

Dynamics Of Network Utilization In Internationalization What Smes Do In Developing And Developed Countries: A Systematic Literature Review

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Abstract.

The study of networks in the internationalization process of SMEs has become an interesting discussion, this condition is because each country has unique dynamics in utilizing existing networks. The results of the analysis of the 20 articles in this study show that being proactive in the network community will strengthen relationships with partners and implementing an alliance strategy will strengthen the position of SMEs in increasing competitiveness and expanding markets. This condition occurs in both developing and developed countries. The dominant factor influencing the speed of the internationalization process is social and business network relations that begin with social ties. Of the 8 articles that discuss networking in the process of internationalization in developed countries (China, Central America, and East America), it shows that the government as an institution that has an important role in the internationalization of SMEs needs to design a framework in the form of policies that encourage the acceleration of various forms of collaboration between businesses. Meanwhile, 12 articles that discuss the process of internationalization in developing countries show that for the expansion and growth of SMEs a social network structure is needed, and the role of ethnic (group) ties in internationalization.

Keywords: Internationalization Network, SMEs, developed and developing countries.

I. INTRODUCTION

SMEs are a sector that has a significant contribution to supporting growth and accelerating economic conditions in both developed and developing countries. With the many limitations that exist on this business scale, various institutions need to intervene to grow and develop SMEs so that they can face challenges for their survival. It is necessary to take a network approach with other organizations as a first step in developing and increasing the competitiveness of SMEs. Networking factors can help increase SME survival rates and can offer great opportunities for business competitiveness, locally and globally. Internationalization can be illustrated as business interactions between countries, so there is involvement in increasing the process of internationalization operations, (Lu & Beamish, 2006). Internationalization is a concept consisting of various variables which contain elements of export activities and foreign investment with direct transactions. This activity can be carried out by various business scales, including UKM. Based on the results of previous research, the internationalization process pursued by UKM through various approaches depends on each UKM choosing that approach. In this study, the focus is on discussing and analyzing the process of internationalization of SMEs through Network Theory. Involvement of company activities of any scale in the market except SMEs.

As revealed by Jones, (1999) that the rise of SMEs entering the global market can encourage increased technological and knowledge capabilities and the development of company resources. Research conducted by Chaldun et al., (2020); Hutchinson et al., (2009) showed that the internal and external limitations of SMEs related to their ability to enter export activities were minimal. However, it cannot be denied that there is clear evidence that SMEs play an important role in boosting the economy in every country (Javalgi & Todd, 2011). Various studies on the internationalization of SMEs are an interesting topic, from period to period they have increased with variations in discussion (Narooz & Child, 2017). This paper is intended to describe the dynamics of network utilization in internationalization carried out by SMEs in developing and developed countries using a network theory approach with various strategies. The next stage

describes the method used to select articles and make an analysis of how SMEs in developed and developing countries take advantage of existing networks to enter export market opportunities.

Formulation of the problem

Based on observations of the strategies to enter the global market carried out by various companies (SMEs) in various developed and developing countries, the formulation of the problem posed in this article is:

1. What are the dynamics of utilizing the network towards international markets for SMEs in developed and developing countries?
2. What are the similarities in the application of the internationalization network for SMEs in developed and developing countries?

II. LITERATURE REVIEW

Network Strategy Theory

Network strategy application is a development of Uppsala Theory. There are state variables that illustrate opportunities, knowledge, and network positions, while change variables show creating, learning processes, and building trust in company activities. Change is a dynamic behavior that can influence countries to facilitate the process of internationalization, and development of market knowledge through interaction in the network. Companies that are members of a network will be fully influenced by the network in every stage of the internationalization process (Halinen & Tornroost, 1998). It can be concluded that companies that are included in a network will carry out international activities and domestic activities according to the activities designed in the network. So the position of the company in terms of micro and macro business activities is very dependent on cooperation and competition between partners in the network who are not partners but can enter the network.

The fundamental factor for supporting the successful performance of SMEs in internationalizing is the ability to build relationships between partners in a network for global market access (Håkansson & Snehota, 1995). Network capabilities are very varied and have unlimited potential because they depend on the capabilities of partners in the network, (Halinen and Tornroos 2005) because networks are formed through the interconnection of many customers, suppliers, governments, distributors, families, competitors, and bankers, (Zain & Ng, 2006). The interaction of various parties in the network will support the company in obtaining activities, and resources, from a perspective network, the internationalization strategy of a company can be achieved with the level of needs for the following purposes: minimizing needs, developing knowledge, minimizing the need for adjustments, and exploiting an established network position.

