRC, and WTO, it can be seen that though export growth and export performance has been talked about in studies, there is no such study on export orientation performance within SMEs in the internationalization process. This has been the basic purpose of the present research is to examine and analyze SMEs in Fiji and Samoa, and their orientation towards internationalization and discuss the issues that they face. The paper is organized as follows: "Literature review" followed by the research methods, then results and discussion and lastly conclusions and implications.

Literature review: key concepts, theoretical contribution and development of the hypotheses for the study

The most frequent and persistent criticism of the research on SMEs and internationalization is the lack of a common conceptual framework (Bilkey, 1978; Miesenbock, 1988; Aaby and Slater, 1989; Andersen, 1993; Leonidou, 1995a; Leonidou and Katsikeas, 1996; Li and Cavusgil, 1995). One reason for this is that a large proportion of the empirical research has been and still is exploratory as mentioned by Aaby and Slater (1989), Gemunden (1991) and Leonidou (1995a). Peskova (2006) argues that despite the fact that empirical research in the field of internationalization is mixed, the diverse nature of the application of concepts denotes that there is no common theoretical basis in this field. The purpose of this section is to present the theoretical contributions that have direct influence on the research model developed for this study.

The export orientation process encompasses the mechanisms and activities that decide how and to what extent the enterprise:

- enters foreign markets;
- adapts to selling in one or several foreign markets;
- builds procedures to adapt products to foreign customers; and
- extends and improves market intelligence networks in foreign markets, and builds distribution systems for products in foreign markets.

Export orientation is the collective attitudes, opinions, and perceptions of a firm's management (Abdel-Malek, 1978) that determine the firm's commitment to export activities (Crick and Chaudhry, 1997). The basic measure of export orientation is the dichotomous variable with the possible values: exporter and non-exporter. Other important dimensions of the export orientation concept are the relative volume of export sales, the number of export markets, and the geographical concentration or divergence of the export markets. Export orientation is rooted in the resource-based theory, industrial organization theory, network theory, and entrepreneurial perspective. In this paper, export orientation is considered the same as internationalization.

The export stimuli are catalysts for initiation or change in the direction of the export orientation process. The export stimuli are factors, which do not directly intervene with the mechanisms of the export orientation process. They may be regarded as triggers or signals to initiate or change export involvement, and will be found internally or externally available at any stage of export development. The firm's exposure to these stimuli can be seen as an organizational learning process, whereby key information is provided that determines decisions to expand internationally (Tan *et al.*, 2007). The two classifications of stimuli are external and internal. An external stimulus is basically the factors from the external environment and draws on the industrial organization theory, whereas the internal stimuli is the factors in the internal environment and draws from the resource-based theory. (These are further explained in the hypothesis development.) External stimuli may be positive with respect to exporting, such as increasing demand in foreign markets, direct and unsolicited inquiries, increased domestic competition, or negative, such as cumbersome border formalities, culture and language differences, etc. Likewise, the internal stimuli may be positive or negative. Excess capacity, good products, or personal contacts abroad may stimulate starting or expanding the export process. Lack of resources, lack of competence, or strong risk aversion may all function as internal negative stimuli in relation to the export orientation process (Pope, 2002; Small Business Administration, 2004).

The properties of the enterprise and the characteristics of entrepreneur define the internal conditions for the export orientation process. A number of these are largely descriptive parameters, such as nationality, industry sectors, and ownership, which for all practical purposes are independent of the outcome of, but may influence or restrict, the internationalization process. Over short periods, these can be regarded as constant parameters defining the current operational conditions of the export orientation process. There are a number of internal factors, which interact with the export orientation process. These variables (customer and competitor orientation) influence the outcome of the export orientation process, as well as being influenced by the outcome of the export orientation process. In this respect, the enterprise with its personnel, resources, capacities, competence, experience, and procedures is part of the functional feed back mechanism in the export orientation process. The industry and country-specific factors relate to the industrial organization theory (these are further explained in the hypothesis development).

Many studies have shown that the strongest motivations for exporting are of monetary reasons (Burpitt and Rondinelli, 2000), which to a large degree is emulated in the functionality of the performance construct in export-related studies (Katsikeas *et al.*, 2000). Most of the export marketing literature has been criticized for providing disjointed results, for not being able to develop a widely accepted model of export performance, and for limiting theoretical advancement in this field (Morgan *et al.*, 2004). Therefore, Coviello *et al.* (1998) and Bijmolt and Zwart (1994) have stated that a multidimensional measurement of internationalization performance is preferable and reliable in contrast to a single unit of measurement or variable. Sousa (2004) says that it portrays the different facets of the construct.

