

Strategic Analysis on the Internationalization Development of Small and Medium-sized Enterprises in the Post-pandemic Era

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Abstract: The international development of small and medium-sized enterprises (SMEs) is a focal issue in global economic development in the post-COVID-19 era. This paper aims to discuss the concept, primary pathways, and current status of the international development of SMEs. By analyzing the problems and deficiencies in the international development of SMEs, including factors related to the international political and economic environment and limitations of enterprise's own resources and capabilities, we propose that SMEs need to choose international development strategies that suit their own resources and capabilities.

1. Introduction

With the end of the COVID-19 pandemic, countries worldwide are seeking to boost their economic development. The international development of small and medium-sized enterprises (SMEs) has become a focal issue in global economic development in the post-pandemic era. As an essential force in economic growth, the international development of SMEs holds significant importance for promoting economic growth, fostering global trade, and enhancing corporate competitiveness[1].

2. Basic Information on the International Development of SMEs

2.1 Concept of SMEs' International Development

The international development of SMEs refers to the activities they undertake in international markets, including overseas market expansion and international trade. Overall, the proportion of SMEs engaged in international development is relatively low, with most SMEs still operating solely in domestic markets. However, as international markets open up in the post-pandemic era and global supply chain integration accelerates, more and more SMEs are trying to enter the international market.

2.2 Main Paths for SMEs' International Development

The primary paths for the international development of SMEs can be analyzed from three perspectives: market entry modes, ways to obtain resources, and methods of international collaboration.

Market Entry Modes: SMEs can enter international markets through direct export, agency distribution, joint ventures, or establishing wholly-owned subsidiaries. Direct export is the most common way for SMEs to engage in international development, allowing them to enter international markets in a low-cost and low-risk manner by establishing stable trade relationships with overseas partners or clients. Agency distribution involves recruiting agents or distributors overseas and entrusting them with the sale of products or services, which reduces the risks associated with market expansion. Joint ventures and wholly-owned subsidiaries allow more direct access to target markets, lowering barriers to entry, but they also come with higher risks and investment.

Resource Acquisition: SMEs need substantial resources to support their international

development, including funds, technology, and human resources. They can acquire these resources through joint ventures, foreign investment introductions, or technological collaborations. Joint ventures are a common way for SMEs to obtain resources, allowing them to collaborate with foreign enterprises to gain funds, technology, and market channels, thereby achieving resource sharing and complementation. Foreign investment and technological cooperation can also effectively bolster the resources of SMEs, enhancing their competitive edge and innovative capabilities.

International Collaboration: SMEs can collaborate with foreign enterprises to achieve resource sharing, market expansion, and technological innovation. Modes of international collaboration include alliances, partnerships, and strategic alliances. Alliances are a popular mode for SMEs in their international ventures, allowing them to cooperate with other businesses, institutions, or organizations to share resources, distribute risks, and expand markets. Partnerships and strategic alliances can help SMEs collaborate and grow collectively in international markets, enhancing their competitiveness by sharing resources and knowledge.

2.3 Current Situation of SMEs' International Development

Several factors, including market size, competitiveness, and technological levels, influence the current state of SMEs' international development.

Firstly, market size primarily constrains the international development of SMEs. Compared to large enterprises, SMEs often face limitations due to the size of overseas markets. The vast scale of the Chinese market provides ample room for SMEs' development. However, industries with a saturated domestic market, such as manufacturing, make it challenging for SMEs to find further growth opportunities locally, leading them to explore international market opportunities.

Secondly, the competitive edge of the enterprises themselves determines the state of SMEs' international development. Many SMEs, lacking adequate resources, technology, and brand strength, often find themselves at a disadvantage when competing with large multinational corporations. However, the flexibility and innovative capabilities of SMEs mean that some have successfully penetrated international markets by improving product quality, innovating business models, and enhancing brand image. These SMEs can then collaborate with larger enterprises in supply chain industries.

Lastly, technological levels also impact the current state of SMEs' international development. With technological advancements, SMEs can now leverage the internet and other digital tools to expand their transnational operations, making it possible for SMEs to engage in international trade via cross-border e-commerce platforms, significantly lowering the barriers to entry into international markets[2].