Networks in the Process of Internationalization

The main assumption of the internationalization process based on network theory is the interaction between economic actors and other social elements between countries in a sustainable manner so that good long-term relations are established (Chandra et al., 2009; Kontinen & Ojala, 2011; Sharma & Blomstermo, 2003). It was revealed that business contacts are dominantly influential in obtaining export market opportunities, and that success in entering new markets is highly dependent on how to build an effective network. Networks can form close relationships between partners in building a business toward international market access.

Business networks include various factors including the level of trust, control activities in interacting with partners, resources, and interdependence within the company and between company partners. It is important for companies to build relationships to penetrate foreign market networks because there are relationships that offer learning opportunities about new knowledge such as market, technology, and consumer characteristics to achieve a competitive advantage, (Lew et al., 2013; Yli-Renko et al., 2002). Chetty & Agndal, (2007) revealed that it is important to have a critical view in developing relational capital such as maintaining trust and the level of commitment in a social network community. In internationalization, it is important to build the position of SME networks among foreign networks (Pinho & Prange, 2016; Sandberg, 2014;).

Advantages and Potential Utilization of Networks in SMEs

The nature and potential results of business network factors in SMEs, referring to free business associations, being able to create processes and structures, joint decision making and integrating the efforts of members to design and produce goods and services, as well as mutual communication related to business interests among members in the network (Trequattrini et al., 2012). Networking in SMEs is oriented to the network process carried out by the CEO of SMEs to maximize business (Hakipoor et al., 2011). Niu (2010) stated that the benefit of the network is to create trusting relationships between businesses, SMEs also optimize ties between individuals in their network, including groups of customers, potential suppliers, and relatives for business success, (De Jong & Hulsink, 2012). The internationalized network of SMEs prioritizes communication and exchange of information to achieve success (Camarinha-Matos & Afsarmanesh, 2006). The inclusion of SMEs in the network is an interesting idea and a means for SMEs to cooperate to be able to compete effectively in the international market. Various businesses have increased their focus on adopting the strategic application of alliances to achieve a strong competitive strategy (Akoorie & Pavlovich, 2003). In an alliance strategy, interdependence is created between members in the network so that there are new benefits for partners. business networking through collaboration, in this condition the participants are involved reciprocally so that they can solve common problems. Under these conditions, mutual trust is created and requires energy, time, and dedication. In a collaborative network, various unique and heterogeneous characteristics are distributed in an environment that has an operating system, a cultural structure of social capital, and the goals of members in a network that unite to achieve mutual success, (Camarinha-Matos & Afsarmanesh, 2006).

Independent network components in the form of business groups that are geographically close together but interconnected in a particular area are called clusters. A cluster has similarities that complement each other and are concentrated in certain national areas. These clusters are usually in the form of institutions and collaborate and even compete with each other, (European Commission, 2002). In the SME network, trusting their partners in business will be more closely interacting. With trust in partners in the network, SMEs will tend to switch to businesses in the network rather than enter and network with organizations outside the SME network. The view of SMEs is that businesses only have many resources, and networks need resources (Wincent, 2005). Strong trust and high levels of commitment are the keys to business success among partners in a network (Brink & Berndt, 2004). The first stage of forming the network process is this factor because it has an important role in fostering and building business relationships. Commitment in business to develop and maintain relationships is an important factor for creating and growing a level of trust because of the interdependence between partners, mutual motivation, and the exchange of various resources needed, (Clarke, 2006; Carson et al., 2004). Commitment is required among partners in the network for both investment and business development purposes (Tanga, 2011). Based on empirical analysis support and involvement in the network has a relatively higher survival and success rate, this is strongly influenced by social performance (Smith, 2004). Studies conducted (Cruickshank & Rolland, 2006; Inkpen & Tsang, 2005) reveal that SMEs that are part of a strategic and potential network will support SMEs to have competitiveness and competitive advantage for their products, this condition will affect continuity in a conducive business environment.

Thus it can be concluded that networks with various forms of legality will have a positive impact on business success and become the main key in business (Grandori & Soda, 1995). Research results Kariv et al. (2009), stated that the network can increase business competitiveness. SMEs focus on their network to support and increase their competitiveness in the international market. (Hakipoor et al., 2011). Open SMEs will have many diverse networks and connections, this condition will be able to open greater opportunities to achieve business success than SMEs that have many connections but are in one network (Harris et al., 2012). Network marketing functions as a means to facilitate business activities that affect the choice and performance of business strategies, informal and formal networks applied by SMEs have proven to have a significant and positive effect on business continuity. SMEs can increase their competitiveness if they participate in strategic networks, but it is difficult to determine which SMEs have the best prospects in

building competitiveness compared to other SMEs in the network. The lack of knowledge of SMEs as network participants cause them to lose interest in the long term and stop being network participants to build competitiveness (Wincent, 2006). SMEs have great potential when participating in the network and increasing competitiveness but it is difficult to face external challenges full of uncertainty where independent members in the network become competitors. Traditionally, business competitiveness is measured based on financial indicators such as profits, market share, sales, and growth rates (Guzmán et al., 2012). In addition, many researchers reveal that measurement indicators can be carried out subjectively and objectively to measure performance (Guzmán et al., 2012). Non-financial indicators are long-term growth rates and business market share (Chong, 2008).