Total performance is here captured in three dimensions. The first is "growth" assessed as the total sales of the enterprise. This is an indicator of the market adaptation. The growth variable can be measured by its size, which can be examined according to changes in turnover, total sum of the balance sheet, or number of employees (Virtanen, 1999). Sometimes growth is assessed according to personal characteristics of the entrepreneur; organisational development (stages of growth and life-cycle models); business management (strategic and operational planning and control); and industry and locational aspects (market structure) (Komppula and Reijonen, 2007). In this study, growth is measured through turnover/profits, planning, and market characteristics. The second dimension is "optimism" level indicating the future plans of the enterprise in terms of expansion into different markets. The justification for using optimism as a measure is that it taps into the attitudes and perceptions of management towards exporting. For this study, instead of using the term "Management's attitudes and perception," we have used the term optimism, but measures the same concept. Zou and Stan (1998) indicate that this has been frequently cited as important determinants of export performance. The third dimension is "diversification," which is an indicator of broadening product and market lines. The justification for using this as a measure of performance is that White *et al.* (1998) also indicated "diversification" or "development of firm's markets" as a measure of performance. The same development is measured through product/market.

This part of the paper discusses the literature in relation to the development of the hypothesis. In the process of internationalization, different products have different market conditions with regard to fluctuation in demand and relationship to customers (Culpan, 1989). Porter (1980) observes that successful firms and industries are not evenly geographically distributed within areas with seemingly identical factor endowments. Successful industries are found where there are clusters of firms, which are linked horizontally or vertically. This clustering of firms is termed "industrial districts." The first fundamental study was carried out by Marshall (1920), where he states that these industrial districts provide a firm with competitive advantage. International competitive advantage is often achieved through aggressive domestic competition (Porter, 1980). For this reason, we find countries or even regions within countries with industry sectors, which are highly competitive internationally while other industries or regions are not competitive although external conditions appear to be similar (Karlsson and Klaesson, 2000; Becchetti and Rossi, 2000; Enright and Ffowcs, 2000). Industry and firm-level knowledge mainly consist of cultural and market differences (cultural patterns, the structure of the market system, and characteristics of the individual customer firms and their personnel (Johanson and Vahlne, 1977). Kangasharju (2000) says that growth is a function of industry selection. This suggests that the choice of industry is more critical to growth than strategic choices concerning behaviour within that environment (Hawawini *et al.*, 2002; O'Gorman, 2001). Economic theory was also used to model national attribute configurations that account for efficiency, competitive advantage in certain industries and clusters, enabling firms to export efficiency and enhancing their potential for successful internationalization (Porter, 1990-1998). This can also be explained by industrial organization theory that suggests that the industry in which a firm chooses to compete has a stronger influence on performance in contrast to the choices entrepreneurs make inside organizations (Schendel, 1994), and Seth and Thomas (1994) highlight that these industry characteristics are made up of economies of scale, barriers to market entry, diversification, product differentiation, and the degree of concentration. There has been considerable empirical research on SME internationalization and exporting (Kohn, 1997; Keng and Jiuan, 1988; Magagula and Obben, 2001), but with specific reference to measuring export performance of SMEs in the internationalization process, Coviello *et al.* (1998) and Bijmolt and Zwart (1994) have stated that a multidimensional measurement of internationalization performance is preferable and reliable in contrast to a single unit of measurement or variable. Coviello *et al.* (1998, p. 8) further strengthens this argument that a:

> [. . .] single measure cannot fully capture all the relevant elements of the issue [. . .] it is more in accordance with the complexity of export success to construct a scale from a set of variables.

From a strategy perspective, Hitt and Tyler (1991) found supporting evidence that the industry sector has an effect on strategic decisions. Researchers have explored how international diversification influences a firm's performance. Many of these studies have focused on large internationalized firms and not on SMEs (McDougall and Oviatt, 1996). Delios and Beamish (2001) study has focused on firm profitability, instead of firm performance. As a firm's performance is a multi-dimensional construct (Delios and Beamish, 2001; Lages and Lages, 2004) and a strategy could well have differential effects on different dimensions of firm performance, Lu and Beamish explain that internationalization strategy of exporting is positively related to growth but negatively to profitability. Foreign direct investment (FDI) on the other hand, has a positive relationship with growth, but a *U*-curve relationship with profitability, implying that profitability declines in the beginning stages, but improves at higher levels of FDI activity (Lu and Beamish, 2006). Further the resource-based view can be used to explain why firms perform differently (Hitt *et al.*, 2001), and it is assumed that because firms differ in their resource base with rare and valuable resources, this will be a source of competitive advantage in domestic as well as international markets (Yeoh and Roth, 1999; Fahy, 2002, Plah-Barber, 2001; Lopez-Rodriguez and Garcia-Rodriguez, 2005). Consequently, this implies that industry sectors will have different propensity for export orientation therefore performance will vary in different industries. Thus:

H1. Performance level varies depending on the type of industry sector in Fiji and Samoa (χ^2-test).