3. Challenges and Shortcomings in the International Development of SMEs

In the post-pandemic era, the internationalization of SMEs faces multiple challenges. These range from challenges brought by the international political and economic environment to limitations inherent to the SMEs themselves in terms of resources and capabilities.

3.1 Impact of International Political and Economic Environment Factors

The international political and economic environment poses various challenges to the international development of SMEs.

Firstly, the instability of the global political and economic environment has greatly affected the internationalization of SMEs. Geopolitical tensions such as the Russia-Ukraine conflict, the rise of trade protectionist policies, fluctuations in foreign exchange rates, and cultural differences have all increased the uncertainties for SMEs in their international endeavors. These factors have led to volatility and shifts in international markets, making it challenging for SMEs to find suitable markets and establish stable supply chains and transportation networks[3].

Secondly, differences in legal systems, tax policies, and business cultures among countries and regions also challenge SMEs' international development. SMEs need to spend a significant amount

of time and effort adapting to and understanding the regulatory requirements and business norms of different countries, increasing their associated risks and operational costs.

3.2 Limitations of Enterprises' Own Resources and Capabilities

SMEs' international development is constrained by their own resources and capabilities. Compared to large enterprises, SMEs, in their international ventures, usually face restrictions due to limited financial, technological, and brand resources. This results in issues like insufficient funds, inadequate technological capabilities, and low brand influence, leaving them less competitive in international markets.

Firstly, in terms of finances, SMEs have relatively limited capital strength, making it difficult to allocate significant funds to penetrate international markets and expand overseas businesses. The lack of adequate funds and resources hampers SMEs from entering international markets and competing with rivals. In contrast, large enterprises, with more resources at their disposal, have a relatively lower cost of internationalization. SMEs often need to resort to financing or partnerships to address their financial shortcomings. However, due to their lower recognition in international markets, their financing channels are relatively limited, making solving financial problems even more challenging[4].

Secondly, in terms of capabilities, SMEs face challenges in technology and management when developing internationally. SMEs often lack innovative technology and high-end talents aligned with international markets, restricting their ability to implement international strategies effectively and hindering their capacity to meet the demands of international markets promptly. Moreover, SMEs have relative weaknesses in areas like intellectual property protection, brand building, and marketing strategies, which intensify their competitive pressures in international markets.

Lastly, SMEs also have certain limitations in management. The international market is a complex and volatile competitive environment that demands enterprises to possess agility and responsiveness to meet market demands. However, due to the relatively simpler organizational structures of SMEs and a more protracted decision-making process, they sometimes seem overwhelmed when faced with the challenges of international development[5].

4. Strategies for the International Development of Small and Medium-sized Enterprises (SMEs)

4.1 The Importance of Strategy Selection

In the international development of SMEs, choosing a strategy that suits their specific situation is crucial. The significance of strategy selection is manifested in several aspects.

Firstly, strategy selection directly relates to whether an SME can successfully enter the international market. Different international markets have variances in culture, law, and economy. Thus, SMEs need to choose appropriate international development strategies based on market characteristics. The choice of international development strategy directly determines the competitiveness and growth potential of SMEs in the global market.

Secondly, strategy selection is vital for resource allocation and utilization for SMEs. Faced with limited resources, SMEs need to plan their usage effectively to maximize benefits. Different international development strategies have varying resource demands and utilization methods. SMEs should select strategies that best align with their resource status and the demands of international markets, leveraging their strengths and advantages[6].

Next, strategy choice determines market positioning and development direction for SMEs. Different international development strategies have various requirements for market positioning and growth direction. For instance, an SME opting for an export strategy might focus on establishing stable channels and sales networks in international markets, while one choosing a cross-border merger strategy might prioritize gaining competitive advantages through strategic investments. Therefore, selecting the right international development strategy is crucial for SMEs' growth.

Lastly, the choice of strategy influences risk management and response capabilities for SMEs.

