


T.C.
BAHCESEHIR UNIVERSITY
GRADUATE SCHOOL OF EDUCATION
BUSINESS ADMINISTRATION HEAD OF DEPARTMENT

**THE INTERNATIONALIZATION OF A DOMESTIC SMALL-MEDIUM
BUSINESSES: MEASURING THE RELATIONSHIP BETWEEN
INTERNATIONAL AFFAIRS AND THE GROWTH PERFORMANCE**



MASTER'S THESIS
MAYS GHANEM

ISTANBUL, 2023

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THESIS ADVISOR
PROFESSOR NIYAZI BERK.

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ABSTRACT

THE INTERNATIONALIZATION OF A DOMESTIC SMALL-MEDIUM BUSINESSES: MEASURING THE RELATIONSHIP BETWEEN INTERNATIONAL AFFAIRS AND THE GROWTH PERFORMANCE

Ghanem, Mays

Business Administration Master's Program

Supervisor: Niyazi BERK

June 2023, 49 pages

This thesis deals with SMEs, the purpose of the study is to measure the relationship between internationalization and the growth performance of SMEs located in the Kingdom of Jordan, particularly in the King Abdullah II Industrial Estate, by identifying the most significant independent variables that are related to the internationalization of an enterprise. The data for the analysis conducted in this research were collected from 80 SMEs in the King Abdullah II Industrial Estate. The study used Pearson correlation analysis to examine the relationship between all independent variables and the internationalization and growth performance relationship of SMEs. The study showed that in order to internationalize, enterprises need to concentrate on the variables of size, age, technology, and planning activities. Also, it showed a positive relationship between internationalization and the growth performance of SMEs. The research limitations were connected to the study's cross-sectional nature, in regard to observing some of the variables in addition to the unstructured interviews that limited the results. It is important to be cautious to generalize the findings beyond the scope chosen, in which the findings were limited to Jordanian SMEs. The study tried to fill a gap in the Jordanian SMEs market.

Keywords: Internationalization, Growth-performance, SMEs, Jordanian Market.

ÖZ

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Bu tez KOBİ'leri ele almaktadır, çalışmanın amacı, Ürdün Krallığı'nda, özellikle Kral II. bir işletmenin uluslararasılaşması için. Bu çalışmada yapılan analiz için veriler Kral II. Abdullah Sanayi Bölgesi'nde bulunan 80 KOBİ'den toplanmıştır. Çalışma, KOBİ'lerin uluslararasılaşma ve büyüme performansı ilişkisi ile birlikte tüm bağımsız değişkenler arasındaki ilişkiyi Pearson korelasyon analizi kullanarak incelemiştir. Çalışma, işletmelerin uluslararasılaşmak için büyüklük, yaş, teknoloji ve planlama faaliyetleri değişkenlerine odaklanması gerektiğini, ayrıca uluslararasılaşma ile KOBİ'lerin büyüme performansı arasında pozitif bir ilişki olduğunu göstermiştir. Araştırmanın sınırlılıkları, sonuçları sınırlayan yapılandırılmamış görüşmelere ek olarak, bazı değişkenlerin gözlemlenmesi açısından çalışmanın kesitsel doğasına bağlanmıştır. Bulguların Ürdün KOBİ'leriyle sınırlı olduğu seçilen kapsamın ötesinde genelleştirilmesine de dikkat edilmelidir. Çalışma, Ürdün KOBİ pazarındaki bir boşluğu doldurmaya çalıştı.

Anahtar Kelimeler: Uluslararasılaşma, Büyüme-performans, KOBİ'ler, Ürdün Pazarı.



To My Parents, Siblings, and Family

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LIST OF ABBREVIATIONS

ABBREVIATIONS

SMEs	Small-Medium Enterprises.
TCA	Transaction Cost Analysis.
FDI	Foreign Direct Investment.
INV	International New Ventures.
OLI	Ownership, Location, & Internationalization Model.
OEM	Original Equipment Manufacturer.
ROA	Return On Assets.
ROS	Return On Sales.
GDP	Gross Domestic Product.
CDPR	Center for Development Policy & Research.
JOD	Jordan Dinar.
WEO	World Exchange Organization.
JIEC	Jordan Industrial Estates Corporation.
JEDC	Jordan Enterprise Development Corporation.
JAE	Jordan Exports Association.

Chapter 1

Introduction

Starting with choosing a topic in the sector of strategic management is really important, especially when it comes to the internationalization of small-medium businesses previously and in the current time.

For the past three decades, internationalization became an important approach followed by business owners, not only those who need to increase their firms' involvement in the international market but also, companies that are seeking continuous development in different sectors, so they fulfill the international market needs and play a role in linking diverse cultures and surrounding countries together. Internationalization has a direct effect on the firm in so many aspects. The direct relationship between internationalization and the growth performance of a company is an important topic that many researchers studied to conduct results that show whether this relationship is positively or negatively linear or nonlinear.

Several researchers that had been studying internationalization and its relationship with growth performance supposed that the link is linear. Their focus was on the theoretical argument that states that international expansion is necessary for greater financial success, but as a result, the findings were conflicting and contradictory (Ruigrok & Wagner, 2003).

Regardless of the heightened focus on the internationalization-performance relationship, it is still unexplored due to the various results between positive and negative linear relationships and monotonous forms resulting from other researchers' studies later on. The researchers Ruigrok and Wagner showed in their metanalysis that internationalization's impact on performance depends on the context and the home country's bath of internationalization (Ruigrok, Amann, & Wagner, 2007).

According to the studies conducted previously, it is shown that the focus was on the study of internationalization and its impact on growth and performance by taking samples from developed countries' market firms which resulted in fewer studies taking the context of emerging market firms as a sample.

When it comes to internationalization it is especially important to mention the small emerging businesses that play a key role in fostering the economic success of most countries. Small businesses also play an indispensable role in the Jordanian market. According to what is stated by the Jordanian government, small-medium firms

represent up to 99% of the total number of Jordan's businesses and firms, unlike big firms that only represent 0.5%. it provides up to 60% of the general labor force and employment and around 50% of the gross domestic product of the Jordanian market.

In this study, the term internationalization will be used as the: process of increasing involvement in international markets (Welch & Luostarinen, 1988); (Doryń, 2010). This study aims to get to know the impact of the concept of internationalization on the growth performance of small-medium domestic manufacturing companies by using a group of small-medium companies as a sample from the emerging market of Jordan.

1.1 Theoretical Framework

A number of studies were made to explore the relationship between internationalization and growth performance.

Internationalization is a result of an action taken by a business to become part of an international market and open up to new countries through many variables. Previous studies worked hardly on exploring the relationship between internationalization and the growth performance of a business, but the results were conflicting, since a positive relationship, no relationship, or a negative relationship was found (Contractor, Kundu, & Hsu, 2003), these results led to an unexplored mixed relationship, which can be best described as a non-linear relationship (Sullivan, 1994). A non-linear relationship is the best way to describe it. Many researchers such as: (Ruigrok & Wagner, 2003) supposed that this non-linear relationship gives a U-shape form. On the other hand, an inverted U-shape form was supposed by (Gomes & Ramaswamy, 1999 and Geringer & Hebert, 1989), but other scholars such as: (Contractor, Kundu, & Hsu, 2003), assumed a cubic relationship with a horizontal s-shape form.

In this study, the relationship between internationalization and the growth performance of small-medium businesses will be studied by focusing on the organizational learning process of businesses, in other words, focus on the process used by an organization to improve itself through gaining an experience to be used to create and foster knowledge around a specific business area, and later on, transfer that knowledge to the whole organization parts. Study how a small-medium domestic company would learn and gain experience about the concept of internationalization and transfer that experience into knowledge that will be useful for entering the international market and, as a result, affect the growth performance of the business.

1.2 statement of the Problem

The main issue revolves around the concept of internationalization and the growth performance of SMEs.

Small-medium domestic companies are looking forward to entering the international markets, but they are having the hesitations that their growth performance will not be positively affected since many studies have been made and resulted in an unexplored relationship.

The study is made to show the relationship formed between internationalization and the growth performance of small-medium companies, how the relationship is based on a number of stages that ends up with a form of this relationship, and how these companies got the knowledge, abilities, and experience for entering the international markets and bring benefits to the countries.

1.3 Purpose of the Study

The study will be designed to understand the relationship between internationalization and the growth performance of small-medium domestic companies.

The study intends to exclusively address the Jordanian market as the main case, to explore the behavior of internationalization within the holistic perspective of small firms' overall business growth strategies, and to see how this relationship could be a source of a positive and negative impact on firms. The focus will be on small firms because of their importance to economic activities, employment, innovation, and wealth creation in developing countries (Bell, Crick, & Young, 2004). The study would be successful in identifying the most significant variables and factors that are related to the internationalization process of firms in Jordan, by which the study will fill in the gap in the empirical research in terms of combining these variables to explain the internationalization process and studying the effect of these variables on smaller firms.

lately, a new stream of research has emerged into born global firms, also known as international new ventures' (Phillips, McDougall, Shane, & O, 1994), these tend to be smaller firms formed by active entrepreneurs, this shows how the small firms are lately invading the international markets. Small firms are becoming increasingly international and have been reported to contribute between 25 and 30 percent of world exports in manufacturing activities (Anderson & Floren, 2008).

A characteristic is that management adopts a global focus from the outset and embarks on rapid and dedicated internationalization, also the advanced information and communication technologies, in addition to the growth of global networks tend to facilitate small firms' internationalization.

1.4 Hypotheses/Research Questions

What are the outcomes of the relationship between internationalization and growth performance, and to what extent has the concept of internationalization been successful in affecting the growth performance of Jordanian small-medium enterprises?

Small-medium enterprises are now taking the risk and entering the international markets to accomplish financial goals and spread out but with big hesitations and apprehensions that they may not have the ability to enter the international market.

Based on the literature review and the previous studies developed by researchers, some hypotheses were conducted.

Hypotheses. (a) The relationship formed between internationalization and growth performance can be measured. (b) New small-medium enterprises (SMEs) have the ability to develop international strategies to enter the international market. (c) The relationship between internationalization and growth performance is affected by factors. (d) The factors of an enterprise's size, age, technology, and international planning activities positively affect the relationship between internationalization and growth performance.

1.5 Significance of the Study

Internationalization is increasing firms' involvement in international operations (Welch & Luostarinen, 1988).

It is said that internationalization is the process of adapting firm operations to new environments (Calof & Beamish, 1995). Also, earlier studies about internationalization behavior stated that the process of internationalization involves phases (stages) by which companies gradually become involved in the form of international business and exporting (Bell, Crick, & Young, 2004). Although the number of stages differs, a common underlying assumption of extant phase models is that companies are well-established in the domestic market prior to developing international strategies (Bell, Crick, & Young, 2004).