The strategic approach to exporting will be closely related to the ability to accumulate and interpret export market intelligence and the ability to control sufficient resources (Cavusgil and Naor, 1987; Ahokangas, 1998). Generally, volatility in resource allocation in the production systems will be associated with frequent and costly changes. Most enterprises will therefore attempt to avoid volatility if possible. Given the ability to foresee changes and to control resources through planning, such ability will also be directed towards stabilizing export sales through planned efforts (Bhide, 1994). Orser *et al.* (2007) comment that the resource-based theory is used to explain the growth of firms and reasons that growth is achievable though planning. Empirical studies have initiated to explain small business performance (measured as growth in profitability) in terms of the fit between the resource-base and the strategy of the business (Edelman *et al.*, 2005). This is based on the gradualist model from the School of Uppsala – *U*-model (Johanson and Vahlne, 1977, p. 23), which assumes that a company needs a planned process of adaptation/adjustment to acquire new capacities. However, Merrilees *et al.* (1998) and Mockaitis *et al.* (2005) argue that internationalization strategy is not always planned, and Sarasvathy (2001) argues that entrepreneurs formulate decisions based on a non-linear and iterative process called "effectuation." This implies that sometimes instead of proactive planning, some situations would require entrepreneurs to react to situations (Crick and Jones, 2000). The role of the entrepreneur also plays a dominant factor in growth. The entrepreneurial perspective therefore has a lot to offer for the discussion. A section of the entrepreneurial literature specifically points to the dominant role of entrepreneurs when it comes to growth, development or change of SMEs, example, Davidsson (1989), Tiessen and Merrilees (1998), Day *et al.* (1998), Davidsson and Honig (2003), Novak and Bojnec (2005) and Westhead *et al.* (2002). Here, it is pointed out that abilities, motivations, and goals greatly affect the entrepreneurs' decision to enlarge their businesses or maintain the size they are comfortable with. Entrepreneurs are engaged in the planning initiatives as far as growth intentions are concerned. The learning perspective also offers explanation inline with the entrepreneurial perspective that "growth is ultimately dependent on satisfactory resolution of the crisis of 'knowing'" (Macpherson, 2005, p. 1138). The emphasis here is that entrepreneurs through continual learning and strategic planning will allow their business to grow. Some research points out that an increase in internationalization leads to higher output volatility or growth/export quota volatility, especially in developing countries (Easterly *et al.*, 2001; Kose *et al.*, 2003), although there are some exceptions to this (Buch *et al.*, 2002). Bekaert *et al.* (2002) find that domestic equity market liberalizations are associated with lower volatility of output growth. In their models, Mendoza (1997) and Jovanovic (2004) show that, under certain assumptions, macroeconomic volatility, which contains the factors in the external environment, can have a negative effect on growth. On the other hand, some authors have argued that macroeconomic volatility/external environment factors could have a beneficial impact on growth (Blackburn, 1999; Tornell *et al.*, 2004). Thus:

> *H2.* Enterprises that have less emphasis on planning will have irregular change patterns of export growth in Fiji and Samoa (Pearsons correlation).

The main barriers/impediments highlighted by Karagozoglu and Lindell (1998) work are lack of managerial knowledge and competence, personal factors like international business skills and perceptions of the business environment. Manolova and Brush (2002) research reflects similar thoughts. Hall (2003) says that the following factors impede SMEs in internationalization: lack of managerial experience, both generally and of specific aspects of international activity or markets abroad; lack of human resources and appropriately trained and skilled staff; finance, both access to general finance, and to specific trade finance (such as credit guarantee facilities or foreign exchange hedging arrangements); information, about opportunities, threats, regulations, laws, etc.; rule of law; poor infrastructure, such as roads, ports, highways, telecommunications, warehouses, etc; red tape and administrative compliance costs.

The most cited barriers in the research by European Network for SME Research (2003) are: the high costs of the internationalization process – including doing market analysis abroad, purchasing legal consulting services, translation of documents, adaptation of products to foreign markets, travel expenses, higher business and financial risk; existing laws and regulations, typically of the target countries; shortages of capital or finance.

