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MARKETING | RESEARCH ARTICLE

Internationalization of SME: A systematic Literature Review

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Abstract: The opportunity to enter the international market will encourage SME to experience growth and development. However, SME must also be able to prepare themselves well to compete, survive and thrive in the international market. This research aims to conduct a literature review related to International SME. The method used in this research is the SLR (Systematic Literature Review) method. Data collection is done by documenting all articles that have similar research in the research report. The articles used in this study were 2 international journal articles obtained from the google scholar database. Based on the research obtained results, the supporting factors in the progress of internationalization of SME include Innovation, Balanced Scorecard (BSC), Industry associations, R&D organizations, Customers, Government Policy.

Keywords: International SME, Systematic Literature Review, Growth, Competitiveness, Supporting Factors.

JEL Classification Code: L25, M16, O32, O38, F23

1. INTRODUCTION

The international market is a market opportunity that is very open to be utilized by companies. This is because the market size is very large and has potential that has not been utilized by many actors. This can be seen from the following data as written by Lassare (2010). In the era of globalization and rapid technological advancement, internationalization has become increasingly important for the development of companies, especially for SME that want to enter the global market. This is supported by the significant changes taking place in the global market, both in terms of communication, transportation, and the opening of opportunities for companies to engage in global value chains. Awareness of the importance of internationalization is also increasing among SME, as internationalization can help companies to increase economies of scale, expand business networks, reduce market risks, and increase competitiveness in the global market. However, to be successful in internationalization, SME need to understand the challenges and opportunities that exist in the global market, such as changing regulations, different customer needs and preferences, and intense competition. SME also need to consider various other factors that influence internationalization, such as government policies, market opportunity development, industry associations, and R&D organizations. By taking these factors into account, SME can develop effective internationalization strategies and strengthen their position in the global market. The awareness of the importance of internationalization to support the development of companies is increasing along with the significant changes that occur in the global market in terms of communication, transportation, and the opening of opportunities for companies to engage in global value chains, (Casprini et al., 2020); (Zucchella et al., 2007).

Previously, involvement in international markets was only possible for large-scale companies, but trade openness and developments in manufacturing, transportation, and communication have increasingly opened up internationalization opportunities for Micro, Small and Medium Enterprises



(SME), (Dabić et al., 2020). Involvement in international markets is believed to open opportunities for SME to further develop through exports, technology absorption, and operating in international markets (Awuah & Amal, 2011); (Knight, 2000); (Revindo et al., 2019); (Shu & Steinwender, 2019). In Indonesia, SME play an important role in the national economy with a contribution to Gross Domestic Product (GDP) of 60.5% and are the main foundation for employment of 96.92%. Unfortunately, the level of internationalization of Indonesian SME is still relatively low, one of which can be seen through the export capability of Indonesian SME which is still quite low. The export level of Indonesian SME ranged at the level of 14.37% of total non-oil and gas exports in 2020 and 15.69% of total non-oil and gas exports in 2021. Although showing an increase, the export value of Indonesian SME is still smaller than that of Asia Pacific countries, which on average reaches 35%. Nonetheless, companies face their own challenges when entering the international market. These challenges relate to the use of different currencies. Since the transactions take place beyond the borders of countries, the company cannot use the domestic currency. Social and cultural aspects are the next challenges faced by companies when entering the international market. The international market, especially the destination country of the company's products or services (host country) has different social and cultural characteristics from those found in the home country. The next challenge is the formal legal aspects that also have differences between the home country and the host country. In entering the international market, companies must pay attention to the social and cultural characteristics of their destination country. This is important because the destination country has different customs, norms, and values from the company's home country. Therefore, companies must adjust their marketing strategies, products, and services to suit the social and cultural characteristics of the destination country.

The next challenge is the formal legal aspect, which also has differences between the home and destination countries. Companies must pay attention to the regulations and legal requirements in the destination country in various matters, such as licensing, property ownership, and copyright protection. Differences in regulations between home and destination countries can expose companies to legal risks that can disrupt their business operations and cost them financially. Therefore, companies should understand the social and cultural differences, as well as the formal legal aspects in their destination country before deciding to enter the international market. In preparing for expansion into the global market, companies need to conduct thorough market research to gain a better understanding of the social, cultural, and legal conditions in the destination country. By doing so, companies can minimize risks and optimize opportunities in entering the international market. Many multinational companies, even transnational companies, which are currently a barometer of the global economy are local companies that due to their growth and development enter the international market. According to (Thompson et al., 2010), there are five reasons companies expand into international markets, namely, to reach new customers, gain access to available natural resources, obtain capital for the company's core competencies, spread business risks and achieve lower costs and greater competitiveness.