According to previous research, it is stated that the theories of locational choice, organizational evaluation, and global knowledge development, suggest that the form of internationalization–performance relationship is likely to be determined by the organizational learning process (Ruigrok & Wagner,2003). First, a short-term decline in performance will be experienced at the first stage of firms’ internationalization expansion, caused by the initial costs of foreign entry and losses caused by the learning process. As a result of the decrease in performance, the firm will gain positive returns from foreign market experiences. In the second stage, the performance will be increased again due to the organizational learning process, particularly the acquired advantages and managerial knowledge. As a result, the stated stages model of internationalization introduces the U-shaped relationship–performance relationship.

This study will be working on the small-medium enterprises in Jordan, as a case to study the relationship between internationalization and growth performance to show what forms will result from this relationship and how these enterprises are able to be part of the international market.

1.6 Definition of Terms

In this section, the main terms used throughout the study will be defined according to Oxford Dictionary, and according to its use in the study.

Domestic enterprises. According to the (Oxford Dictionary), the term domestic is a noun that means “Inside a particular country; not foreign or international,” and enterprise is a noun that means “A company or business.” In this study, the term domestic enterprise is used as a “Home-based business that conducts its affairs in its country of origin.”

Foreign Direct Investment (FDI). According to the (Oxford Dictionary), the term foreign direct investment is a noun that means “The act of a person or organization from one country investing in a business in another country in order to get control of it.” In this study, the term foreign direct investment is used as “A resident of one economy (a direct investor) seeks to acquire a long-term ownership interest in a company that is a resident of another economy (the direct investment enterprise).” (Duce & De España, 2003)

Growth Performance. According to the (Oxford Dictionary), the term growth is a noun that means “An increase in the size, amount, or degree of something,” and the term performance is a noun that means “How well or badly you do something; how

well or badly something works.” In this study, the term growth performance is used as “The increase in the act or process of performing under the influence of different variables.”

Internationalization. According to the (Oxford Dictionary), the term internationalization is a noun that means “the act or process of bringing something under the control or protection of two or more nations; the act or process of making something international.” In this study, the term internationalization is used as “The process of increasing involvement in international operations.” (Welch & Luostarinen, 1988), and “The process of adapting a firm’s operations (strategy, structure, and resource, etc.) to environments.” (Calof & Beamish, 1995).

International market. According to the (Oxford Dictionary), the term international is a noun that means “connecting with or involving two or more countries” and the term market is a noun that means “an occasion when people buy and sell goods; the open area or building where they meet to do this.” In this study, the term international market is used as “Any geographic area that is outside of an enterprise home country where it conducts businesses and partnerships.”

Inter-Firm. According to the (Oxford Dictionary), the term inter is used as a verb, noun, adjective, and adverb that means “Between; From one to another” and the term firm is a noun that means “A business or company.” In this study, the term inter-firm is “Firm occurring between two or more companies.”

Small-medium enterprises (SMEs). According to the (Oxford Dictionary), the term enterprise is a noun that means “A company or business.” In this study, the term small-medium enterprise is used as “The independent businesses that are limited by measures of size, including guidelines, the number of employees, revenues, and assets.”

Niche Firms. According to the (Oxford Dictionary), the term niche is a noun that means “A comfortable or suitable role, job, way of life” and the term firm is a noun that means “A business or company.” In this study, the term niche firm is used as “a company that specializes in a specific kind of product or service within a particular market segment.”

Transaction cost. According to the (Oxford Dictionary), the term transaction cost is a noun that means “The cost incurred in undertaking an economic exchange.” In this study, the term transaction cost is used as “The expenses associated with maintaining a company's economic structure.”

Chapter 2

Literature Review

This chapter discusses the theoretical background related to the internationalization of businesses. It presents an overview of the concepts of internationalization, small-medium enterprises (SMEs), and the relationship of internationalization with the growth performance of businesses.

2.1 Internationalization

Internationalization is defined as the practice of conducting business beyond the borders of the home country with an increase in the degree of functionality, (Welch & Luostarinen, 1988, p35).

It is a crucial procedure for firms that are looking for horizontal integration with the surrounding countries, as well as for nations thinking about how to sustain their economic growth across all the industrial and service sectors.

Having the ability to think internationally and be aware of other cultures are prerequisites for those firms who are interested in business internationalization. It is important for businesses that want to internationalize successfully to recognize, understand, and comprehend the various views, attitudes, behaviors, and business techniques of the organizations and firms in other surrounding nations. Also, to continuously focus on innovation, keep on a high standard of quality, and continue to work towards offering the greatest business plans, products, and services while adapting to other cultures.

The early literature that addressed the subject of internationalization focused on general marketing theories. Later, internationalization addressed the choice between exporting and foreign direct investment. Internationalization in networks has received a lot of attention over the last years, allowing businesses to have diverse interactions not only with customers but also with other environmental operators.

The basis of the process of internationalization is thought to involve three crucial ideas (Mallory, Clark, Pugh, & Clark, 1997, p.607). (a) Companies must enhance their market competencies in their home countries in order to maintain a level of international competitiveness. (b) The internationalization process is defined as a sequential method depending on the product's lifespan, with exporting acting as the

standard first step. (c) Choosing between local adaptation and global integration of operations as a company expands internationally forces it to face new strategic challenges (Roque, Alves, & Raposo, 2019).

There are a variety of methods to enter a foreign market, including contracts, exports, and foreign direct investments. Each method has a unique sequence for operations control, resource commitment, and risk distribution (Hill, Hwang, & Kim, 1990).

2.2 Internationalization Models

The internationalization of a business is a reflection of the remarkable diversity, which could only be revealed and systematized by the use of models, these models cover both the fundamental components and particular procedures of the international business activities that companies should conduct simultaneously.

The most popular models of internationalization are the Uppsala model, Transaction cost analysis, Network model, Born Global (International New Ventures), and Dunning eclectic approach.

2.2.1 The Uppsala models. The Uppsala internationalization model, also known as the stage model, was introduced in 1977 by the Swedish researchers Johanson and Vahlne to explain the internationalization process of businesses, by studying the internationalization of Swedish manufacturing companies. It all started when they noticed the patterns in the internationalization process of Swedish manufacturing enterprises, and they began to analyze these patterns.

They recognized a number of main points, (a) Businesses seemed to start operating overseas in close-by areas and only gradually expand to more distant regions. (b) Exporting was the way used by companies for entering new markets. On the other hand, Companies rarely entered new markets with their own sales groups or production units.

The following four stages as shown in Figure 1, illustrate the elevated level of globalization and participation in other markets: (a) No exporting. (b) Exporting via an agent. (c) Foreign sales subsidiary. (d) Foreign production and sales subsidiary.

The number of resources committed and the degree of commitment are thought to be the two components that make up the concept of market commitment. The

number of resources in the magnitude of market investment, whereas the level of commitment is the degree to which it would be challenging to find an alternate use for the resources and shift them to that use.

Both general knowledge and market-specific knowledge are needed for internationalization. Market-specific knowledge is supposed to be learned through market experience whereas general knowledge can be transferred from one country to another, facilitating geographic diversification in Figure 1.

Market Knowledge and commitment both are said to be related, in which knowledge can be thought of as one element of human resources. As a result, a stronger commitment to the market will be the outcome when there is a good understanding of the market.

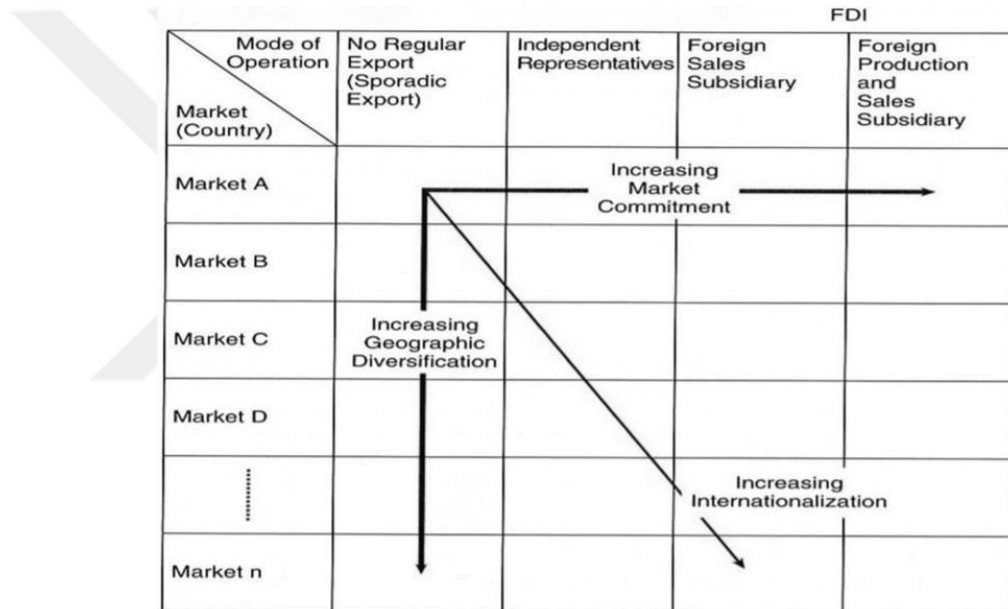


Figure 1. Mode of Internationalization Process (Uppsala Model).

Adapted from: (Forsgren & Johanson, 1975).

According to Figure 1, both in the market commitment and geographical dimensions, greater market commitment will often be made in tiny, incremental steps. There are three exceptions, though. First, businesses with substantial resources can internationalize more quickly and suffer fewer disadvantages as a result of their commitments. Second, when market conditions are uniform and steady, other methods besides experience can be used to acquire pertinent market knowledge. Third, if the company has a lot of experience in markets with comparable characteristics, it might be able to apply that knowledge to any particular market (Johanson and Vahlne, 1990).

In Figure 1 geographical dimension demonstrates how companies gradually increase their psychological distance when they explore new markets. Psychological distance is characterized in terms of elements like linguistic, cultural, and political disparities that obstruct the exchange of information between an organization and the market. As a result, businesses begin their internationalization efforts by entering the markets they can best understand. There are prospects for them, and the perceived level of market uncertainty is minimal (Tan, Brewer, & Liesch, 2007, p.279).

2.2.2 Transaction cost analysis. Transaction cost analysis is the cost of producing economic trading, which includes the cost of participating in market economies of scale and transportation costs, this includes all expenses incurred from the beginning to the end of a specific transaction. This represents the total cost associated with opening a market in a foreign nation. This comprises both direct and indirect costs, and it has an impact on both the customers and the businesses.

It is better to have an external transaction cost that is greater than the internal transaction cost, which ensures that the business will grow, on the other hand, when the internal transaction cost exceeds the external transaction cost, the company will recompress through exporting. When multinational corporations are more effective than their markets and contract to arrange interdependencies amongst their agents who are based in various countries, transaction cost economics is born. It is the hypothesis of a firm's function and size.