III. METHODS

The systematic literature review in this paper is focused on reputable journals (Scopus, SAGE, and Springer) with similar writings related to the theme of the process of internationalization of SMEs through the use of network systems. In addition, the journal displays several citations, indicating that the paper has become a reference for many researchers in the same field. The literature review also refers to several papers using the keywords "the process of internationalization of SMEs through the use of networks in developed countries" and "internationalization of SMEs networks in developing countries". based on literature review, proceedings, and several papers whose contents are irrelevant.

IV. DISCUSSION

1. Dynamics of Network Utilization Towards International Markets in SMEs in Developed and Developing Countries

The dynamics of using networks in the process of internationalization in developed countries such as in Asia, especially China, in Africa, especially Uganda as well as in Central and Eastern Europe shows that traditional business networks have been combined with social networks so that business groups are a form of new organization to facilitate companies entering opportunities in international markets (Yiu et al. al., 2007). There are 8 network institutions in these countries which are an important factor for internationalization, these networks can reduce the risk of transactions in international markets due to inappropriate information received by SMEs (Zhang et al., 2016). SMEs in these countries can penetrate international markets by building strong social networks based locally (Lin, 2010; Zhang et al., 2016). Interactions that are carried out repeatedly by SMEs with network partners will create commitment as well as trust (Larson, 1992; Bucklin & Sengupta, 1993), this step can create a trust for SMEs to develop relationships between members in the network and facilitate the process of internationalization of SMEs (Chetty and Agndal, 2007). This social capital is called Guanxi which has been carried out in these developed countries, in this way it can reduce transaction costs and seek to do business in both developed and developing countries in the context of exploring new markets. In the context of network theory studies, some opportunities can provide different successes, this is closely related to network applications by utilizing the organizational environment, country situations, and individual behavior, both countries which are export-import destinations and countries of origin.

For example, Child's (2009) study shows that in China interpersonal relationships that emphasize uniqueness can impact organizational behavior when carrying out its business operations. In addition, in the context of government institutions such as political conditions and various policies in a country, it indicates a different process of internationalization. The discussion on network utilization in Central and Eastern European countries revealed that competitiveness in the international market is based on subjective estimates, namely success factors. There is an assumption that price distinctiveness is the most important competitive advantage in foreign markets, (Danik & Kowalik, 2015). High product quality and flexible prices were found to be the most important competitive advantages. Svetlicic et al., (2007) stated that knowledge and technology. considered a competitive advantage. Sliwinski & Sliwinska (2016) revealed that CEOs see high product quality as well as innovative products as important factors for measuring

international market growth, this condition will make it easier to enter market networks. Based on the study of the findings conducted by several researchers mentioned above, the process of internationalization through networks is strongly supported by the government through strategic policies so that it is easier for SMEs to carry out internationalization can be accelerated. The government's role here is to encourage large companies to help get involved in the network as well as to mediate between SMEs and foreign buyers while at the same time guiding so that SMEs can study international market behavior and increase the competitiveness of their products so that they are accepted by international markets.

The dynamics of network utilization in developing countries, for example in India, Malaysia, and Taiwan, shows that developing market countries, related to the internationalization of SMEs have been studied and found that for the expansion and growth of SMEs a social network structure is needed (Zhang et al., 2016; Prashantham and Birkinshaw, 2015). In addition, it was also revealed that the location of the company and the role of ethnic (group) ties in internationalization are decision choices (Jean et al., 2011). Ethnic (group) ties focus on informal social relations such as place of origin, language, and certain ethnic groups (Eroglu et al., 2005). The formation of a new network as a mediation role for exports that is growing in developing countries has the potential to open sustainable export market opportunities for the internationalization of SMEs. Zaheer et al., (2009) stated that ethnic (group) ties are more important than cluster ability for offshoring services, this is the case in India. Jean et al. (2011) stated that ethnic ties are a determining factor in the investment location of business groups in Taiwan related to the decision to enter the Chinese market. Internationalization processes can leverage ethnic ties to interact and develop strong relationships with diverse network partners, including customers, suppliers, and governments (Gao, 2003). Studies several studies show limitations related to ethnic ties and business network ties that can affect the internationalization of SMEs (Jean et al., 2011; Prashantham et al., 2015; Zhang et al., 2016).

