

## **Influence of Strategic Factors on Early Internationalization of Small and Medium Enterprises in Nigeria**

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### **Abstract**

*The study on strategic factors and internationalization of small medium enterprises (SMEs) has continued to gain attention across the globe as most indigenous organization desire to take their products and services to international markets. As such, this study tried to ascertain the influence of the strategic factors element of the early internationalization process and tendencies of firms going to foreign market within the period of one to five years which signifies early internationalization. Two different objectives emanated from that main goal: The first is to investigate the influence of firm orientation on early internationalization mode, and the second is to assess the relationship between early internationalization strategies and success of SMEs. Two hypotheses were tested in line with the objectives through the data collected from purposively selected twenty companies in various industries through standardized questionnaires. Both descriptive and inferential statistics was explored to evaluate the hypotheses and variable relationships. The findings reveal that strategic factors significantly affect internationalization of firms when organization put into consideration both external and internal factors towards internationalization, it further shows relationship exist between the factors and what affects SMEs from going global. The study finally recommends that SMEs should consider strategic factors as it will help them to avoid pitfalls while going international.*

### **Key words**

*Strategic Factors, Internationalization, SMEs, Business Orientation*

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### **Introduction**

Internationalization has been of great interest to nearly every small and medium size company in Nigeria and strategic factors are those factors ventures needs to understand in order to profit with the key stakeholders, goals and objectives. Strategic factors to internationalize are those factors ventures needs to put into consideration before having a successful internationalization process. Strategic factors can be in form

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of demographic factor, cultural factor, political factor, economic, environment, market knowledge, firms' orientation, internationalization strategy. The purpose of going into international market differs from one company to the other, there are several factors such as the push and pull factors that makes firms go into international markets. The choice of internationalization is one of the important decisions that have a ground laying effect on any firms and its internal and external operations. Internationalization of firms is affected by various strategic factors. Firms view internationalization as a room for great change, making their products and services global and gaining more profit.

Business's orientation affects its internationalization process, failing to acquire proper marketing knowledge of the target market, its orientation, various process and strategies involved in going international will affect the success of it going international. (Javalgi 2011), the situation arrived that a positive relationship exists between the international orientation of the market and the degree of internationalization of the business. Most SMEs in Nigeria want to go beyond the home markets, the problem of the businesses is their ability to meet international standards based on their local product idea conception and that is why going early to international market between five year period becomes difficult based on what they can offer, Morgan, Kaleka, and Katsikeas (2004) point that managerial competences mark the expansion and accomplishment of business's internationalization.

In argument of Leonidou & Katsikeas (2010) holds the point that the organizational internal strategies remain very vital, extremely in a managerial and managerial context for early internationalization within one to five year period. Akinbola, Sanni & Akinbola (2018) state the importance of setting of strategy and the necessity of a prudent execution should not be questioned. Regular occurrence of the factors and operations that direct to the strategy is condition of a firm reaching success in the foreign market. Most firms want to go international; it is prudent to make sure one understand the laws of business in the country of interest plan to expand to. That's the purpose of this research investigating the extent to which specific factors affect the strategic approach of internationalization of new ventures. With reference to these, the con intends to ascertain through the hypotheses as stated in null forms;

**H<sub>01</sub>:** there is no significant relationship between firm orientation and early Internationalization process.

**H<sub>02</sub>:** there is no relationship between early internationalization strategies and success of internationalization.

### **The Concept of Strategic Factors**

According to (Escandon et al 2013) Strategic Factors are those things which an association or commercial functional element desires to acquire properly to succeed with the crucial goals, this includes, suppliers, customers, partners, managers, employees and further association, functional entity or key discrete that firms hinge on for reaching its goals. With the strategic factors, there is a set for each main stakeholder, the client, the employees, the customer and the shareholders, and others. Strategic Factors provides for firms a structure for testing diverse strategies concepts and activities together. Examples of a Strategic Factor in the customers are customer service, brand, packaging, product quality, customer relationship, distribution and others. The employees, includes

compensation, remuneration, working condition, benefits, prestige for the business, and job security. The Strategic Factors for the shareholders in a public enterprise include dividends and capital growth. Strategic factors not only provide a path to success but also a shared currency that links the way strategic measurement, planning, development and execution are carried out