International expansion poses various risks and challenges, such as market risks, political uncertainties, and competitive threats. Different strategies vary in risk sensitivity and response capacities. Therefore, while choosing strategies, SMEs need to consider their risk tolerance and adopt appropriate risk management measures during implementation to minimize risks and enhance resilience[7].

In summary, strategy selection plays a significant role in the international development of SMEs. By rightly choosing a strategy fitting their situation, SMEs can utilize resources efficiently, accurately gauge market positioning and growth direction, manage risks effectively, improve competitiveness, and achieve success in international markets.

4.2 Common International Development Strategies

Facing challenges posed by international political and economic factors, SMEs need to choose international development strategies that align with their resources and capabilities. SMEs should first conduct market research and gather information, understanding the economic environment, consumer demands, and competitive conditions of target markets. This will form the basis for the formulation of appropriate international development strategies. Common strategies include export strategies, direct investment strategies, and collaboration strategies.

A prevalent international development strategy is exporting. SMEs sell their products or services to foreign markets through exports. This strategy's advantage lies in its relatively low risk and cost, allowing for swift entry into overseas markets. Exporting can also reduce reliance on domestic markets, expanding sales. However, challenges such as market demand uncertainties and changes in international trade policies can't be overlooked.

Direct investment is another common strategy. SMEs can engage in foreign markets directly by establishing overseas branches, joint ventures, acquisitions, or sole investments. This strategy offers better control over sales channels, more market information, reduced shipping costs, and trade barriers. Yet, it also comes with challenges like limited understanding of foreign markets, cultural differences, and political risks.

Alliance strategies involve win-win collaborations. SMEs should actively seek partners and form strategic alliances with foreign enterprises or organizations to jointly develop international markets. Sharing resources, technology, channels, and market information enables SMEs to enter foreign markets rapidly, expanding their market share while reducing risks, costs, and enhancing competitiveness. A successful alliance strategy requires mutual trust and a sound cooperative relationship between partners, with fair benefit distribution and decision-making.

Beyond these strategies, SMEs can also adopt international development through technology cooperation, franchising, and cross-border mergers. When choosing a strategy, SMEs should consider their resources, capabilities, competitive advantages, market conditions, and industry characteristics. SMEs can also seek governmental support and policy guidance to address funding, including subsidies and loan assistance. Collaborations with larger enterprises can elevate their international development level through shared finances and technology. Moreover, SMEs should prioritize cultivating and recruiting top talents, enhancing technological and managerial capacities, catering to international market needs, and bolstering brand reputation and innovation capabilities. Improving product quality and intellectual property protection can further strengthen their competitiveness in international markets.

5. Conclusion

In summary, in the post-pandemic era, small and medium-sized enterprises (SMEs) in their international development must proactively address the challenges brought about by geopolitical tensions such as the Russia-Ukraine conflict, the rise of trade protectionist policies, foreign exchange fluctuations, and cultural differences, among other international political and economic factors. At the same time, these enterprises must seriously address their own resource and capability deficiencies. They should fully consider the international market environment and align it with their own realities, selecting and implementing a strategic combination that is conducive to their

international growth. Additionally, they must adopt corresponding measures to meet these challenges. Only by considering a comprehensive range of factors can SMEs maximize their benefits and minimize risks in international development, overcoming challenges, seizing opportunities, and enhancing their competitiveness in the international market.

However, the internationalization of SMEs is a complex and significant topic, and this article has certain limitations. Firstly, due to time and resource constraints, it's challenging to cover every aspect of SME international development. Secondly, the scope is mainly limited to literature review, without empirical research. Therefore, future studies could take an empirical approach to further verify the solutions proposed in this article. Suggestions for future research and practical advice on SME international development could focus on the following aspects: Firstly, further research can be conducted on the performance of SMEs under different paths of internationalization and the factors affecting them. Secondly, a deeper exploration into the management issues faced by SMEs in transnational operations can be undertaken, proposing more specific management measures. Furthermore, research in areas like cross-cultural management and international market segmentation can be initiated to provide more comprehensive and detailed practical guidance.

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