It is best for a company to obtain the necessary license to invest abroad in its facilities rather than using that of the foreign country's market if it intends to use a firm-specific asset in a foreign market and this utilization must be done in that market due to its localization factors, such as trade barriers, high transportation costs, and some other specific factors. This is due to the fact that an organization's likelihood of success would increase with the number of intangible assets it possesses.

According to the transaction cost analysis (TCA) approach, cost reduction explains structural decisions. Firms internalize, or integrate vertically, in order to cut transaction costs. Transaction costs can be classified into several types of costs associated with the buyer-seller transactional relationship. This equation represents the underlying condition for the following description of the cost elements:

$$\begin{aligned} \text{Transaction cost} &= \text{ex-ante costs} + \text{ex-post costs} = (\text{search costs} + \text{contracting costs}) \\ &+ (\text{monitoring costs} + \text{enforcement costs}) \end{aligned}$$

The internalization concept and transaction cost analysis have a close relationship. According to the transaction cost analysis, businesses always seek to reduce costs throughout all phases of operations and decision-making. Due to this, businesses would have to decide between joining a foreign market with all of their assets or engaging in external partnership activity (Williamson, 1975). This choice will determine whether a foreign emerging market succeeds or fails (Williamson, 1979).

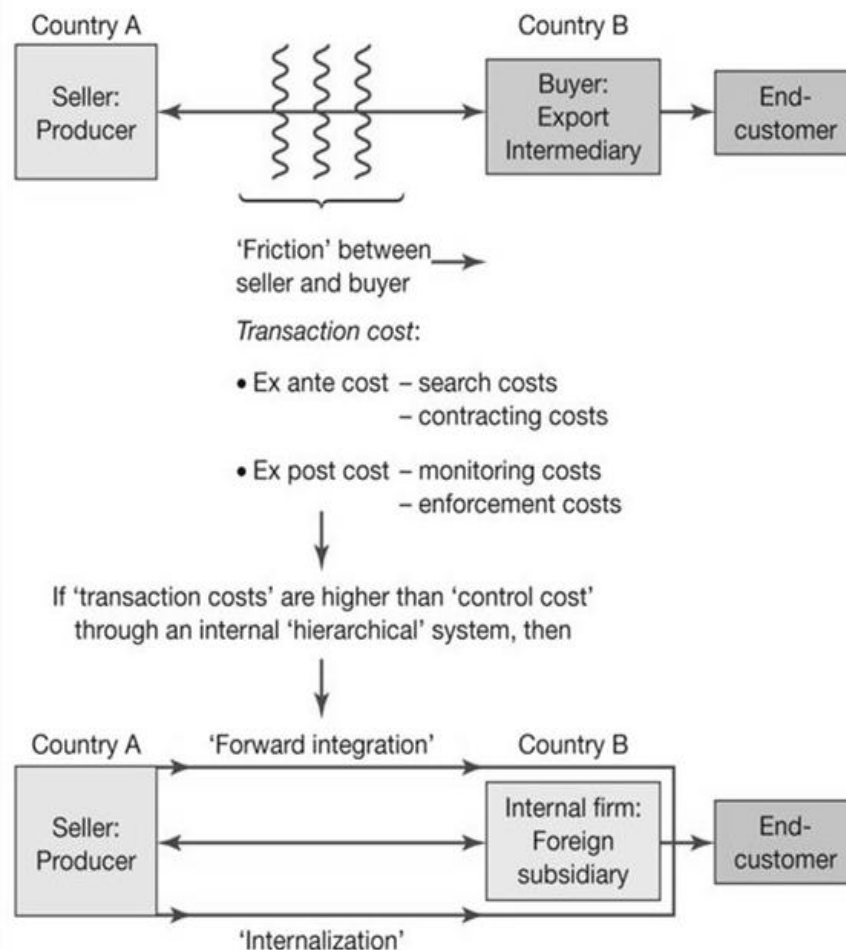


Figure 2. The principle of transaction cost analysis.

global marketing Svend Hollensen 4th, p 68.

2.2.3 Network model. Internationalization is characterized by the network model as the process of establishing, maintaining, and growing relationships with network participants in foreign markets (Johanson & Mattsson, 1989, p.193).

Business networks will form in businesses where cooperation between individual actors might result in significant profits and where conditions change quickly. Since exchange between firms and between companies and other groups of companies is the primary object of research, the network method entails a shift away

from the firm as the analytical unit. It also denotes a shift away from transactions toward longer-lasting exchange relationships that form the framework for and guide the development of international trade.

Business networks will arise in industries in which working together among individual actors could yield considerable rewards and where conditions are constantly changing. The network technique requires a shift away from the firm as the analytical unit because the exchange between firms and between corporations and other groups of companies is the main focus of the research. Additionally, it represents a departure from short-term exchange ties that serve as the foundation for and directs the growth of international trade. As a result, the company's entry into a foreign market or network is the outcome of engagement efforts made by other enterprises that are insiders in the network in the particular country. However, an insider has a significantly higher possibility of becoming the target of such actions. The networks within a nation may go beyond its borders.

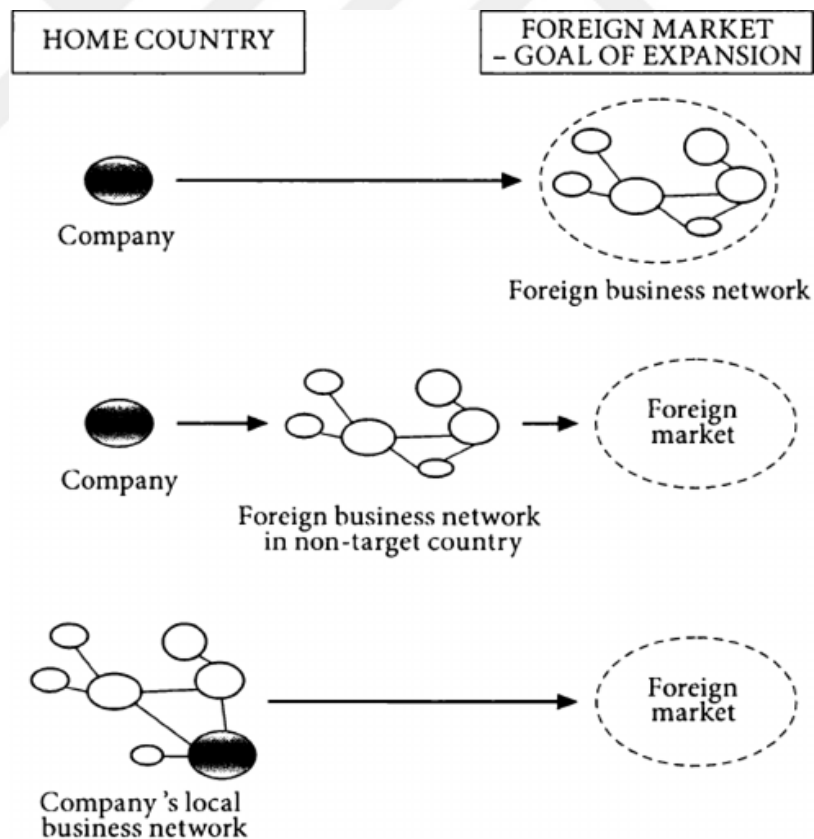


Figure 3. Configuration of network relationships internationalization.

Adapted from: (Ratajczak-Mrozek, 2012).

The network approach contends that the internationalizing firm initially participates in a network that is domestic in connection to the firm's internationalization. A company's connections within a domestic network can serve as a link to networks abroad. If the supplier wishes to keep the business domestically, the customer will occasionally demand that the supply follow it internationally.

High-tech SMEs frequently go directly to farther-off markets and establish their own subsidiaries more quickly. One explanation appears to be that the business owners of those organizations have networks of associates who work with the recent technologies. In these situations, internationalization entails taking advantage of the benefit that this network provides.

2.2.4 Born Global (International New Ventures). A 'born global,' also known as an international new enterprise, is described as a 'company that from its inception pursues a strategy of becoming global and rapidly globalizing without any prior-term domestic or internationalization period.' (McDougall, Shane, & Oviatt, 1994); (Gabrielsson, H., & Kirpalani, 2004).

Born global firms are an intriguing example of a firm that has been able to assume a worldwide geographic reach since its inception due to time and space compression conditions. This 'time-space compression' phenomenon suggests that geographical processes can be shortened and compressed into 'here and now trade and information exchange around the world - if available infrastructure, communication, and IT devices, as well as skilled people, are put in place. This phenomenon can be seen in the global financial market (Hedaa & Tornroos, 2002, p.330).

Born global enterprises are often defined as SMEs with less than five hundred workers and annual revenues of less than \$100 million as well as a reliance on innovative technology in the development of unique products or process improvements. The most distinguishing trait of born globals is that they are typically led by entrepreneurial visionaries who see the world as a single, borderless marketplace from the start. Born Globals are tiny, technology-oriented businesses that have operated in international markets since their inception. There is mounting evidence of the rise of Born Globals in a number of developed-world countries. The emergence of a global phenomenon raises fresh concerns about internationalization.

The emergence of international new ventures is influenced by some factors. A shorter product cycle is a key factor in increasing born global businesses, in which

they can expand their production and sales. Also, the improvements in the fields of production, communication, and transportation connect to worldwide networks and enhance human capabilities. Oviatt and McDougall classify worldwide new enterprises into four types depending on the number of value chain activities and countries in which they operate.

Few Activities Coordinated Across Countries (Primarily Logistics) <i>Coordination of Value Chain Activities</i>	New International Market Makers	
	Export/Import Start-up I	Multinational Trader ii
Many Activities Coordinated Across Countries	iii Geographically Focused Start-up	iv Global Start-up
	Few	Many
Number of Countries involved		

Figure 4. Types of International New Ventures.

Adapted from: (McDougall, Shane, & Oviatt, 1994) in (Rasmussen & Madsen, 2002)

The several types of new international venture makers shown in Figure 4 build up the typology followed for creating new internationally spreading businesses. As presented in Figure 4 (I and ii) are the main market makers, which start moving the businesses that export and import, in which their expertise in logistics is the main competitive advantage. To develop new markets, they take advantage of the disparity between national production costs and market prices. They frequently conduct business through an extensive network of contacts in numerous nations.

Moreover, a geographically focused start-up (iii) is a type of business that obtains its competitive edge by serving a selected group of consumers in a comparatively limited region of the world with highly specialized needs. The coordination of many value chains including technical advancement, information, production, etc. gives these businesses a competitive advantage. Due to the sometimes socially complicated nature of this coordination and the implicit form of the knowledge needed, it is frequently challenging to replicate.

The networks and relationships in action are restricted to outsiders, protecting the knowledge in this way. The most avant-garde new worldwide company is The Global Start-Ups (iv). These businesses coordinate all internal operations across international and regional boundaries. They are tremendously active globally to gain access to resources and markets. They have a distinct past and employ socially sophisticated information that is connected to numerous global networks.