Strategic Factors also make available tools needed to address the aim of both the private profit seeking organizations, and the nonprofit sectors. It also deed as inquisitor since completely entirely firms has those at their essence. These features also provide the method of communicating from top to department, organization to functional business unit. Strategic Factors provide firm a structure for flow of policy improvement and capacity, when a structure tries diverse strategies concepts and activities altogether it's called the Strategic Factor Structure. Strategic factors of internationalization are those internal and external factors that a venture should consider before going international, according to Suarez-Ortega (2003) identified strategic factors (internal and external) to be considered by business before internationalization.

### **The Uppsala Internationalization Process Model (U-model)**

Mitgwe (2006), investigated the process of internationalization of companies centers on the U-model, the Nordic school, the incremental school. The theoretical framework for this theory was first developed by Johansson and Wiedersheim-Paul (1975) in their research of four Swedish firms, they observed that when firms internationalize, they are moving along a series of incremental steps which they called establishment chain or step by step. This theory focuses on four aspects that businesses should face abroad, namely market knowledge and market engagement, commitment decisions and current phases of business, aspects of change that relate to one another. State aspects include foreign-market resources, market knowledge and commitments that affect opportunities and risks of the company (Johanson & Vahlne, 1977 and 2009). Commitment to the market means those resources and the level of involvement that will be committed. Market knowledge supports the management team in decision-making. There are two main types of knowledge, objective knowledge and experience that can be transferred from one market to another, and learning or execution. Facets of transition are the outcomes of the facets of the State, so that the firm is immediately aware of the market and can determine how to participate in this market and then prepare and execute current actions required in order to end this process by business commitments. Chatterjee and Lim (2000) discourse the correlation among the external factors and internal factors of firms concerning the measure of internationalization and effect on execution. The outcomes agrees that an optimistic relationship exists among internationalization and execution. Das et. al. (2015) lay value on the management intentions in the firm choice of its internationalization strategy, most especially in relation to organizations. Fourcade (2002) the main environmental factor affecting the size, scope and speed of internationalization of the company is market knowledge, technology capacity, competition knowledge, and networking capability. Cateora (2010) adds regulations and institutional bureaucracy to these environmental elements as an aspect which impedes internationalization. Pinho and Prange (2016) analyze the relationship and effect on international execution between social networks and Dynamic Internationalization Capacity (DIC). Javalgi (2011) reports that the international market orientation and the

level of internationalization exists positively. It similarly recommended that the top organization ought to make important stimulating conducts steady through a helpful global coordination, particularly in unstable marketplace.

## **1. Methodology**

The method adopted for the conduct of this research is the survey with insight to ex-post facto approach. Respondents' opinion was gathered by administering structured questionnaire. The population of this comprises of all employees in ten selected ventures in Lagos state. The sample consist of two hundred (200) employees of ten (10) selected ventures representing 20 employees per SMEs based on purposive sampling technique in order to get access to the respondents who truly understands the concept of strategic factors and process of internationalization of SMEs in Nigeria. The researchers increased the sample with a ten percent number representing extra 20 making up (220) number of questionnaire in order to get high response rate based on the assumption that few questionnaires may not be properly filled and may limit the rate of response of respondents.

## **2. Data presentation**

The research questionnaire was administered to two hundred and twenty (220) employees which is the sample size representing the chosen study population of the selected 20 small and medium enterprises in Ikeja local government area of Lagos state. Of this lot, one hundred and eighty one (181) questionnaires representing 82.3% were returned, and thirty nine (39) questionnaires representing 17.7% were not returned. The table below shows the details at a glance.

### **2.1 Frequency Distribution of the Respondents' Demographic Characteristics**

The frequency distribution of the respondents' demographic characteristics is presented in table. below. The table shows that out of the One hundred and eighty one (181) respondents, 130 (71.8%) are male, while 51 (28.2%) are female. By implication, we have more male respondents to female respondents in the sample. In addition, out of the One hundred and eighty one (181) respondents, 60 (33.1%) are single while 117 (64.6%) are married and 4 (2.2%) are neither married nor single. By implication, most of the respondents are married. More so, 77 (44.3%) of the 274 respondents have 1-5 years' work experience, 76 (43.7%) have 6-10 years' work experience, 14 (8.0%) have 11-15 years' work experience and, 7(4.0%) have over 15years work experience. By implications, most of the respondents have between 1-5years of work experience.