Szabo (2002) research identifies and lists 14 constraints and barriers to the internationalization of SMEs, in order of importance; the top five which are: lack of entrepreneurial, management and marketing skills; bureaucracy and red tape; lack of accessibility to information and knowledge; difficulties to access financial resources; and lack of accessibility to investment (technology equipment and know-how). Leonidou (2004) research discusses the internal barriers (those associated with an exporting organization's resources, capabilities, and approach to exporting) and external barriers (barriers stemming from the home or host environment, including foreign rules, regulations, tariff barriers, and different customer habits). Leonidou (1995b) says that for non-exporting firms, the most important problems are the limited information available to locate/analyse foreign markets, difficulties in finding/obtaining adequate representation abroad, and complexities in handling export documentation/procedures. Other export barriers were competitive pressures in international markets and constraints in finding personnel suitable to handle the export function. Leonidou's research discusses that for current exporters, the problems relate to such factors as too much red tape, slow payment by foreign buyers and poor economic conditions in foreign markets, etc. which overall appear to be of operational issues and related primarily to external conditions (Leonidou, 1995b). According to Bilkey (1978), finances, foreign government restrictions, inadequate knowledge of foreign sales practices, inadequate distribution, and lack of foreign market contacts were common problems in exporting. Fletcher (2004), Miesenbock (1988) and O'Farrell *et al.* (1998), among others, highlight that exporting is also inhibited by limited resources, management skills, and language inability, cultural differences, and psychic distance. Tesar and Tarelton (1982), Albaum (1983) and Bannock (1987) have explained start-up and on-going export problems regarding costs. Thus:

RQ1. What are the barriers faced by enterprises in Fiji and Samoa in the internationalization process? (Standard deviation of the critical problems to investigate *RQ1*.)

With this, the following is the conceptual model for this study (Figure 4).

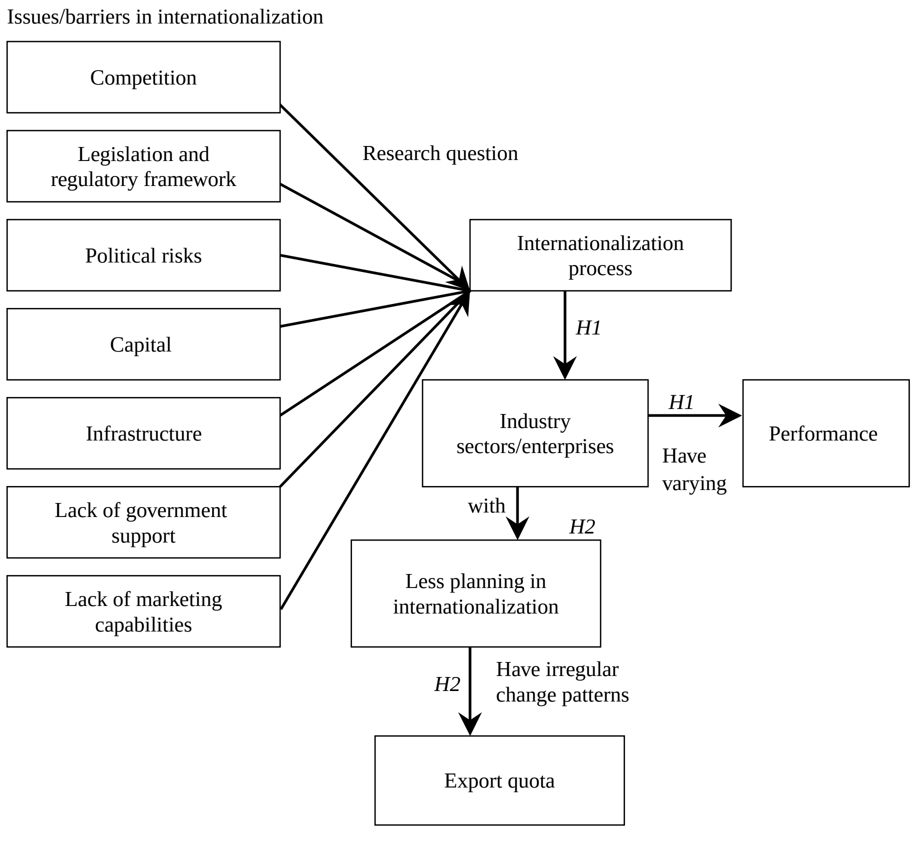


Figure 4.
Conceptual model

Methodology

The survey instrument for this research is a structured survey questionnaire/schedule. This was administered by interview. The schedules were personally administered on the entrepreneurs in Fiji and Samoa. In Fiji, data were collected only from Viti-Levu while in Samoa from two main islands: Savaii and Upolu. The main reason for selecting Viti-Levu was that this was the largest island and that majority of the SMEs were concentrated in this island, and for Savaii and Upulo were selected since they are the only two islands in Samoa and SMEs were not concentrated on any particular island, so the researchers tried to draw sample from both islands to avoid sample bias.