2.2.5 Dunning eclectic approach (OLI Model). The Dunning eclectic approach is also known as the OLI framework. It is an economic theory that was published by John Dunning in 1979. A commercial and economic strategy for assessing the attractiveness of conducting a foreign direct investment (FDI). The model distinguishes three types of advantage categories, which are a) Ownership-specific. b) Locational advantages. c) Internalization.

For entrepreneurs, OLI Model is one of the most practical approaches to help them at least in spotting or having their hands on some options that helps in building the path to the FDI. According to the paradigm a company needs all three advantages to be able to successfully engage in foreign direct investment; if one or more of these advantages are missing, entrepreneurs must have to use a different entry strategy.

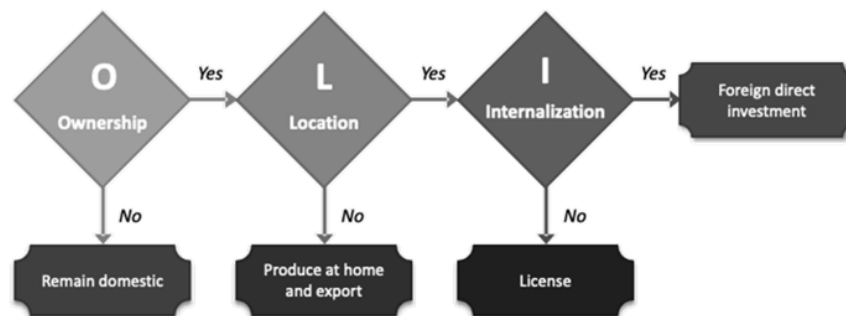


Figure 5. Dunning OLI Paradigm.

Adapted from: (Batalla & D., 2015)

Ownership-specific advantages are the first phase of the OLI model, ownership refers to the source that the firm owns which gives it a competitive advantage in the foreign market. A firm must have ownership advantages to overcome the liability of foreignness, which is the inherent disadvantage that foreign firms experience in host countries because of their non-native status, these disadvantages include foreign language restrictions, cultural restrictions, and lack of understanding of the customer needs.

The ownership advantage includes proprietary information and various ownership rights of a company. So, there are some questions that the firm needs to ask itself. First, do they have a certain competitive advantage that can be transferred abroad to offset their liability of foreignness? Do they have unique technological capabilities? and can they achieve economies of scale? The answer to these questions must be yes so that they can have a fair chance of overcoming some of the liabilities, Otherwise, the firm needs to review its strategy to enter the market or to stay domestic.

Locational advantages are the second phase of the OLI model. Host countries must offer compelling advantages to make internationalization worthwhile to undertake foreign direct investment. Location factors might be purely geographical or exist because of other factors like cheap raw materials, low wages, skilled labor powers, special taxes, and lack of tariffs. So, firms need to know if any of these locational advantages are present in the market that they are thinking of entering. If the answer is yes, it might be better to perform certain value chain activities abroad either through licensing, franchising, or foreign direct investment, on the other hand, if the answer is no, it might be wiser for the firm to keep its production in the home country and export products instead.

Internalization advantages are the third and last phase of the OLI model. This advantage signals whether an organization should produce a particular product by itself or contract with a third party. So, the firm must know if it is more attractive to perform the value chain activity in-house than to have it performed by an external party. If the answer is yes, the firm should keep control over its activities and engage in foreign direct investment, this can be done by forming joint ventures with local partners acquiring existing local companies, or establishing a wholly owned subsidiary. Otherwise, if the answer is no, the management might need to license its product design to an independent foreign company or outsource production to an original equipment manufacturer (OEM).

Certain activities may be outsourced to different companies abroad because they are better at it, can do it cheaper, have more local market knowledge, or for reasons that management simply wants to focus on other value chains activities such as marketing or design. After a firm answers the three questions mentioned in the Oli model, companies should be able at least to exclude cemetery strategies. When all questions are answered with yes, it should be a good option for firms to engage in foreign direct investments and stay in control over the activities by themselves.

2.3 Early Internationalization of Businesses

Early internationalization is the outcome of the complicated interplay between shifting global market conditions and the spread of a managerial and entrepreneurial class with a stronger global focus (Evans & Wurster, 1999).

Precocity and speed are two distinct variables that emerge in early internationalization. Because of the nature of global markets and commercial activities occurring in this environment, it is essential to seize possibilities for global expansion as soon as they arise and take off and scale up learning curves to obtain profit benefits earlier than international competitors in order to achieve first-mover advantages. An essential requirement for establishing experimental learning and enhancing firm performance is to get started as soon as possible.

Export intensity is influenced by precocity and speed since they are both associated with experimental learning, which is essential for export performance. The initial drive must be strengthened by the quick accumulation of knowledge and the shift from individualized to organizational learning (Kogut & Zander, 1993). As a result, it promotes appropriate regulations and operations. In the 1990s, early international businesses got a lot of attention from the literature, professionals, and authorities, and as a result of that attention born global firms or international new ventures became now complex in terms of strategies, time, and speed of internationalization. Along with the age of business at international entry, time intensity is becoming increasingly important as a research area in international partnership studies (Jones & Coviello, 2005, p.290).

Another area of study is the so-called pace of internationalization, which focuses on the rhythm of the process across time (Vermeulen & Barkema, 2002, p.241). Researchers have been examining the factors that influence worldwide expansion with a focus on their dimension, specifically precocity, and speed, as a result of the rise of born global enterprises and, more generally, early internationalization occurrences (Nayyar & Bantel, 1994). Although the literature is rich in theoretical and empirical contributions, it is still fairly fragmented. Early internationalization is dependent on some factors that are industry-specific along with being involved in high-tech or knowledge-intensive industries, as mentioned by various scholars. Other authors may

have experienced early internationalization as a result of evolving macroeconomic circumstances, the broad usage of ICT, or the impact of certain home base factors. The second component is seen to be important for small open economies on one hand, and for local clusters on the other, where cluster markets, shared services to reach global markets, and emulation phenomena support an early international focus of the enterprises.

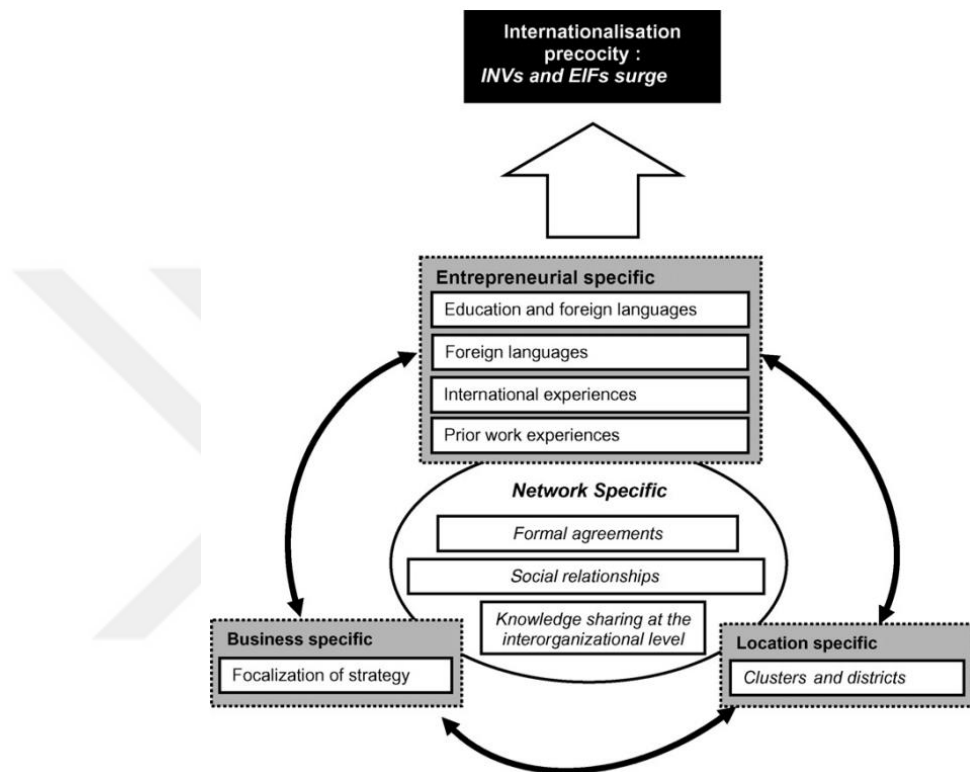


Figure 6. The drivers of early internationalization (Theoretical Framework).

Adapted from: (Zucchell, Palamara, & Denicolai, 2007)

A considerable number of recent articles appear to be shifting their focus to firm-specific determinants of early internationalization, particularly entrepreneur-specific ones. According to this viewpoint, a company's ability to enter global markets is determined by its internal skills. The primary factors that enable large and established businesses to perform in foreign markets are knowledge accumulation, organizational capabilities, financial resources, equipment, and other physical resources, whereas small businesses lack these factors. Numerous studies have looked at the significance of entrepreneurs, and the results show that entrepreneurs' international outlook, orientation, experience, and network are positively correlated with positive international development (Zucchell, Palamara, & Denicolai, 2007).

According to (Morris & Lewi, 1995, p.40), Some studies concentrate on the characteristics of entrepreneurs in global SMEs as well as the factors that contribute to these characteristics. They make reference to individual life events like traveling, being born abroad, receiving education abroad, working abroad, etc. According to empirical evidence, entrepreneurs who have lived abroad are more likely to export than those who have not.

Strong international orientation in terms of export intensity is characterized by an elevated level of education, prior work experience, and language proficiency. According to (Reuber & Fischer, 1999, p.30), top managers with international experience accelerate the internationalization of a small business more quickly than counterpart firms that are unable to take advantage of this competitive advantage. The entrepreneur's prior experience, education, language skills, and competencies may be related to their propensity for international ventures. According to Johanson and Vahlne's model 1975, the importance of experiential knowledge and learning in explaining internationalization is supported by the entrepreneur's prior experiences.

There may be more variables encouraging early internationalization at the interface of exogenous and endogenous early internationalization influences. This is true for issues that are specific to businesses, particularly strategic niche positioning. This is closely related to the management team's personality, approach, and—most importantly—the experience of the entrepreneur. In fact, the role and experience of decision-makers cannot be separated from the choice regarding a company's strategic positioning and the identification of a market opportunity in terms of a worldwide niche that matches the company's core strengths, in modest and incipient enterprises.

Despite their small size, niche firms appear to be among the market leaders globally and have extremely high export intensity ratios (Calof, 1994). Due to their extensive geographic reach and easy access to global markets, these enterprises typically depend on social and professional network connections (Elfring & Hulsink, 2003). The value of entrepreneurial variables, notably the experience of decision-makers, is obvious in the context of the network approach to internationalization. Earlier and rapid worldwide expansion may have been facilitated by already-existing social networks developed by the management team and business owners (Johanson & Vahlne, 1990).