**Table 1** The frequency distribution of the respondents’ demographic characteristics

Characteristics	Category	Frequency	Percentage	Cumulative Percentage
Gender	Male	130	71.8	71.8
	Female	51	28.2	100.0
Marital status	Single	60	33.1	33.1
	Married	117	64.6	97.8
	Others	4	2.2	100.0
Age	20 – 25 years	67	37.0	30.7
	26 – 31 years	91	50.3	87.3
	32 – 42 years	23	12.7	100.0
Work Experience	1 – 5 years	70	38.7	38.7
	6 – 10 years	99	54.7	93.4
	11 – 15 years	12	6.6	100.0
Industry Type	Services	42	23.2	23.2
	Manufacturing	101	55.8	79.0
	Distribution	27	14.9	93.9
	Others	11	6.1	100.0
Years of Operation	0 – 3 years	73	40.3	40.3
	4 – 7 years	81	44.8	85.1
	8 – 11 years	25	13.8	98.9
	Above	2	1.1	100.0

Source: Author’s Fieldwork Computation, 2019

The conclusions found in this analysis are: (1) there is no significant relationship between the firm orientation process and the internationalization phase of the first mode (2). Several regression analyzes were used to evaluate these hypotheses and achieve the objectives of the analysis.

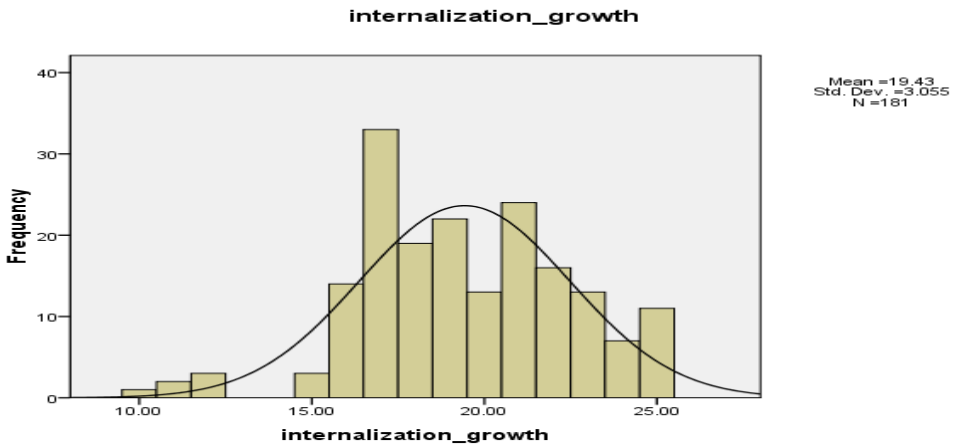
Multiple regression is based on correlation which enables a more detailed con of the interrelationship between a numbers of variables. It create a number of assumptions about normal data, which believe that the variables depends naturally (i.e strategic factors), multicolaniarity that believes that the independent variable (internationalization), and even homoscedasticity that believes that variations between observations to be identical, are not very well interconnected.

## 2.2 Test of Normality

For the normality of the dependent variable, a regular curve may be draw. The standard curve is shown in Fig. 1 to 2. Most parametric statistics presume that scores are typically distributed on each vector (i.e. the normal curve is shaped). In this con, the