The registrar of companies in Fiji and Chamber of commerce in Samoa indicated that there were 4,000 and 2,200 small- and medium-sized businesses in Fiji and Samoa, respectively. The questionnaires were pre-tested in Fiji and Samoa on a sample size of 20 respondents, after which minor changes were made. Finally, sample of 261 for Fiji and 157 for Samoa was targeted. The rationale for selecting the sample was due to the immense workload and pressure on the interviewers at the time when data were collected. Also, the time factor involved for the researchers. Data were collected and it was found that some entrepreneurs in Fiji and Samoa were not willing to disclose information. After carefully screening the questionnaires, the sample of 118 for Fiji and 78 for Samoa was used for analysis.

It is to be noted that the questionnaire as a survey instrument for this research, was most advantageous due to its simplicity, its versatility and its low cost as a method of collecting data. It was useful as it enabled the researcher to be present in administering the questionnaire and allowed for greater response rate. The entrepreneurs were selected on the basis of random sampling. The structured questionnaire used likert scale. There were some respondents who did not respond to certain parts of the questionnaire. Therefore, missing cases for gender, ethnicity, education, industry and business age were noted. For Fiji, one missing for gender and ethnicity. Two missing responses for industry, three for education, and 11 for business age. For Samoa, one for gender, education and industry, five for ethnicity, and six for business age (refer to Table II, where totals would not tally with Fiji sample 118 and Samoa sample 78; reason being missing responses). The reliability of the scales were ascertained and found to be acceptable. Basic level statistical analysis was performed using Statistical Package for the Social Sciences package. The hypotheses (*H1* and *H2*) and research question (*RQ1*) were framed for this study based on the review of literature and the tests are indicated in brackets.

Data analyses and findings

Table II shows that in Fiji, majority were males (68) and only (49) females. Indo-Fijians were 93, Fijians (eight), and other races (16). The sample mostly consisted of secondary (53), trade (40), and university degree (16) qualified pool of respondents. In the industry sector, a greater proportion of the respondents were from service (41) and retail industry (73) and as for the business age, the businesses were mostly aged between two to five years (34 businesses) and six to ten years (29 businesses). On the other hand for Samoa, females formed majority of the respondents (44) in contrast to 33 males. Samoans were mostly interviewed (71) and most of the respondents had university degree (40). Here, also, a great number were from services (29) and retail sector (23).

	Fiji	Samoa
Gender		
Male	68	33
Female	49	44
Ethnicity		
Indo-Fijian	93	1
Fijian	8	1
Other races	16	71
Educational qualification		
Primary level	6	3
Secondary level	53	11
Trade certificate	40	17
University degree	16	40
Professional affiliation	1	6
Industry		
Services	41	29
Retail	73	23
Financial service	1	7
Construction	0	2
Health care	0	1
Wholesale	1	2
Manufacturing	1	3
Transportation	1	6
Agricultural	0	4
Business age (years)		
Up to 1	6	13
2-5	34	25
6-10	29	16
11-15	17	12
16-20	7	5
21-25	14	1

Notes: Fiji $n = 118$; Samoa $n = 78$

Table II. Demographic profile of the sample

For the business age, most were from two to five years (25 businesses), six to ten years (16 businesses), and up to one year as well (13 businesses).

Table III shows that for Fiji, commercial banks were the most popular form of financial support for the entrepreneurs surveyed. The second was Credit Corporation, followed by Small and Micro Enterprise Development Unit (SMEMED, 2002), then, Micro finance Project Unit and Small Business Advisory Unit were fourth ranked, after which was Cooperatives Department, Business Management Service Limited, Export Enhancement Fund, and finally Handicraft Division. On the other hand, for Samoa, Small Business Advisory Unit was the most popular form of financial support, followed by Commercial Banks. Third ranked were Small and Micro Enterprise Development Unit, then Business Management Service Limited, followed by Handicraft Division, and then sixth was Micro finance Project Unit, Cooperatives Department and Credit Corporation Fiji Limited, followed by Export Enhancement Fund. Entrepreneurs in Fiji as well as in Samoa were comfortable with agencies such as CB, SBAU, and SMEDU and found ease in obtaining funding. This contrasts with Singh (2000) thesis findings on “small business management” and Singh (2006) and

Table III. Responses of SMEs in Fiji and Samoa relating to ease in obtaining agency support

Ease in obtaining support from agencies	Responses on agency support from Fiji and Samoan SMEs Fiji	Samoa
Micro Finance Project Unit	34	19
Small and Micro Enterprise Development Unit	37	29
Small Business Advisory Unit	34	45
Handicraft Division	14	24
Cooperatives Department	25	19
Business Management Service Limited	21	28
Credit Corporation Fiji Limited	72	19
Commercial Banks	99	44
Export Enhancement Fund	18	13
Do not know	9	7

ADB Key Indicators (2001) research in which the authors discussed accessibility and ease of obtaining support from the government sponsored agencies (such as Micro Finance Project Unit, Small Business Advisory Unit, Small Business Development unit, Handicraft Division, and Cooperatives Department) as relatively difficult. In our study, we have found that Commercial Banks, Small Business Advisory Unit, and Small and Micro Enterprise Development Unit to be the most supportive agencies for entrepreneurs (Tables IV and V).