2. LITERATURE REVIEW

Small and Medium Enterprises (SME) play a significant role in the global economy, contributing to employment generation, innovation, and economic growth. With the increasing globalization and interconnectedness of markets, the internationalization of SME has become a crucial strategy for their survival and growth. This systematic literature review aims to provide a comprehensive overview of existing research on the internationalization process of SME, focusing on key concepts, definitions, and specific explanations.

2.1. Conceptual Framework

Internationalization refers to the process through which firms expand their operations beyond domestic borders to engage in various forms of international business activities (Knight & Cavusgil, 2004). For SME, internationalization involves stages of increasing involvement in international markets, starting from initial exporting to establishing foreign subsidiaries or joint ventures (Johanson

& Vahlne, 1977). It encompasses a wide range of activities such as market entry modes, international marketing strategies, and adaptation to foreign environments.

2.2. Drivers of Internationalization

Several factors drive SME towards internationalization. The most prominent drivers include market-seeking motives, resource-seeking motives, and strategic motives (Lu & Beamish, 2001). Market-seeking motives arise from the need to exploit new market opportunities, gain access to larger customer bases, or diversify market risks. Resource-seeking motives involve accessing essential resources such as technology, capital, or raw materials available in foreign markets. Strategic motives relate to gaining competitive advantages, enhancing firm reputation, or achieving economies of scale through international expansion.

2.3. Barriers to Internationalization

Despite the potential benefits, SME encounter various barriers to internationalization. These barriers can be categorized into internal and external factors. Internal barriers include limited financial resources, lack of managerial capabilities, and risk aversion among SME owners (Coviello & McAuley, 1999). External barriers encompass regulatory constraints, cultural differences, market uncertainties, and lack of market information (Leonidou et al., 2007). Overcoming these barriers requires careful strategic planning, market research, and collaboration with external partners or government agencies.

2.4. Internationalization Strategies

SME adopt different strategies to facilitate their internationalization process. Entry mode selection is a critical strategic decision that involves choosing the most suitable mode of market entry, such as exporting, licensing, franchising, joint ventures, or foreign direct investment (FDI) (Root, 1994). SME also engage in network development, forming alliances or partnerships with local firms, industry associations, or government agencies to navigate foreign markets (Ellis et al., 2014). Additionally, customization of products, services, and marketing strategies to meet the specific needs and preferences of foreign customers is essential for successful internationalization (Sinkovics & Ghauri, 2009).

2.5. Challenges and Opportunities

The internationalization process poses both challenges and opportunities for SME. Challenges include increased competition, cultural barriers, regulatory complexities, and financial risks associated with operating in foreign markets (Chetty & Hamilton, 2010). However, internationalization also offers opportunities for SME to access new markets, diversify revenue streams, leverage technological advancements, and enhance their competitiveness on a global scale (Zahra et al., 2000). Successful internationalization requires SME to develop strategic capabilities, build international networks, and adapt to dynamic market conditions.

3. RESEARCH METHOD AND MATERIALS

This study uses the Systematic Literature Review (SLR) method which aims to recognize, review, and evaluate all relevant research so that answering a research question is determined, (Triandini et al., 2019). This research consists of several stages, namely formulating research questions, searching for literature, determining inclusion and exclusion criteria, selecting literature, presenting data, processing data and drawing conclusions. Research that uses tools and materials, needs to explain the sophistication of tool specifications and the types of materials used. For qualitative research, it is necessary to explain the function of the presence of researchers, subjects, informants, and data collection methods and describe the quality/reliability of the data. First, the question is what supporting factors affect the internationalization of SME that have been researched in an effort to encourage SME to penetrate international markets; Second, the search for literature studies conducted



on the Google Scholar database that have been published in international journals indexed by Scopus with the keyword Internationalization of SME; Third, the literature obtained is selected and analyzed based on criteria. Obtained data related to keywords, namely as many as 2 articles; The next stage researchers recorded the article into a table. Then the researcher reviewed and studied the article intensely, especially the research results section; and at the end of the study, the researcher reviewed the findings of several articles and made conclusions.