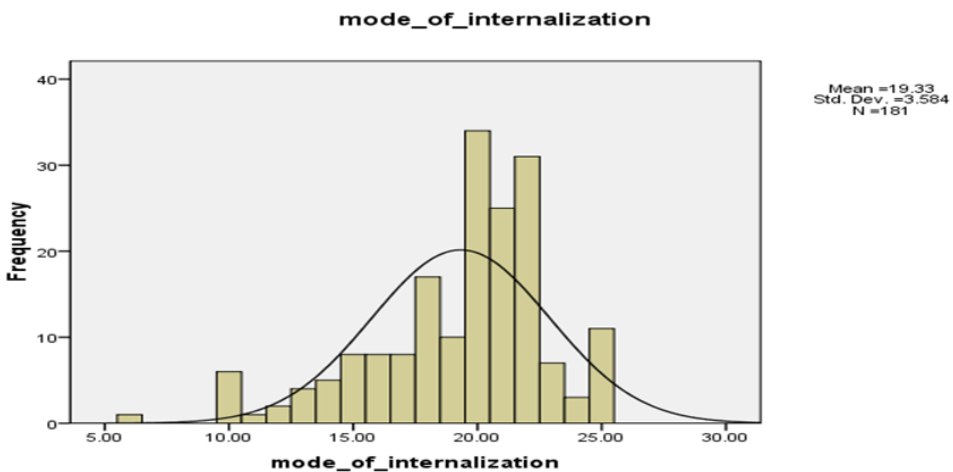
values are quite normal, with the majority of the scores in the middle tapering out to the extremes.

**Fig. 1** Histogram of Mode of Internationalization Scores



Source: Author's Fieldwork Computation, 2019

**Fig. 2** Histogram of Mode of Internationalization Scores



Source: Author's Fieldwork Computation, 2019

### 2.3 Test of Multicollinearity

The bivariate correlation was performed in Table 2 below to test multicollinearity. The highest correlation in the table was 0.221 this indicates a low question of multilinearity. All variables are therefore retained.

**Table 2** Correlations

		Strategic factors	Internationalization strategy
Strategic factors	Pearson Correlation	1	.032
	Sig. (2-tailed)		.672
	N	181	181
Internationalization strategy	Pearson Correlation	.032	1
	Sig. (2-tailed)	.672	
	N	181	181

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### 2.4 Test of Hypothesis One

**H<sub>01</sub>:** No significant relationship exists between company orientation and early mode internationalisation.

The result of regressively as contained in Table 3: ANOVA shows that F testing was 3.003, significant at 1 percent [ $p < .002$ ]. The model was well specified, this showed.

**Table 3**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean square	F	Sig.
1	Regression	233.761	9	25.973	3.003	.002
	Residual	1478.836	171	8.648		
	Total	1712.597	180			

Source: Author’s Fieldwork Computation, 2019

The regression results as provided in Table 4: Model Summary also indicate that R Square has a high value of 4.7%. This suggests that around 4.7 per cent of the variability was explained in early internationalization of New Ventures.

**Table 4**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.047	.007	.002	3.05261

Source: Author’s Fieldwork Computation, 2019

In particular, the first hypothesis of this analysis is checked in the regression results of Table 5 from below, there were positive ties between firm orientation and the precocious mode of internationalization phase units, which were statistically significant increases of 1 percent by a p-value (0.023) in the early mode of internationalization. The result re-

jects the zero hypothesis that no significant relationship exists amongst company direction and the processes of early-mode internationalizing; therefore, the relationship between corporate guidance and early-mode internationalization processes is important.

### 2.5 Test of hypotheses two

**H<sub>02</sub>:** there is no relationship between early internationalization strategies and success of internationalization

The result of the reversal in Table 5: ANOVA shows that the Ftest was 1,314, meaning 1% [  $p < .253$  ]. This demonstrated that the model was well-defined.

**Table 5** Annova<sup>b</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	12.247	1	12.247	1.314	.253 <sup>a</sup>
Residual	1667.996	179	9.318		
Total	1680.243	180			

Source: Author’s Fieldwork Computation, 2019

The regression result of Table 6: Model Summary also demonstrates that the R Square was a high 5.5 percent figure. This means the model explained approximately 5.5% of the variance process of success of internationalization.

**Table 6** Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.055 <sup>a</sup>	.007	.002	3.05261

Source: Author’s Fieldwork Computation, 2019

The second hypothesis of this analysis is evaluated directly, by regression as given for in Regression Coefficients table. The following output showed a good relationship between the early internationalization strategies and the success of the internationalization. 221 increases in internationalization success, which with the aid of its p value (0.023) were statistically significant at 1%. The result rejects the null hypothesis that the early internationalization strategy has no relationship with the success of internationalization, and therefore the relation between early internationalization strategies and internationalization success is established.