H1. *Performance level varies depending on the type of industry sector in Fiji and Samoa*
In the case of Fiji, on five degrees of freedom, the obtained χ^2-statistic (35.52) for variable performance is statistically insignificant as $p\text{-value} = 0.98 > 0.05$, which

Table IV. Test of independence for industry and performance for Fiji

	Performance	Industry
$\chi^{2\ a,\ b}$	35.520	238.644
df	55	5
Asymp. sig.	0.981	0.000

Notes: [a]56 cells (100.0 percent) have expected frequencies less than 5, the minimum expected cell frequency is 1.8; [b]0 cells (0.0 percent) have expected frequencies less than 5, the minimum expected cell frequency is 19.7

Table V. Test of independence for industry and performance for Samoa

	Performance	Industry
$\chi^{2\ a,\ b}$	11.667	97.039
df	42	8
Asymp. sig.	1.000	0.000

Notes: [a]43 cells (100.0 percent) have expected frequencies less than 5, the minimum expected cell frequency is 1.4; [b]0 cells (0.0 percent) have expected frequencies less than 5, the minimum expected cell frequency is 8.6

suggests that the null hypothesis cannot be proved. In this case, the high-significance value suggests that all the industry sectors in Fiji do not exhibit different performance levels. Therefore, *H1* is rejected for Fiji.

Whereas, for Samoa, on eight degrees of freedom, the obtained χ^2-statistic (11.67) for variable performance is also statistically insignificant as p-value $= 1.00 > 0.05$, which suggests that the null hypothesis cannot be proved. In this case, the high-significance value suggests that all the industry sectors in Samoa do not exhibit different performance levels. Therefore, *H1* is rejected for Samoa.

Based on the findings from *H1*, it can be said that performance is not inevitably impinged as a result of a particular industry. In this case, an entrepreneur does not need to be in a particular industry to achieve high-performance levels. However, Kangasharju (2000) says that growth is a function of industry selection. This suggests that the choice of industry is more critical to growth than strategic choices concerning behaviour within that environment (Hawawini *et al.*, 2002; O'Gorman, 2001). This can also be explained by industrial organization theory that suggests that the industry in which a firm chooses to compete has a stronger influence on performance in contrast to the choices entrepreneurs make inside organizations (Schendel, 1994), and Seth and Thomas (1994) highlight that these industry characteristics are made up of economies of scale, barriers to market entry, diversification, product differentiation, and the degree of concentration. From a strategy perspective, Hitt and Tyler (1991) found supporting evidence that the industry sector has an effect on strategic decisions. Further, the resource-based view can be used to explain why firms perform differently (Hitt *et al.*, 2001), and it is assumed that because firms differ in their resource base with rare and valuable resources, this will be a source of competitive advantage in domestic as well as international markets (Yeoh and Roth, 1999; Fahy, 2002; Plah-Barber, 2001; Lopez-Rodriguez and Garcia-Rodriguez, 2005). Consequently, this implies that industry sectors will have different propensity for export orientation therefore performance will vary in different industries. It was discussed earlier that market differentiation is amassed at industry sector level and that diverse industry sectors will have wide ranging strategic choices that will significantly impact industry performance, which has been rejected in the two island countries of our study. The reasons maybe that in Fiji there has been instances of political instability that had an effect on the overall economy and this impacted the resource base as well in all industries across. The performance in Fiji was affected by natural disasters as well as the issue of land leases. It can be said that in Fiji especially when the economy is unstable, this influences the ability of firms to make strategic choices and react to changing external environments quickly and responsively. There is lack of preparedness on their part. Also the structure of the economy itself, Pacific economies are weaker than developed nations and therefore responding to external environment takes a while. Also access to markets is a problem and there are many barrier highlighted in this study which may be contributing factors towards having similar performance, which restricts their ability to perform. They are: government regulations, locating qualified employees, keeping skilled employees, maintaining profit levels and employment regulations are the top five problems/issues in their order. This is inline with literature stating government regulations as a barrier, which is a common problem for Fiji. Other barriers were mostly cost related.