Scientific research has demonstrated a connection between a person's propensity for networking and their personal or professional experience. Research on networks for internationalization generally focuses on global networks, despite the fact that local networks are widely regarded as a significant component of producing foreign sales for small enterprises. The primary focus is on regional considerations. The conduct of clusters and district enterprises over the last few decades can be described by the utilization of business and regional competitive advantages to taking over global markets, according to classic theory (Beccatini, 2000). Rapid and fast internationalization procedures constitute an approach for cluster-based enterprises to maximize the advantages of cluster location and the positive externalities that result (skilled labor, professional services, access to "collective international knowledge," simple access to knowledge about big local competitors' internationalization plans, and so on).

Seeking internationalization is a crucial step for business owners that are looking for achieving growth, improvements in profitability, spread the risk, and increase competitiveness. Local markets reach a point where the customer base becomes limited, by expanding globally businesses work on increasing their market shares and continue to grow rapidly. Also, international businesses can take advantage of the host countries by viewing and getting to know their marketing and technological techniques and introducing new prices to new customers so they can achieve higher profits. However, by going international, businesses can reduce their reliance on a single market or a group of customers, they can nevertheless depend on additional activities in other locations to survive in the case of market collapse or change in customers' behavior, in addition to boosting the company's reputation and allowing it to draw more customers than local establishments.

2.4 Internationalization of SMEs

Small-medium enterprises (SMEs) are firms that keep their earnings, assets, and employees count below a specific limit.

Each country has its own definition of what an SME should be, the firm's industry of operation may occasionally be taken into consideration, along with certain size requirements. A variety of factors are required for defining SMEs, including

employee count, which is less than 25, yearly revenues, years in operation, and number of branches. The concept of SMEs varies from one country to another, a small go-ahead firm in a large country may be viewed as a huge firm in another smaller country. For example, in Jordan, a company is categorized as small if it employs between two and ten people, medium if it employs between ten and twenty-five, and as large if it employs more than twenty-five people. On the other hand, in Yemen, a business is deemed small if it has less than four employees, medium if it has between four and nine, and large if it has more than ten (Khaled, Jaradat, & Al-Tamimi, 2019, p.30).

Small-medium-sized businesses play a significant part in the economic development of several national economies since they are the main generators of employment and the increase in income that is also correlated with export earnings. SMEs can exist in practically every sector, although they are more likely to do so in those that require fewer workers and lower initial capital expenditures. Law offices, gyms, restaurants, and dental clinics are some examples of typical SMEs.

Lately, internationalization became having a profound impact on all firms no matter how big or small it is, through internationalization SMEs' performance and competitiveness tend to improve, this improvement is a result of being compelled increasingly to participate in global markets through FDI, international cooperations, import, and export. However, access to knowledge and technology is a key justification for many enterprises to expand internationally. Also, the constantly changing business environment gives them the motivation to go global, in which the liberalization of trade creates new opportunities, however, it exposes the firm to the danger of foreign competition, for that reason, SMEs must adapt to the changes in the strategic environment as they face foreign competition.

There are several ways of motivation that push SMEs to internationalize so they can boost their productivity and increase their chance of surviving. Some motivations are viewed as exporting which results in higher productivity, also receiving new knowledge and technologies via FDI which helps in creating new competitive advantages and managerial attitudes, and lastly, collaboration with larger companies.

Internationalization does not ensure that enterprises survive, even if it may be vital for businesses to grow and thrive over time. The process entails significant risks and expenses. Smaller businesses frequently struggle with these issues because of their

constrained size and resources. SME management teams frequently lack foreign experience, which makes it more difficult for them to finance their international activities. However, the costs and risks associated with internationalization have significantly decreased as a result of developments in information technology and other technologies. This enables an increasing number of small and medium-sized businesses to take advantage of opportunities in international marketplaces.

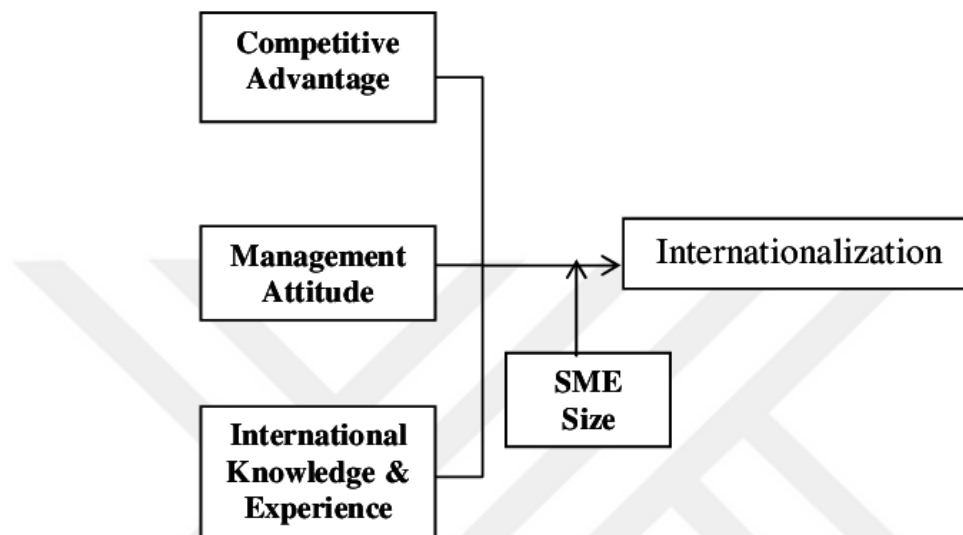


Figure 7. A framework of the factors influencing SMEs' internationalization.

Adapted from: (Chelliah & Pandian, 2010)

Due to resource constraints, the risk of being foreign, and the significant role of the entrepreneur, SMEs go through an entirely distinct internationalization process from larger companies. In addition, considering the restricted resources and finance choices available to SMEs internationalizing, SMEs face more different barriers than large enterprises, which are frequently more difficult to overcome. Additionally, SMEs have fewer alternatives when choosing an international entry mode.

Behavioral models that explain why and how SMEs expand abroad are the product of theoretical advancements in the field of SME internationalization. The various routes that SMEs may take in their internationalization process are described by these models, including the Uppsala model, international new venture theory, and network theory. These models work well together. There is not a single best practice that applies to all SMEs. The market environment, internal resources and competencies of the company, and the product life cycle all affect how an organization chooses to internationalize.

Empirical study has shown how useful these models are. SMEs successfully internationalize their businesses in a variety of ways. Some SMEs adopt a methodical approach in successive stages, moving from export to further integrated forms of internationalization and from culturally and geographically nearby markets to farther-off regions. Other SMEs choose quick internationalization, frequently working in tiny high-tech niches. These "born globals" correspond to the international new venture hypothesis. Utilizing networks and resource sharing with partners is a third effective strategy for SMEs to get around challenges and size restrictions when going global. In their internationalization strategies, businesses may combine components from these three models.

Most globalization theories do not take into account the unique traits of SMEs. Smaller businesses confront fierce competition in overseas markets from both established domestic competitors and huge MNEs, regardless of their resource limitations. Conventional globalization tactics that are successful for MNEs may not work for SMEs. Therefore, when competing with larger companies, SMEs must create independent competitive strategies. SMEs must concentrate on particular niches in which they have a competitive advantage and can therefore provide greater value to their clients if they are to compete successfully in the global marketplace.

In the internationalization process, SMEs can employ a variety of models. International actions of a company may also mutually benefit one another. Furthermore, rather than being stages in a gradual process, diverse types of internationalization provide different strategic goals. Firms may form a partnership with an overseas company right away, especially when seeking knowledge or technology, without passing through the step of direct export. A combination of diverse types of international operations may be more appropriate in such instances than multiple phases in a gradual process. As a result, the internationalization process should be seen as a whole. Diverse types of international activities could be viewed as an extensive collection of strategic options in such a holistic strategy.

2.5 Internationalization and growth performance

Companies that expand into international markets must abandon their current practices and adopt new ones. The time and funds needed for this are both investments.

Businesses must forge new connections and might require increasing employees. These investments may at first make it less likely that the company will survive. However, internationalization opens up new opportunities for growth (Sapienza, Autio, George, & Zahra, 2006, p.921). Internationalization forces businesses to adjust existing routines and develop new capabilities by exposing them to other markets, with greater risk and unpredictability. Using these talents to broaden business operations and enter new markets can generate long-term growth. By connecting businesses with rivals, clients, suppliers, and developments outside of their native market, entering overseas marketplaces enables them to spot new chances. Companies that use their resources effectively across markets increase their operations and revenues and strengthen their key competencies in the native market.

The direction of the cause and effect between export and company performance is the main concern. Exporting has significant advantages on different scales. It's simple to see how exporting affects the increase in sales and growth in addition to the improvement in management effectiveness, achieving economies of scale, and boosting labor productivity.

Moreover, the increase meant in market dominance and revenue diversification are two additional advantages of going global and exporting. The benefits of exporting businesses over domestic firms have been shown in a number of empirical data. According to (Bernard & Jensen, 1999, p.6), exporters are bigger, more productive, capital- and technology-intensive, and they pay higher wages.

Exporting and going global are directly related to the enterprises' success, but first, entrepreneurs must increase their performance when competing in global marketplaces in order to stay competitive and to have the ability to cover the extra expenses bought on by internationalization and heightened competition. As a result, it is considered that companies that export have higher levels of production, revenues, and employment than local enterprises.

Exporters consistently outscored non-exporters, according to 41 studies across more than 20 different countries, the effect of internationalization of businesses was shown clearly, and the higher levels of growth rates of productivity and performance (Wagner, 2005, p.130). The majority of these studies focused on the question of whether these advantages already existed before these enterprises entered international

markets or whether exporting increased their growth and productivity performance. The evidence for post-entry changes is contradictory. A lower number of research (13) show unfavorable or minor variations, despite the fact that the majority (22) of studies presenting post-entry data indicate beneficial post-entry effects. All studies find favorable post-entry differences in some nations, including the UK and Taiwan. Accordingly, Wagner draws the conclusion that while internationalization does not always increase productivity and performance, the more productive enterprises self-select toward export markets (Wagner, 2005).

The analysis of US manufacturing companies by (Bernard & Jensen, 1999) reveals evidence that successful enterprises export but before they begin exporting, they already have greater growth rates and success levels, but the advantages of exporting for the company, however, are less compelling. Although employment growth and survival rates are better for exporting enterprises, productivity, and increase in wages are not, especially over the long term.