4. RESULTS AND DISCUSSION

The systematic literature review on the internationalization of Small and Medium Enterprises (SME) reveals several key findings and discussions regarding the factors, strategies, challenges, and opportunities associated with this phenomenon.

Table 1: Research Results on SME Internationalization

Authors	Journals	Result
Phong Ling Chong, Tze San Onga, Amalina Abdullah, Wei Chong Choo, (2019).	Management Science Letters Scopus Indexed URL: https://www.scimagojr.com/journalsearch.php?q=21100854867&tip=sid&clean=0	The results show that overall internationalization, such as knowledge, trust, commitment, and opportunity development play an important role in innovation and balanced scorecard among Malaysian SME. However, it may also break the myth of the role in internationalization of innovation towards balanced scorecard of SME in Malaysia as family business is an important pillar of many Malaysian companies. Therefore, this study provides understanding to owners and managers to quickly achieve the results of innovation and balanced scorecard. Finally, this study brings some conclusions to the policy makers and regulators as well.
Sandip Rakshit, Nazrul Islam, Sandeep Mondal, Tripti Paul, (2022).	Technovation Terindeks Scopus Q1 (SJR 2.7) URL: https://www.scimagojr.com/journalsearch.php?q=14726&tip=sid&clean=0	The findings provide deeper knowledge about SME' global operations and the company's venture with Amazon. This research examines whether and how the BCT-based 3S Triangle Model framework for SME' global operations helps them develop MCAP and IBP. The authors found that external SME involved in Amazon-related ventures contribute to all phases of MCAP and IBP for international SME. The study found that leveraging Amazon India benefited BCT-driven operations in SME around the world. Compared to the 3S Triangle Model theory, IBP has a statistically significant impact on expectations. statistically significant impact on SME' expectations of global business operations. This research presents how the BCT platform can influence international market entry for Indian SME through Amazon Web Services. BCT's speed, low cost, and strong usability, reliability, and transparency characteristics have expanded business globalization. By encouraging anyone, anywhere in the world, to invest in SME created by team members living in multiple countries, BCT unexpectedly shakes up the entire financing and investment structure.

Table 2: What supporting factors influence SME internationalization

Authors	Supporting Factors
Poh Ling Chong*, Tze San Onga, Amalina Abdullaha and Wei Chong Choo, 2019.	Innovation Balanced Scorecard (BSC)
Sandip Rakshit, Nazrul Islam, Sandeep Mondal, Tripti Paul, 2022.	Industry associations R&D organizations Customers Government

The results show that there are several important factors that have an influence on the internationalization of SME including: Innovation; Balanced Scorecard (BSC); Opportunity Development; Industry Association; R&D Organization; Customers; and Government Policy. The explanation related to these findings can be strengthened by the following results:

4.1. *Poh Ling Chonga, et.,all.*

Overall, the results of this study establish that network cooperation helps SME to penetrate international markets and expand their customer base, which in turn facilitates them to better recognize customer preferences and requirements, to acquire technical competence and to understand product dynamics, including product shape, size and overall dimensions. In other words, increased internationalization on performance will enhance SME' product innovation capabilities, which will further be reflected in their innovation performance due to the increased proportion of innovated sales. This process passes from external cooperation to improving internationalization performance, and then improving innovation performance, finally improving the economic performance of SME. There is a dearth of empirical studies previously conducted highlighting the internationalization of BSC to measure the performance of Malaysian SME firms. As an empirical study, the research adds value to the current level of knowledge in the existing literature on the internationalization of Malaysian SME in the Malaysian context, both academically and empirically. The systematic assessment of the structural relationships among these constructs facilitates a clearer understanding of the nature of SME internationalization and how it can further contribute to firm performance. Predominantly, this particular study has identified several important dimensions of SME firm performance in Malaysia.