## **Discussion of Findings of Hypothesis one**

The discovery of this study shows that the internationalization of companies substantially has strategic factors views, the results of which show positive influence between factors and internationalization in the consideration both of internal and external factors and their relationship with internationalization. The report reviews the high influence of companies on international expansion in exploration and exploitation orientation and the slack resources. Das et. al. (2015) stressed the purpose of management when choosing the company's path to internationalization, particularly as far as companies are concerned. As key environmental factors affecting the size, extent and speed of the internationalization of the company, Fourcade (2002) identifies market knowledge, technological capabilities, competent knowledge or networking capacity.

## **Discussion of Findings of Hypothesis Two**

The discovery of this study show that the internationalization process and success of the company was affected by the consumer orienting and the degree to which it is internationalized. . It was also proposed that the top management priority would be to promote behaviors, especially in volatile markets, that comply with a positive international orientation. Growth and development. There are many benefits to the strategic aspect of internationalization. The global market climate requires growing internationalization of new businesses while some companies have successfully joined the international market, some have struggled because of the effect of competitive considerations on early internationalization of new companies.

It was also proposed that the top management priority would be to promote behaviors, especially in volatile markets, that comply with a positive international orientation. The study found that the identifiable factors have an impact on the level at which companies successfully enter the international market, as captured in this descriptive study. The findings of this study offer a guidance on how companies can influence the internationalization process and thus enhance the success of internationalization. The study has contributed in a specific respect.

## **Empirical Findings from the Study**

1. The Research establish that strategic factors expressively distress internationalization of firms Views that when organization put into consideration both external and internal factors and their relationship to internationalization, the result shows a positive impact exist between the factors and internationalization. This con reviews that firms level of examination and manipulation orientation and floppy assets is of high influence on firms expansion to international market. Das et. al. (2015) laid emphasis on the managerial intentionality in the business's variety of its internationalization track, particularly in relative to firms. This con focused on two major managerial level backgrounds – the business's investigation & manipulation orientations and slack resource.
2. This study identifies factors such as market knowledge, capabilities, networking as factors that impede international success. Fourcade (2002) recognize as key

environmental factors that affect the reach, sweep and pace of internationalization the market knowledge, technological capabilities and computer awareness and networking ability of an undertaking. This con views that market orientation of organization and degree of internationalization affects business's internationalization process and success. In a research by Javalgi (2011), it was established that there happens to be a helpful correlation between international market orientation and the degree of internationalization of the firm. It was also suggested that the upper management should prioritize promoting behaviors consistent with a positive international orientation, especially in turbulent market.

## **Conclusion and Recommendations**

Through active research of international target market, while some firma successfully go onto international market, some failed due to the effect of strategic factors on early internationalization of current schemes. In the light of existing literature on effect of strategic factors on early internationalization of current schemes issues captured in this study; and the analyses of collated primary data; the study found that identifiable Factors affect the level at which firms successfully go into international market as captured in this descriptive research. The following recommendations were made:

1. It is necessary that the ventures should put into proper considerations these strategic factors and its effect, these ventures should always keep close attention on their operations towards internationalization to ensure that they carry out their objectives and also it should be proactive in carrying out these internationalization process, and proper research on how to achieve their aims and objectives effectively.
2. The Government is encouraged to continue its legislation to encourage a safe operating environment by promoting and participating positions. In the domestic and global markets, that will lead to competitiveness. The revision of the internationalization regulations for new companies and the minimization of superposition's are also important in order to further increase the role of the undertakings concerned.
3. Individuals who want to go into international markets are encouraged to continue to improve themselves on personal development skills and trainings not only to make them plan properly and proactive in making decisions, and also carrying out research on successful organizations of internationalization to be able to stand out when going international, putting the strategic factors into consideration. Managers are expected to plan ahead, make decisions, protect organization from crashing while going international and properly operationalize, considerable orientation is needed to go international, proper networking and increased firm capabilities, in aspect of technology, finance, marketing strategies. Managers should research on target international markets and make provision towards reaching its goals and objectives.

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