In the case of Samoa, the drastic impact of cyclone Heta and structural problems (IMF, 2005) were restricting the firm's ability to respond effectively and have varied performance. The barriers for Samoa were: everyday sales earnings, estimating future sales, maintaining profit levels, variable profits, and pricing. Apart from these top five barriers, others noted from the survey were: cost related and government regulations (Table VI).

H2. *Enterprises that have less emphasis on planning will have irregular change patterns of export growth in Fiji and Samoa*

Analyzing data from the table indicates that for Fiji, plans and export growth are significantly correlated (0.205), but not significant as $0.04 > p$ 0.01. Coefficient of determination: $r = 0.21 * 0.21 = 0.0441$ which is equal to 4.4 percent shared variance. Therefore, planning will have 4.4 percent propensity for intermittent or irregular change patterns of export growth. Therefore, *H2* is rejected for Fiji as enterprises with entrepreneurs who put little emphasis on planning will not have a propensity for intermittent or irregular change patterns of export growth. On the other hand, for Samoa, plans and export growth are negatively correlated (-0.19), and not significant as $0.18 > p$ 0.01.

Coefficient of determination: $r = 0.19 * 0.19 = 0.0361$ which is equal to 3.6 percent shared variance. Therefore, planning will have 3.6 percent propensity for intermittent or irregular change patterns of export growth. Therefore, *H2* is also rejected for Samoa as enterprises with entrepreneurs who put little emphasis on planning will not have a propensity for intermittent or irregular change patterns of export growth.

It was highlighted in the literature by Bhinde (1994) that enterprises that have less emphasis on planning will have irregular change patterns of export sales which is validated through the study. It can be deduced that those entrepreneurs who are engaged in lesser strategic planning still are able to survive stable growth patterns. This, however, will considerably affect these SMEs performance if they are intending to internationalize in that they would not be able to make wise strategic choices, which can only come about through planned efforts. The results of our study can be further justified by the work of Merrilees *et al.* (1998) and Mockaitis *et al.* (2005) who argue that internationalization strategy is not always planned. Sarasvathy (2001) argues that entrepreneurs formulate decisions based on a non-linear and iterative process called "effectuation."

Table VI.
Correlation for *H2*

	Planning		Export growth	
	Fiji	Samoa	Fiji	Samoa
Plans				
Pearsons correlation	1	1	0.21	−0.19
Significance (two-tailed)			0.04	0.18
n	109	57	100	50
Growth				
Pearsons correlation	0.21	−0.19	1	1
Significance (two-tailed)	0.04	0.18		
n	100	50	107	66

Notes: The figures have been rounded-off to two decimal places; Fiji and Samoa

RQ1. *What are the barriers faced by enterprises in Fiji and Samoa in the internationalization process?*
"Standard deviation" is a measure of dispersion from the mean. The higher the standard deviation, the lower the agreement of business operators on a problem, and the lower the standard deviation the higher the agreement about the importance of the problem. This measure reveals nothing about whether small business operators consider the problem severe or not. It simply reveals the degree of agreement on their evaluation.

Tables VII and VIII summarize the problems of most concern in Fiji and Samoa. For Fiji economy, government regulations, locating qualified employees, keeping skilled employees, maintaining profit levels, and employment regulations are the top five problems/issues in their order. This is inline with literature (ADB Key Indicators, 2001; Briscoe *et al.*, 1990) stating government regulations as a barrier, which is a common problem for Fiji. Other barriers were mostly cost related.

On the other hand, the barriers for Samoa were: everyday sales earnings, estimating future sales, maintaining profit levels, and variable profits and pricing. Apart from these top five barriers, others noted from the survey were: cost related and government regulations. This survey has highlighted many prevailing barriers impacting SMEs not only in Fiji, but also in Samoa. The difference in the ranking of the problems that were of most concern for the SMEs in Fiji and Samoa has come about due to the level of agreement in how the SME respondents, responded. This study has shed light on the fact that SMEs in the two countries face numerous obstacles in the internationalization process. This is inline with the conceptual model developed earlier on. This is of great concern with obvious public policy implications and those that are highly related to small business owners as managers and entrepreneurs.