4.2. *Sandip Rakshit, et.,all.*

The internationalization of SME is strongly related to innovation and is influenced by the Balanced Scorecard (BSC). Network cooperation helps SME to penetrate international markets and expand their customer base, which in turn facilitates them to better recognize customer preferences/requirements, to acquire technical competence and to understand product dynamics, including product shape, size, and overall dimensions. In other words, increased internationalization in performance will enhance SME' product innovation capabilities, which will further be reflected in their innovation performance due to the increased proportion of innovated sales. This process passes from external cooperation to improve internationalization performance, and then improve innovation performance, finally improve the economic performance of SME. This study is without limitations, first, it considers general measures of innovation and internationalization, and there may be other measures that may be applicable to manufacturing SME that export. Second, due to time constraints, the only responses from 117 companies were received, a small sample size with a medium effect of 0.15 at 90% on the analysis power (G^* power). In the future, further studies could expand the construct of measures used that could explain the economic performance of manufacturing SME. Further comparative studies can be conducted in developing and developed countries to better understand the contextual arrangements in innovation, internationalization, network cooperation and firm performance. Domestic comparisons can also be made between low-intensity and high-intensity exporters and examine the differences between the two groups in relation to innovation, internationalization, and firm performance. From the results of the review of previous articles, the researcher added several things that must be considered in the internationalization process of SME. Understanding export-import regulations plays an important role in supporting the marketing process abroad. The management system, owned by SME in general, is relatively traditional, the expertise of workers should not only be in production techniques but also marketing techniques and in research and development (R&D), while the expertise of entrepreneurs is mainly business insight. Human resources also need to be prepared by the government by providing training to people appointed as part of the operational activities of SME to achieve the goal of SME internationalization.

4.3. SME Internationalization Strategy

In the current era of globalization, business competition is no longer limited to the local or national level. In fact, small and medium-sized businesses (SME) are also required to compete in the international market. However, SME often face challenges to enter the global market, such as limited resources and lack of experience in doing international business. Therefore, SME internationalization is an important topic to study. Previous research shows that there are several important factors that influence SME internationalization, such as innovation, Balanced Scorecard (BSC), opportunity development, industry associations, R&D organizations, customers, and government policies.

a. Innovation

Innovation is an important factor that affects the internationalization of SME. Previous research has shown that innovation can enhance the ability of SME to compete in the global market by producing unique and high-quality products or services. Innovation enables SME to have a strong competitive advantage in global competition, thereby expanding market reach and enhancing brand reputation at the international level. In the current scope of globalization, innovation is becoming more important as competition is getting tougher. SME that are able to create innovative and high-quality products or services can more easily enter the global market and meet increasingly diverse and complex customer needs (Hossain et al., 2022; Sriboonlue & Puangpronpitag, 2019). This indicates that SME need to invest in innovation to develop a competitive advantage and strengthen their position in the global market.

However, innovation is not an easy and simple process. SME often face various challenges in developing innovative products or services, such as limited resources, lack of global market knowledge, and lack of innovative skills. Therefore, SME need to obtain the right support to build their innovative capacity, such as participating in innovation training programs, partnering with research institutions, or collaborating with larger companies in the same industry (Kurtulmuş & Warner, 2015). In addition, innovation also requires a systematic and structured approach. SME can use the Balanced Scorecard (BSC) method to measure and monitor their innovation performance. The BSC approach allows SME to identify and measure performance indicators relevant to their innovation goals, such as research and development budget, number of patents held, or percentage of new products launched. As such, SME can monitor their innovation progress and make better strategic decisions to improve their innovative capabilities.

In conclusion, innovation is an important factor affecting the internationalization of SME. SME need to invest in innovation to develop their competitive advantage and strengthen their position in an increasingly tight global market. To do so, SME need to build their innovative capacity through proper support and use a systematic and structured approach in their innovation development.

b. Balanced Scorecard (BSC)

The Balanced Scorecard (BSC) is a comprehensive and structured strategic management framework designed to help SME measure and monitor their performance in doing business internationally. BSC uses four perspectives, namely finance, customers, internal processes, and learning and growth, to provide a holistic view of SME performance (Ax & Greve, 2017). In the context of internationalization, BSC can help SME to gain a better understanding of their strengths and weaknesses in competing in the global market. The financial perspective of the BSC allows SME to measure their financial performance in an international context. SME can measure their revenue growth and profitability, and identify factors that affect their financial performance in the global market (Giovannoni & Pia Maraghini, 2013). The customer perspective enables SME to gain a better understanding of the needs and expectations of their international customers, and measure the extent to which SME can meet those needs and expectations. Thus, SME can develop more effective strategies to strengthen their relationships with international customers and increase customer satisfaction.