This condition is not much different in Syria (Middle East), which is also a developing country, a study conducted by Ibeh Kevin & Laila Kasen (2010) explored the relevance of relational factors in empirical studies of the internationalization behavior of SMEs in Syria, the Middle East, the results of the analysis show the importance relational perspective in explaining initial internationalization, market selection and speed of internationalization. Having contact with relations is a contributing factor to the speed of international market entry, SMEs proactively pursue existing opportunities through existing and newly developed networks. The dominant factor influencing the speed of the internationalization process in Syria is social and business network relations that begin with social ties, (Ibeh Kevin & Laila Kasen, 2010). The steps that need to be prepared for SMEs in the process of internalization through the network are preparation, approaching professionally, investing time, having a long-term outlook, and learning from both successful and failed relationships because the reputation of SMEs depends on how to improve. Initial assistance from social ties is collective assistance which is a preference for personal beliefs over belief systems that exist between cultures in the Middle East, (Hayer & Ibeh, 2006).

2. The application equation for the use of the Internationalization of SMEs in Developed and Developing Countries

In general, the perspective of the SME internationalization network provides a useful concept for compiling a framework, clarifying the interrelationships of similar companies including activities, resources, and actors in the internationalization process. In addition, it can be seen that the international market is a web network for SMEs to gain maximum profit as well as a solution to obtain external resources that are difficult to overcome (Tang, 2011). The exploitation and introduction of different opportunities in various types of networks, for example, information and communication in the field of technology indicates the magnitude of the benefits of social ties to read business opportunities that companies must understand, while business ties help to exploit opportunities. Networks in social bonds can enrich reliable information to help identify opportunities (Meyer et al., 2011). Internationalization is related to developing network ties with other companies that have networks in foreign markets.

Ties between firms in different markets facilitate entry into export markets. So internationalization of SMEs is also able to gain market and technical knowledge through business ties that are incorporated with

major business partners (Sandberg, 2014; Tang, 2011). In addition, business ties also help SMEs overcome and anticipate resource-related constraints and contribute to global business exploration (Zhang et al., 2016). Research conducted by Zhou et al., (2007); Ojala, (2009); Prashantham and Birkinshaw, (2015) revealed that there is a positive relationship between SMEs' decisions to internationalize through strategic alliances in local institutions, such as research institutions, government and local industry ties as well as political and business ties. Many theories state that networks have an important role in the internationalization of companies (Zhang et al., 2016). Companies that are members of international networks have the opportunity to grow and develop rapidly to achieve success in entering global markets such as network partners, local and foreign partners in social networks in local country markets greatly contribute to accelerating the process of internationalization of SMEs (Chetty and Campbell-Hunt, 2004).

V. CONCLUSION

Various perspectives on the internationalization process of SMEs, especially on network systems, have been widely discussed. This article analyzes the dynamics of network utilization in the internationalization process of SMEs in several developed and developing countries. The results of this study can be summarized as follows: An investigation of 20 articles related to this matter shows that 8 articles discussing networks in the process of internationalization in developed countries (China, Central America, and East America) show that the Government as an institution that has an important role in the internationalization of SMEs needs to design a framework in the form of policies that encourage the acceleration of various forms of cooperation between businesses. In developed countries, the government plays a role in the involvement of large companies to help SMEs in the internationalization process and is directly involved in internationalization networks which usually act as mediation between SMEs and foreign buyers. In addition, it also participates in overcoming the obstacles that occur as a learning process for SMEs to carry out transactions in the global market. The process of learning how SMEs must study international market behavior, and improve their products so that they are accepted so that they must be able to create products that have competitiveness in international markets. Meanwhile, the 12 articles discussing the process of internationalization in developing countries show that the expansion and growth of SMEs requires a social network structure, and the role of ethnic (group) ties in internationalization.

The process of internationalization can take advantage of ethnic ties to interact and develop strong relationships with partners in networks with various activities, including customers, suppliers, and governments, (Gao, 2003). A study conducted by Ibeh Kevin & Laila Kasen (2010) states that relationships are a factor supporting the speed of international market entry, SMEs proactively pursue existing opportunities through existing and newly developed networks. The dominant factor affecting the speed of the internationalization process is social and business network relations that begin with social ties. The government's role in internationalization in developing countries is not as strong as in developed countries because existing policies do not have a major impact on the role of large companies in developing countries, this is because there are differences in the conditions of large companies in developing countries not as strong as in developed countries, their role in the network does not make a significant contribution to the process of internationalization through the network. However, in developing countries, many export-import agencies have emerged that act as mediators for SMEs to carry out export-import.

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