Firms that export typically have a larger size than those that don't. According to (Bernard & Jensen, 1999) analysis, exporters' overall employment and exports are twice as large, even for SMEs that have less than 250 employees. Also, it is said that a 10% increase in employment results in a 1% rise in the probability of exporting. A company needs to know whether exporting enhances performance.

Although export does not result in a quicker rate of productivity growth, employment growth is higher, according to the study of Bernard & Jensen. Firm survival is likely the greatest significant benefit of export for both small and large firms. Compared to non-exporters with similar qualities, businesses that export have a 10% higher chance of surviving.

One group of researchers examine the effects of various internationalization strategies on performance by using the return on assets (ROA) on a sample of Japanese SMEs. FDI operations were found as the most favorable effectors on productivity, also, SMEs were pointed out as enterprises that are not able to overcome the high expenses associated with FDI for the enterprises that are willing to internationalize, due to the resource constraints (Lu & Beamish, 2001, p.271).

Later on, the research was extended to include return on sales (ROS), in addition to, asset and sales growth as performance indicators. They discover that both exports

and FDI have a favorable effect on growth. The relationship between profitability and FDI has a more complicated U-shaped curve, while exports have an unfavorable effect on profitability.

Other studies discovered that exports have a beneficial effect on the performance of SMEs in quickly expanding industries in a study of US SMEs. The findings also show that when international risk is higher, enterprises that internationalize through equity-based strategies develop faster than those that export (Rasheed, 2005, p.9).

2.6 Internationalization of Jordanian SMEs.

The extraordinary expansion of internationalization is one of the key features that define the business environment of the twenty-first century (Pinho & Martins, 2010).

Now a sharp focus has been prompted on policymaking on national enterprises' internationalization (Zimmermann & Kattuman, 2007). International firm involvement is more important for both national prosperity and for specific firms due to the expanding globalization of economies and the focus on reducing national deficits (Morgan & Katsikeas, 1997). Exports and competition have grown as a result of the market's general and industrial environment's internationalization. Such issues are the easiest and most frequent way for small-medium-sized firms to become global.

Exporting boost trade balance and profitability, also, it contributes to addressing the issues of unemployment and poverty. Small businesses are expanding internationally, in which they provide between 25 to 35 percent of manufactured exports globally (Anderson & Floren, 2008, p.230). Furthermore, they take on a special significance when it comes to SMEs because exporting is how these companies most frequently enter overseas markets (Organization for Economic Co-operation and Development, 2009).

Despite the fact that exporting does not require a significant capital investment and has lower financial and commercial risk as a mode of foreign market entry than other forms of direct investment, there are still many SMEs in developing countries that do not export or even consider doing so. Since Jordan's independence, one of the primary elements of its economic development strategy has been the growth of SMEs.

Due to its significant contributions to output, exports, and employment, the SME sector holds a position of strategic importance in the Jordanian economic structure (Lozi, 2008). Recognizing the obstacles that prevent SMEs in Jordan from participating in exporting and learning how to overcome such obstacles may encourage more SMEs to participate in the export market.

Over 90% of the total businesses operating in various sectors of the Jordanian market are small- medium-sized enterprises, which employ around 60% of the labor force and produce close to half of the country's GDP. This illustrates the necessity to give these institutions careful thought and support them in overcoming the challenges that are preventing them from developing into a significant force for the diversification of the national economy. The estimated size of the absolute reserve provided by these foundations is close to a billion JODs, plus additional funds to support the growth and advancement of 134 thousand projects. These endeavors have created about 80,000 permanent jobs. Considering the conclusion of the last century (CDPR, 2011).

Table 1

Census Data of Businesses in Jordan in 2018. Adapted from: (Department of Statistics of Jordan, 2018).

Size	Number of Enterprises	% of total
Small	163,823	97.7%
Medium	2,815	1.8 %
Large	881	0.5%
Total	167,519	100%

The national financial transformation and the growth of markets have started to occur in Jordan. The main success of this approach was the establishment of an organized commerce agreement with the European Association in 1997, followed by the expansion to the WEO in April of 2000, with the aim of improving the standard of living of Jordanian citizens through goal-oriented economic growth at a normal rate of 6.7% annually, and to reduce unemployment by creating more job opportunities for Jordanians, as well as the opening of the Jordanian market.

Additionally, to increase competition in Jordan, which will reduce excessive costs and improve its products in surrounding marketplaces at prices suitable for

Jordanian consumers. The effort to support SMEs in Jordan through the Agricultural Credit Corporation to grant advances to farmers began in the year 1959. The Industrial Improvement Bank was established in 1965 to serve this section (JSF, 2018).

Jordan began a plan to strengthen SMEs in the middle of the 1970s through the Five-Year Economic Development Plan (1976–1980), which encouraged social and financial advancement as well as the trend toward small tasks that produce alternatives for imported goods (Al-Monitor, 2015, p.23). In 1984, the Jordan Loan Guarantee Corporation was established with a capital of ten million dinars.

The Union of Charities was established in 1986 with the goal of advancing laborious work as well as agro-ventures. In 1989, with the intention of achieving financial and money-related stability, a financial advanced program was established, the program included a financial and social design that aims to open new doors for Jordanians in the field of SMEs. Later, the government launched a Social Security package in 1998 to improve the living conditions of Jordanians in order to minimize poverty and unemployment (Jordan2025, 2014).

The Arab upheavals, the global fiscal crisis, and the global financial gridlock have adversely impacted the Jordanian economy and have given rise to demands for a level working field in the marketplace and value in access to employment opportunities on both a social and economic level. Jordan has experienced an increase in unemployment due to its current failure to fill jobs with the more than 60,000 young adults that apply for jobs each year. The most affected groups were young men and women, with respective rates of unemployment of 22.8% and 22.3% (JSF, 2018). Additionally, regional variations continue to bring additional challenges. In rural governorates, where business relies heavily on public sector jobs and the common administration, restricted private part-time jobs are available.

Lately, difficulties with the business situation and inadequate access to the back hinder the private part. The creation of jobs and financial security are Jordan's top priorities right now; these goals will be advanced through boosting accessibility, intensifying efforts, and fostering rational, privately driven growth (JSF, 2018). Smaller businesses in Jordan grow more quickly than larger ones and create more job opportunities, but they nevertheless face a number of challenges. It is occasionally stated that one of the essential conditions is a lack of financial resources.

Comparatively, unlike other developing economies, Jordan has extremely little budgetary intermediation. Small businesses face much bigger challenges in obtaining funding than large corporations. In contrast to other middle-paying countries, the budgetary framework is overtaken by the managing an account component, which is less concentrated and only plays a limited role in budgetary intermediation. Small businesses usually turn to the independent division of family and friends for necessary support (Abu Jaber, 2014, p.36). Sales growth, market share expanding, strengthening competitiveness, and decreasing dependence on the home marketplace are pushing SMEs in Jordan to export.

The small size of the nation (the smaller the nation, the smaller the domestic market, and the sooner firms look abroad) and general trends, like as internationalization, can both be used to explain the importance of domestication firms (Djebarni & Al-Hyari, 2009, p53). Export firms penetrate most countries. a globally outward-oriented vision of business development that helps Jordanian entrepreneurs face the challenges of globalization is therefore a real need for them to target export markets.

Jordan's manufacturing industry has a substantial impact on the growth of the country's economy. A sizable number of workers are annually hired by the manufacturing SME sector in Jordan, according to the Department of Statistics in Jordan (DOP, 2006). For instance, the manufacturing sector employs 12.7% of the workforce, compared to the agricultural sector's 3.6%. At the end of 2004, these SMEs had a combined workforce of more than 145.000 people. This indicates that manufacturing in Jordan generates more employment than other industries, making it particularly significant in a variety of ways. Furthermore, 98.7% of businesses in the manufacturing sector are categorized as SMEs. On top of that, there were 18.384 SMEs overall in the manufacturing sector in 2004 (Al-Khaldi, 2005).

Chapter 3

Methodology

This chapter discusses the methodological approaches worked on in this study. The chapter will commence by revisiting the research's main aim, measuring the relationship between international affairs and growth performance, answering the research question, and confirming the hypotheses.

A response to the research question will be provided as a conceptual framework. The chapter includes the research design, participants, data collection, and analysis tools besides reviewing the limitations later on.

3.1 Research Design

This study is designed as a cross-sectional study, that aimed to measure the relationship between internationalization and growth performance of Jordanian SMEs in which the study is taking place in Jordan. The measurement of the relationship is studied under the effect of five independent factors, enterprise size, enterprise age, enterprise technology, enterprise's level of competition, and enterprise's planning activities.

During the study, quantitative and qualitative research methods were used to collect research-appropriate data. First, unstructured interviews were conducted directly with the general managers of the enterprises, which aided us in developing connections with participants and allowed them to open up about their feelings, and ideas, besides living and working experiences. Moreover, financial and sales records were collected from the reports of the Jordanian SMEs as qualitative data. The sample was drawn from the population of Jordanian SMEs that were determined by the Ministry of Industry and Trade in Jordan as firms that employ 249 employees or fewer. This was based on sampling provided by the Jordanian Ministry of Industry, and the general statistics department, a simple random sampling design was used. Furthermore, quantitative data were collected to gain insights into the drivers of information sharing on the internationalization-growth performance relationship and explore the link, by studying the experiments done by other researchers.

The reasons behind conducting mixed methods research were two-fold. Quantitative research was conducted to help in producing objective data that helped us in studying the relationship between internationalization and the growth performance of the SMEs in Jordan clearly and deeply. Qualitative research was conducted because of the limited literature on the internationalization and growth performance relationship. This approach helped us in bridging the gap between the theory and practice parts.

The research setting was the Jordanian manufacturing enterprises at King Abdullah II ibn Al-Hussein's industrial estate. Knowing that the investment exports of King Abdullah II industrial estate were 419 million JOD in the year 2018 according to (JIEC, 2018). The industrial city includes up to 472 manufacturing enterprises including small and medium-sized firms.

Table 2.

Theoretical Framework.

Independent Variables	Hypotheses	Dependent Variable
Enterprise Size.	H1±	The improvement in the growth performance of a Jordanian SME.
Enterprise age.	H2±	
Enterprise technology.	H3±	
Enterprise international planning activities.	H4±	
Internationalization.	H5±	

3.2 Universe and Participants/Working Group

The study focused on Jordanian SMEs in particular. Because not enough data was published on the specific group chosen to be studied.

Attention was drawn directly to King Abdullah II ibn Al-Hussein's industrial estate to be the main source of the participants in the study. King Abdullah II ibn Al-Hussein's industrial estate is one of the main industrial cities in Jordan and got a great impact on the Jordanian economy. As mentioned before, its investment exports reached more than 400 million JOD in the year 2018. The industrial city of King Abdullah II ibn Al-Hussein it's the largest industrial estate in the Kingdom, that accommodates more than 405 small and medium scaled enterprises, employing more than 13,671 workers, with a total investment volume of 1039 million JOD according to Jordan Industrial Estates Corporation (JIEC).