It can be easily inferred from this study that there are many SME operating in diverse industries. However, analyzing the results of Fiji and Samoa, it was noted that there is no

Problem area	SD rank	SD
Government regulations	1	0.0820
Locating qualified employees	2	0.8116
Keeping skilled employees	3	0.8212
Maintaining profit levels	4	0.8314
Employment regulation	5	0.8494
Training employees	6	0.8504
Environment regulations	7	0.8577
Estimating future sales	8	0.8801
Everyday sales earnings	9	0.8992
Storage cost	10	0.8998
Rate	11	0.9104
Profits-highly variable	12	0.9183
Telephone cost	13	0.9325
Tax	14	0.9342
Fixed cost	15	0.9798
Insurance cost	16	0.9879
Advertising costs	17	1.0288
Electricity cost	18	1.0583
Pricing	19	1.1028
Government paperwork	20	3.9437

Table VII. Problems of most concern in Fiji

Problem area	SD rank	SD
Everyday sales earnings	1	0.9267
Estimating future sales	2	0.9376
Maintaining profit levels	3	0.9978
Profits-highly variable	4	1.0069
Pricing	5	1.0229
Fixed cost	6	1.0491
Government paperwork	7	1.0589
Government regulations	8	1.0675
Training employees	9	1.1174
Advertising costs	10	1.1183
Locating qualified employees	11	1.1310
Telephone cost	12	1.1488
Insurance cost	13	1.1559
Storage cost	14	1.1599
Environment regulations	15	1.1647
Employment regulation	16	1.1658
Tax	17	1.1822
Keeping skilled employees	18	1.2239
Rate	19	1.2267
Electricity cost	20	1.3074

Table VIII. Problems of most concern in Samoa

significant variation in export performance of SMEs within each industry sector in these two countries. Even though each industry has its own strengths, weaknesses, opportunities and threats; and also each industry has its own strategies that would give it competitive advantage over others leading to performance differences, but in this study no such differences were observed. These two economies of Fiji and Samoa have been facing obstacles, such as, structural problems, political instability problems (for example, frequent coups in Fiji), natural disasters, and had evidenced weak export performance in 2006. It is, therefore, possible that this has resulted in weak performance within all industry sectors that were affected and as a result no performance differences were observed.

It is evident from the results of this study that planning process of SME entrepreneurs within industries in the two countries vary to a great extent. In the case of SME entrepreneurs in Fiji, the more the planning the greater the positive relationship with export growth (although the results are not statistically significant); whereas in the case of SME entrepreneurs in Samoa, the greater the planning the lesser the export growth. This result can be explained by the fact that no two situations are the same and no two situations demand the same approach. Proactive planning does lead to stability, however some situations demand reactive approach or on the spot decision approach; and especially in internationalization where decision making is risky and environment is volatile, advanced or pro-active planning need not be done and an "on the spot" or reactive approach may be taken.

Finally, in our research, it is highlighted that both economies face numerous challenges in terms of taxes, government paperwork, and cost-related issues.

Conclusion and research implications

The main objective of this research was to investigate the barriers in the South Pacific context specifically in Fiji and Samoa and the main research problem centred on the fact that a dilemma exists in assessing the nature of factors affecting internationalization of SMEs in these two countries. To sum up this research, it can be concluded that the main impediments in the two countries were namely: government paperwork, government regulations, locating qualified employees, employment regulation, rates, electricity and telephone costs, advertising, pricing, and competition with other businesses. The only support agencies that they considered to be very effective in financing them were Credit Corporation, Small and Medium Enterprises Unit, and Small Business Advisory Unit. Generally, it was seen that enterprises did not vary in performance and that those enterprises that invested less in planning, still were able to attain stable growth patterns. With this, it is suggested that government of the day, should assist in reforming its policies to enable steadier growth so that firms can internationalize successfully. Government paperwork and regulations have been the top most impediments, followed by tax and therefore it is incumbent that they streamline procedures to assist SMEs. Furthermore, labour shortages that are the result of migration, have led to the existing problem of locating qualified employees a major hindrance for SMEs, as they lack the qualified competence to compete globally. This has even further escalated corollary to employment regulations. This is again a cause of concern for the government in that labour policies/employment regulations should supplement and attract qualified incumbents. There is a greater possibility that especially in Fiji, where political obstacles have been on the forefront for quite a number of years now, that it has created huge political risks impacting SME businesses tremendously, leading to brain drain (labour shortages). Costing was a problem for the entrepreneurs intending to globalize, which was hampered further as they lacked marketing skills and were not equipped in pricing techniques resulting in stiff competitive battles. Therefore, it becomes prudent that SMEs should have these competencies to give it competitive edge over other firms. The major outcome of this research is its contribution towards a policy paper that can be a vital resource for policy planners and SMEs with specific reference to the internationalization process. Future research should explore how other entrepreneurial, organizational, and personal variables effect a change in performance of SMEs in small island states such as Fiji and Samoa. It is crucial that up to date statistics on SMEs are compiled to enable better information gathering and allow for greater access to SMEs. It is also important that future research explores export performance differences within small micro firms against medium firms, and compares it to large-scale firms. This should set the impetus for future research through which knowledge can be generated towards understanding how large firms approach internationalization and how they survive and are still growing, and on the other hand why smallness for SMEs hampers their progress in internationalization.

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