The internal process perspective of the BSC enables SME to identify and improve their fundamental business processes in an international context. SME can measure their operational performance, such as average order turnaround time or production efficiency levels, and identify areas

for improvement to enhance their operational performance (Yang & Lee, 2020). The learning and growth perspective of the BSC enables SME to gain a better understanding of their capabilities and capacity to compete in the global market. SME can measure their performance in terms of improving team skills and knowledge, developing new products, or developing new international markets. In the context of internationalization, BSC can help SME to develop more effective strategies to strengthen their position in the global market. By using BSC, SME can measure their performance in different aspects of international business and gain a better understanding of their strengths and weaknesses in competing in the global market. This enables SME to develop more structured and focused action plans to improve their ability to do international business. As such, BSC can be a very useful strategic management tool for SME looking to strengthen their position in the global market.

c. Opportunity Development

Opportunity development is an important factor in the internationalization efforts of SME due to wider and potential market opportunities abroad. SME need to identify appropriate market opportunities and develop strategies to enter the global market in order to compete in an increasingly competitive and globalized market. International market opportunities can come from a variety of sources such as changes in government policies, developments in technology and information, and increasing global market demand for certain products and services. Opportunity development also plays an important role in increasing the competitiveness of SME in international markets (Ahmad et al., 2020). This is because SME that are able to identify and seize opportunities that exist in the international market can grow their business in a more effective and efficient way. By taking the right market opportunities, SME can expand their market reach, increase revenue, and enhance their brand reputation in the international market (Yang & Lee, 2020).

Therefore, SME need to monitor market trends and develop the ability to adapt quickly to market changes. This can be done through the development of business networks and strategic partnerships, effective use of information and communication technology, and improvement of product and service quality. Opportunity building can also help SME to benefit more from international markets by creating added value for their customers and improving their operational efficiency. In this sense, opportunity development is also a very important factor in the internationalization strategy of SME. SME need to develop the ability to understand the global market well and identify appropriate market opportunities, as well as develop strategies to enter the global market well. Therefore, opportunity development can be an important factor in SME' efforts to improve their competitiveness and strengthen their position in the global market.

d. Industry Association

Industry associations are organizations of companies within a particular industry that work together to promote and protect their common interests. In the context of SME internationalization, industry associations can play an important role in helping SME develop their ability to do business in the global marketplace. Through joining industry associations, SME can gain various benefits such as gaining access to the latest information about relevant markets and technologies, as well as developing extensive business networks with large companies in the industry. By expanding their business networks (Gamble et al., 2021), SME can improve their ability to seek new market opportunities and develop strategic partnerships with larger firms that have greater power and resources.

In addition, industry associations can also help SME access international markets by facilitating international exhibitions and trade missions. Through participation in international exhibitions, SME can have the opportunity to showcase their products and services to potential international customers and build a stronger brand image in the global market (Wang & Le, 2022). Meanwhile, trade missions can help SME to expand their business networks abroad by conducting business meetings with potential partners and making visits to industries and international exhibitions relevant to the SME's business. Overall, joining industry associations can help SME develop their capabilities in doing business in the global marketplace, including obtaining the latest information on markets and technologies, building a wide business network, accessing international markets through exhibitions and trade missions, and enhancing brand image in the global marketplace. Therefore, industry

associations can be an invaluable strategic partner for SME in strengthening their position in the global marketplace.

e. R&D Organization

R&D (Research and Development) organizations play an important role in facilitating innovation in SME, which is an important factor in business internationalization. R&D organizations are responsible for conducting research and development of new products or services and focus on increasing the added value and competitive advantage of existing products or services. In the context of internationalization, R&D organizations can help SME in several ways. First, R&D organizations can help SME create innovative and high-quality new products or services, which can help SME strengthen their position in the global market. In an increasingly competitive global business environment, innovation is key to maintaining a competitive advantage and entering a wider market. In this regard, R&D organizations assist SME in generating new ideas and testing innovative product or service concepts (Meidayanti et al., 2020; Saraswati, 2022; Teng, 2007). Second, R&D organizations can also help SME understand global markets and develop strategies to enter those markets. R&D organizations generate information on global market trends and demands, which can help SME understand the needs and wants of consumers in the global market. In addition, R&D organizations can also help SME develop appropriate marketing strategies and create products or services that meet the needs of the global market. Third, R&D organizations can help SME gain access to the resources necessary to enter the global market. Through research and development of new products or services, R&D organizations can help SME acquire the technical know-how necessary to enter the global market. In addition, R&D organizations can also assist SME in sourcing additional resources such as qualified manpower and capital to expand their business activities. Fourth, R&D organizations can also help SME in strengthening their position in the global industry. R&D organizations help SME in creating more innovative and high-quality products or services than their competitors, thereby strengthening the SME's position in the industry. This can help SME to maintain market share and earn greater profits in the long run.