Random sampling was used to choose the group of enterprises participating in the study. A group of 80 small-medium enterprises was chosen as the sample to be studied. According to the reports collected from the JIEC administrative offices, the data presented 38 small enterprises and 42 medium enterprises out of the 80 sampling enterprises used. The classification was made according to the number of employees which varies between 5 and 249 employees. The data collected about the participating enterprises were protected confidentiality, secured, and used as anonymous data, to protect the participating enterprises against any psychological social, or legal harms.

Table 3.

SMEs Classification of the Selected Enterprises Based on the Number of Employees.

Number of Employees	Number of Enterprises	Percentage
Between 5 to 20 employees.	38	48.8%
Between 20 to 294 employees.	42	51.2%
Total	80	100%

The number of small-sized enterprises that participated in the study is virtually equal to the number of medium-sized enterprises, as displayed in Table 3.

3.3 Data Collection

The study is designed using mixed research methods. Quantitative and qualitative methods were used. Data from the unstructured interviews, public records, and personal documents, in addition to theoretical documents and records, were collected, gathered, and analyzed to help come out with the results that helped us with answering the research question and confirming the hypotheses.

3.3.1 Data Collection Instruments. As mentioned before the study is designed to use mixed research methods. The qualitative data collected and used was from the answers conducted from the unstructured interviews done with the general managers of the participating enterprises, in addition to the sources of public, personal records and documents of the enterprises, the financial and sales reports, besides the description and information about each enterprise found in the industrial city. The reports, records, and documents were directly and personally collected from the main administrative office, in particular the business document management office of King Abdulla II ibn Al-Hussein's industrial estate. Quantitative data was collected directly

from the online sources available. It was used as a bridging approach to fill up the gaps between theory and practice. Annual reports from (JIEC, 2018), statistical records from the Ministry of Industry and the General Statics Department, Documents from the Jordan Exports Association (JEA), besides economic Bulletins from (JEDCO, 2021). Moreover, evidence from the previous studies done by (Khaled, Jaradat, & Al-Tamimi, 2019) and, (Al-Hyari, Al-Weshah, & Alnsour, 2012) were used in the study to gain insights into the drivers of information sharing on internationalization-growth performance relationship by studying the experiments done by the researchers.

3.3.2 Data Collection Procedures. The data was collected throughout 3 different phases. In Phase 1, archival data was collected directly from the administrative offices of King Abdulla II ibn Al-Hussein Industrial Estate. The archival data was used as a guide to choose 80 enterprises out of the 400 plus small-medium sized enterprises available in the industrial city. A simple random sampling technique was used. 80 small-medium sized enterprises were chosen, classified into two groups between small and medium-sized, according to the number of employees, besides classifying the firms into different groups according to their sectors (Chemicals, Food, and agriculture, paper and packaging industries, plastic industries, medical material industries, electrical industries, besides fabric and textiles industries).

In phase 2, unstructured interviews were made with the general managers of the 80 randomly chosen enterprises in the King Abdullah II ibn Al -Hussein Industrial estate in the Kingdom of Jordan (an extensive overview of the specialized participants is found in Appendix 1). The unstructured interviews conducted with the specialized general managers of the enterprises were made to further develop our knowledge about the enterprises' technologies, planning activities, international strategies followed, and exporting history.

All interviews were conducted in Arabic, due to its being the main language used, later on, the results were translated to suit research linguistically. The confidentiality and privacy compact were agreed upon before the start of the interviews. The interviews took place in the general managers' offices in each enterprise, it did not last long, to make sure that we did not disturb the participants. It was fast and short to make sure we get the wanted data smoothly.

In phase 3, a sum of 250 plus pages was collected from archival materials, including reports, records, and statistics of the exporting deals, charts, and lists of the exported products. All the materials were collected from the websites and documents available at Jordan Industrial Estates Corporation (JIEC, 2018), the Ministry of Industry and General Statics Department, the Jordan Exports Association (JAE), Trading Economics, and Jordan Enterprise Development Corporation (JEDCO, 2021). Moreover, past studies were also used to collect pieces of evidence to gain insights into the drivers of information sharing on the internationalization-growth performance relationship by studying the experiments done. All the collected archival materials were used to form an understanding of the enterprises' abilities and potential of going global, their exports sitting in the kingdom, and the effect of these actions on the enterprises' growth.

3.3.3 Data Analysis Procedures. The data was analyzed throughout 3 different phases. In phase 1, the collected archival material was filtered to help in extracting the information relevant to the study directly, to help in answering the research question, and to confirm the hypotheses. The enterprises were selected randomly as mentioned before, 80 enterprises were selected out of the 400 plus industries available in the industrial city to make it easier to get as much information and material as possible and to get results that are much more accurate. Later on, the enterprises selected were grouped according to different aspects, first, they were classified into small and medium-sized enterprises according to the number of employees. Second, the enterprises were labeled and classified according to their industrial domains. Lastly, they were classified according to their age (the year of occupation).

Table 4.

SMEs Size Classification.

Enterprises' Size	Small-sized (5 to 20 employees)	Medium-sized (20 to 294 employees)	Total
The number of enterprises.	38	42	80
Percentage	48.8%	51.2%	100%

The size of the enterprises was one of the main factors that helped answer the research question and develop a base for confirming the hypotheses. One of the factors

that affect a firm's internationalization directly is probably the enterprise size. According to the Stage theory of internationalization (Bilkey & Tesar, 1977), small businesses expand internationally in stages, in which Significant resources such as financial, and technological constraints affect the majority of small-medium businesses.

Table 5.

SMEs Classification of the Selected Enterprises Based on the Industry Domains.

Industrial Domain	Number of Enterprises	Percentages
Plastic Industries.	20	25%
Chemical industries.	15	18.75%
Papers & packaging industries.	13	16.25%
Food & agricultural sector.	12	15%
Fabric & textiles industry.	9	11.25%
Electrical industries.	7	8.75%
Medical material industries.	4	5%
Total	80	100%

The information in the following table is arranged in descending order from the most frequent domains to the least frequent. The domain of the enterprise plays a significant role in building the export base, in which the products produced determine the region to which the company will be exporting.

Table 6.

SMEs Classification of the Selected Enterprises in Terms of Age.

Age of Enterprise	Number of Enterprises	Percentages
1 to 5	40	50%
5 to 10	35	43.75%
10 to 15	5	6.25%
Total	80	100%

Another factor that affects a firm's internationalization is the enterprise age. For enterprises, learning about the distribution system, linguistics, and culture of overseas

markets takes time. The continuous accumulation of information can encourage businesses to expand internationally by lowering the risk of exporting to other markets.

In phase 2, the collected information from the unstructured interviews was filtered at first, to help in answering the research question, and confirm the hypotheses. The results were grouped under a segmentation that lists the factors according to their importance to the internationalization of the enterprises. Enterprises technologies, international planning activities, enough knowledge, and exporting background. The factors were summarized as follows, the technologies and international planning activities taken into consideration were a) continuous product development. b) time reduction of product development. c) updating technologies. d) product diversity. e) product innovation. Technology and planning activities are frequently seen as being essential to the survival and expansion of small enterprises. The ability of the enterprises to allocate resources to international structures and their planning activities are both identified to be driving factors of internalization. The speed at which a corporation internationalizes depends on how well it can do so with operations and planning. The amount of knowledge was also measured through the results conducted, in which it is really important to focus on Knowledge-based products or services with significant investment in research and development, in addition to building a knowledge base related to aspects that encourage the internationalization of an enterprise positively. Lastly, the exporting background was classified according to the years of exporting, nations exporting to, and the impact of exporting.

Table 7.

SMEs' Period of Exporting Globally.

Period of internationalizing	Number of Enterprises	Percentage
Between 1 st & 5 th year of working.	70	87.5%
Between 5 th & 10 th year of working.	10	12.5%
Total	80	100%

It can be seen that most industrial enterprises are choosing to internationalize, export, and expand to overseas markets in the first years of working.

Table 8.

The Top Destinations Exporting from the King Abdullah II Industrial Estate.

Destinations	Number of Enterprises	Percentage
Asia	35	43.75%
Americas	30	37.5%
Africa	10	12.5%
Europe	5	6.25%
Total	80	100%

The information in the following table is arranged in descending order from the most frequent domain to the least frequent.

In phase 3, the collected archival data from the Annual reports, and statistical, documents, besides economic Bulletins, was filtered to help in extracting the information relevant to the study directly, to help in answering the research question, and to confirm the hypotheses. The results revolve around the exporting activities in the kingdom of Jordan, the destinations targeted for export, and the products exported, besides the effect on the growth performance percentage.

Table 9.

Analyses of Exporting Percentages of each Sector in the Kingdom of Jordan.

Industrial Sectors	Exporting Percentage	\$ Shares (The Year 2021)	Trade Value Growth
Plastic Industries.	6%	\$280M	80.9%
Chemical industries.	25%	\$1.2B	99%
Papers & packaging industries.	3%	\$180M	79.5%
Food & agricultural sector.	10.5%	\$630M	92.7%
Fabric & textiles industry.	13%	\$860M	16.9%
Electrical industries.	6.6%	\$576M	69.7%
Medical material industries.	5.9%	\$235M	80.1%
Other Industrial Sectors.	30%	---	---

The businesses included in the sample were all manufacturers in the following industries: Plastic Industries, Chemical industries, Papers & packaging industries, Food & agricultural sector, Fabric & textiles industries, Electrical industries, and medical material industries. One of the key sectors of the Jordanian economy is the chemicals industry, which accounts for 25% of all exports. Fabric and textiles are the second-largest sector and account for up to 13% of all exports from Jordan. The electrical industry, which ranks fourth in terms of export share with 6.6 percent, is behind the third which is the food and agriculture sectors. In actuality, each of these industries is highly internationalized and made up primarily of SMEs.

Table 10.

Analysis of Exporting Percentages from the Kingdom of Jordan to Different Continents.

Continents	Exporting Percentages	\$ Shares (The year 2021)
Asia.	59%	\$5.96B
Americas.	30%	\$2.54B
Africa.	5.7%	\$482M
Europe.	5.1%	\$428M
Other Continents.	0.2%	\$32.1M

Table 11.

Analysis of the Highest Exporting Percentages from the Kingdom of Jordan to Different Countries.

Countries	Exporting Percentages	\$ Shares (The year 2021)
United States.	27%	\$2.31B
India.	15%	\$1.28B
Kingdom of Saudi Arabia.	12%	\$1.07B
Iraq.	7.2%	\$615M
United Arab Emirates.	3.1%	\$269M
Other 150-plus Countries.	35.7%	---

In the end, after the data was collected and converted into numerical data, Pearson correlation analysis was used. The data collected was listed as the different variables to study its relationship with internationalization along with the growth performance of SMEs and get the wanted results.