In all, R&D organization is an important factor in facilitating innovation and internationalization of SME businesses. R&D organizations assist SME in creating innovative and high-quality new products or services, understanding global markets and developing strategies to enter those markets, gaining access to the resources necessary to enter global markets, and strengthening their position in global industries. Therefore, SME should pay attention to the importance of R&D organizations and invest sufficient resources to facilitate research and development.

f. Customer

Customers are one of the important factors that influence the internationalization of SME. As end consumers, customers play an important role in determining the success of a business, including SME businesses in entering the global market. In this context, SME need to understand the needs and preferences of customers in the global market to compete effectively (Saraswati, 2022). International customers often have different needs and preferences than local customers. In addition, they also have higher expectations of the products or services they purchase. Therefore, SME need to conduct adequate market research to gain a better understanding of customer preferences in the global market. Market research conducted by SME can help them identify global market trends and preferences, and thereby develop products or services that suit the needs and preferences of these customers (Reshetko et al., 2021). In addition, SME also need to consider different cultures and languages in the global market. Culture and language are important factors in influencing consumer behavior and brand preferences. In this context, SME need to understand the cultural and linguistic differences in the global market and adapt their marketing and branding strategies accordingly.

By understanding the needs and preferences of customers in the global market, SME can strengthen their position in global competition. They can develop innovative and high-quality products or services, and optimize their marketing and branding strategies to achieve customer preferences. In the long run, this can help SME to enhance their brand reputation and expand market share in the global market. Therefore, customers are an important factor that SME need to consider in entering the global market.

g. Government Policy

Government policies can have a significant impact on SME internationalization, both positively and negatively. Trade policies, regulations, and incentives created by governments can facilitate or make it difficult for SME to enter the global market. For example, policies that ease access to global markets and provide incentives for exports can help SME to expand market share and increase competitiveness in the global market (Malodia et al., 2023). Conversely, policies that impose trade barriers or difficult regulations can make it difficult for SME to enter the global market (Hossain et al., 2022). Therefore, SME need to gain a better understanding of government policies in the global market and prepare themselves to deal with policy changes that may occur in the future. SME also need to adapt quickly to such policy changes to be able to benefit from the available global market opportunities. In this regard, SME can obtain information and support from industry associations and government agencies responsible for facilitating international trade.

5. CONCLUSION

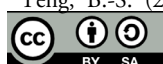
In the current era of globalization, internationalization of SME is an important topic to study. There are several important factors that influence SME internationalization, such as innovation, Balanced Scorecard (BSC), opportunity development, industry associations, R&D organizations, customers, and government policies. SME need to focus on these factors to strengthen their position in the global market. In addition, SME also need to gain a better understanding of the global market and adapt quickly to changes in the market and government policies. In this case, the government can also facilitate SME in entering the global market through trade policies, regulations, and incentives. It can be concluded that in the research that has been reviewed in Malaysia and India, based on articles on this previous research, shows that the role of government in SME internationalization policy is needed to support SME internationalization. Then innovation and external parties as industry associations are also able to encourage the progress of SME internationalization. In addition, the following things also need to be considered in order to succeed the internationalization of SME. First, massive and clear information dissemination by utilizing digital media such as the ministry's website is important to do, given the number of SME that are widely spread. Second, program sustainability accompanied by measurable program evaluation is needed to make policy interventions more effective. Third, collaboration between actors involved in both government and public and private organizations at the national and regional scope is very important to support targeted interventions and avoid overlapping intervention programs. Fourth, it cannot be denied that the internationalization process is a capability development process that requires not only government policy intervention, but also the active role of SME to gather information, build networks, and develop their capabilities.

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