3.3.4 Reliability and Validity. Validity and reliability are used to assess the quality and use of original data as two essential metrics. Validity is concerned with the instruments' accuracy and usefulness, on the other hand, reliability is concerned with accuracy to evaluate the consistency of the interviews. In order to maintain data reliability and maintain analytical rigor during the course of the study phases, a number of actions were taken, while gathering contact information interviews outcomes, and archival material it was recorded meticulously. However, the unstructured entry views can cause to have less reliability, because it may be difficult to compare the responses of different participants, but for our study, the response of the interviews was classified into groups to help conduct results that are more reliable.

3.4 Limitations

The study had a few limitations. The current analysis was only focused on King Abdullah II Industrial Estate, specifically Jordanian manufacturing SMEs.

This study's cross-sectional design might make it difficult to determine the overall trend and direction of some of the factors, it was complex to identify the connection between the factors at a given point in time while being able to draw any conclusions about its direction or the cause of its evolution. To address these issues and resolve the causation direction question, a longitudinal-type study may be helpful. Even though an in-depth review of the existing literature was done to determine the variables in the model utilized, there may still be additional variables that need to be considered, such as the state of the general economy or other enterprise, management, or environmental variables.

The use of the Jordanian market was forming limitations for the study procedure because of the limited data available. Moreover, the use of unstructured interviews formed some limitations while studying the results because of the variety of results that depended on the different answers to the different questions asked to the participants.

Chapter 4

Findings

This chapter presents the findings of the data analysis, besides the results of the unstructured interviews followed by the results from the archival materials collected. The study examined the relationship between internationalization and growth performance under the effect of different variables, to know if SMEs got the ability to internationalize and how would the growth performance of a SME would be affected after internationalizing and going global.

Table 12.

Theoretical Framework (After Analysis).

Independent Variables	Hypotheses	Dependent Variable
Enterprise Size.	H1+	The improvement in the growth performance of a Jordanian SME.
Enterprise age.	H2+	
Enterprise technology.	H3+	
Enterprise international planning activities.	H4+	
Internationalization.	H5+	

As shown in Table 12. The hypotheses were confirmed positively after being done with the data analysis.

A positive link between the size of an enterprise and the exporting activity was revealed after the Pearson correlation analysis, which showed the results of (0.902**, between 0 and 1, positive correlation). The size of the enterprises that were included in the regression models also showed a very strong positive link with the internationalization of the businesses. This may prove what is stated by the Uppsala Model of internationalization, which showed that SMEs can devote more resources to global efforts and gradually raise the proportion of their revenues that come from overseas markets.

Moreover, a positive correlation between the enterprises' age and exporting activity was revealed after the Pearson correlation analysis, which showed the results of (0.951**, between 0 and 1, positive correlation). The age of the enterprises that were included in the regression models also revealed a strong positive correlation with internationalization. So, we discovered substantial evidence to support the theory.

The internalization of Jordanian enterprises takes age into consideration as a key factor. In actuality, it takes time to comprehend different cultures, dialects, and the flow system. This is a continuous process, and as knowledge and experience are gained, the perceived risk of operating in foreign markets decreases, which can encourage Jordanian businesses to expand internationally.

Furthermore, a positive correlation between enterprises' technology and exporting activity was revealed after the Pearson correlation analysis, which showed the results of (1.000**, between 0 and 1, positive correlation). Technology and knowledge variables revealed an important connection to the internationalization of the enterprises when they were included in the regression models. As a result, it validated the third hypothesis, according to which SMEs can easily embark on internationalization after gaining a greater level of technological sophistication and global awareness and knowledge.

The International New Venture theory stated that a knowledge-based product with significant technology and knowledge compels the new venture to go global. An enterprise that develops in technology and knowledge will aim to recoup its investment by capturing as much of the market as it can, which speeds up global expansion. Small technology enterprises have been seen increasing their market reach through internationalization.

Also, a positive correlation between enterprises' planning and exporting activity was revealed after the Pearson correlation analysis, which showed the results of (0.564**, between 0 and 1, positive correlation). Strong support was discovered for the 6th hypothesis. International planning and the degree of internationalization have a strong positive link. Significantly, there were more SMEs in Jordan engaged in planning and information collection linked to exports.

The Uppsala model assumes that planning may be acquired through international operations and that a significant barrier to the development of international operations is a lack of planning (Johanson & Vahlne, 1990). According to (Madsen, 1988), Danish small- to medium-sized manufacturing enterprises' export performance and planning were significantly correlated. In addition, (Berman, 1995) discovered that exporting was correlated with the firms' amount of export information.

Lastly, after studying the relationship between the previous four variables and I'm enterprises' exporting activity, it was shown that the connections were positive

which proved that SMEs could internationalize. However, the enterprises' exporting and growth performance rate relationship was also tested using Pearson correlation analysis. A positive correlation between export activity and growth rate was revealed, the results showed (0.526**, between 0 and 1, positive correlation).

Therefore, strong support was discovered for the 5th hypothesis, the higher the internationalization and export activity, the higher the growth performance of an enterprise. According to the information and data conducted it was shown that the growth performance (growth rate) was high for the exporting enterprises. Under the effect of the independent variables, SMEs can go internationally and increase their growth performance, but first, they need to deal with the variables of enterprise size, age, technology, and planning, to form a strong base for starting to export and grow internationally.

Table 13.

Hypotheses implementation in Pearson's correlation analysis.

Hypotheses	Variables		
Hypothesis 1	Enterprise Size.	Pearson's Correlation	0.902**
		Seg (Two-Tailed)	<.001
		N	80
Hypothesis 2	Enterprise age.	Pearson's Correlation	0.951**
		Seg (Two-Tailed)	<.001
		N	80
Hypothesis 3	Enterprise technology.	Pearson's Correlation	1.000**
		Seg (Two-Tailed)	<.001
		N	80
Hypothesis 4	Enterprise international planning activities.	Pearson's Correlation	0.564**
		Seg (Two-Tailed)	<.001
		N	80
Hypothesis 5	Internationalization.	Pearson's Correlation	0.526**
		Seg (Two-Tailed)	<.001
		N	80

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

The confirmed hypotheses stated the following: Hypothesis 1, the size of an enterprise is linked positively to its internationalization process. Hypothesis 2, the age of an enterprise is linked positively to its internationalization process. Hypothesis 3, the technology of an enterprise is linked positively to its internationalization process. Hypothesis 4, the planning activities of an enterprise are linked positively to its internationalization process. Hypothesis 5, the formed relationship between the internationalization process and the growth performance has proved to be positive.

Chapter 5

Discussion and Conclusions

This chapter concludes the study by dealing with a discussion of the findings, and conclusion, besides the recommendation for future research on the topic of the internationalization of SMEs and its relationship with growth performance.

5.1 Discussion of Findings for Research Questions

The study was built on the questions stated, what are the outcomes of the relationship between internationalization and growth performance; to what extent has the concept of internationalization been successful in affecting the growth performance of Jordanian SMEs?

The mixed-method research helped in obtaining deep insights into the relationship between internationalization and growth performance that revealed the impact of many variables and connected these to the differences in export performance. In relation to the research question, the analysis highlighted specific variables and relationships that would affect the growth performance of SMEs. The variables studied were the enterprises' size, age, technology, and planning activities, to see how these variables affected the internationalization and exporting activities, and later on, to check how internationalization affected the growth performance of the Jordanian SMEs located in the King Abdullah II Industrial Estate.

The findings illustrated that growth performance is affected positively by internationalization. After studying the study of the variables and dependently getting the results for each one, the results indicated a positive effect on the internationalization of SMEs. The data collected helped study all variables to get accurate results that helped understand the relationships formed. SMEs must take into consideration their size and age, in addition to their technology, knowledge, and planning activities, before starting to export and internationalize. Once an enterprise takes into consideration all the previous variables, it can internationalize and have a positive impact on its growth performance. As we saw in the study, the variables were tested one by one using the Pearson correlation analysis, to get the results that showed positive relationships.

The hypotheses were confirmed later on and showed how the effect of the enterprises' size, age, technology, and knowledge, besides planning activities was positive on the exporting activities of the sample chosen small-medium enterprises. And the results were supported by the theoretical data found on the different models of internationalization. And lastly, the results ended up showing how internationalization affected the growth performance of SMEs positively.

5.2 Conclusions

Small-medium enterprises are playing a bigger and bigger part in today's economy. Therefore, it's critical to comprehend the variables that affect how well SMEs internationalize and grow.

The main aim of the study was to measure the relationship between internationalization and the growth performance of Jordanian SMEs. It was important to examine a variety of independent variables that were identified as having a connection to a small-medium enterprise's internationalization through a literature review. Pearson correlation analysis was used to assess each of these factors independently to determine whether there was a connection to the measurement of small-medium enterprises' internationalization.

A review of the literature led to the development of a total of 5 hypotheses. The analysis's findings are as follows: According to our hypotheses, there will be a positive relationship between the size and age of the businesses and the level of their international operations. The data analyzed confirmed these expectations, and these findings are consistent with the Uppsala model, which contends that international engagement will lead to learning and an increased understanding of internationalization. Businesses that expand internationally will be able to dedicate more resources to international activities and gradually boost their growth performance derived from internationalization. Understanding new cultures, languages, and distribution systems, takes time for enterprises to overcome the liability of freshness and small size. As a result, the age of the enterprises is essential in explaining their internationalization.

Intangible asset characteristics such as technology and knowledge intensity are highly connected with foreign sales. This supports the International New Venture idea,

which contends that the holding of special assets or technology is the key to internal sustainable competitive advantages, forcing small and medium-sized businesses to become global. The greater the level of technology and expertise, the faster firms will internationalize.

The research data on the effect of export planning activities on international sales were found to be positive and significantly associated. Overall, this variable was associated with small firm export success. Finally, the aforementioned variables have a good impact on internationalization activities; as a result, it was seen that internationalization has a beneficial impact on the growth performance of small and medium-sized businesses through testing the growth rate of the exporting SMEs.

This study found that the potential to be an international enterprise was related to the age, size, intensity of technology, and knowledge of the enterprise, besides the export planning activities performed by SMEs. The conclusion is that internal and external factors appeared to be related to the extent of international exporting activity for small enterprises, and growth performance is affected and related to internationalization, forming a positive relationship.

5.3 Recommendations for Future Research

The current study was limited to Jordanian SMEs, specifically those located in the King Abdullah II Industrial Estate. The study only looked at five independent variables that influence internationalization.

To obtain more results that lead to more accurate outcomes about the relationship between internationalization and growth performance, an extended study including all industrial cities in the Kingdom of Jordan may be required. Second, studies involving multiple countries around the world may be required in order to advance the results and properly comprehend the relationship. Finally, future research can look at the impact of factors other than the enterprise's size, age, technology, and knowledge, besides international planning activities on the internationalization-growth performance relationship.

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