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The Antecedents of SME Internationalisation in Sabah: A Configurational Approach

Jaratin Lily^{1*}, Chew Tze Cheng², Najihah Hanisah Marmaya³, Sidah Idris⁴

^{1,2,3,4} Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, Jalan UMS, 88400, Kota Kinabalu, Sabah, Malaysia

*Corresponding email: jaratin@ums.edu.my

Abstract

This study examines the antecedents driving SME internationalisation in Sabah, Malaysia, using quantitative survey data analysed through Fuzzy-set Qualitative Comparative Analysis (FsQCA). Specifically, it focuses on firm maturity (age of the firm) and internationalisation liabilities (foreignness, newness, expansion, complexity). This study identifies the various configurations that could contribute to the high degree of internationalisation. These findings highlight the stabilising role of firm age or maturity in mitigating liability effects, especially liability of newness, offering valuable insights for theoretical development and practical applications in SME internationalisation. The results are consistent with the Dynamic Capability Framework, indicating the firm's ability to integrate and reconfigure internal and external resources or competencies to meet rapidly changing business environments. In practice, this study provides strategic recommendations for SMEs in Sabah, advocating that mature firms leverage their market experience and capabilities while younger firms should focus on building resilience and strategic adaptability to improve international competitiveness. Overall, this study provides valuable insights into the internationalisation dynamics of SMEs and provides a nuanced framework for developing tailored strategies that promote sustainable growth and resilience in global markets.

Keywords

Fuzzy set, Qualitative comparative analysis, Causal Configurations, SME, Internationalisation

1.0 Introduction

The economic development of developing nations is significantly influenced by Small and Medium Enterprises (SMEs) (Galan & Torsein, 2021). They are acknowledged for their capacity to increase GDP, foster innovation, and create jobs. They play a significant role in regional development, social stability, and economic diversification. SMEs in Malaysia confront some challenges despite their contributions, especially regarding internationalisation (Azman et al., 2020; Chelliah et al., 2010; Zamberi Ahmad, 2014). These difficulties include financial availability, the regulatory landscape, education and training requirements, market dynamics, and government assistance. Even with the numerous policies the Malaysian government has put in place to assist SMEs, more focused and efficient initiatives are still required to address these businesses' unique difficulties.

Studies conducted recently on Malaysian SMEs have looked at several topics, including their economic contributions, growth obstacles, and success strategies (Ahmad et al., 2021; Lim & Teoh, 2021; Ramdan et al., 2022). Nonetheless, there is still a dearth of information in the literature regarding the difficulties and approaches connected to SME internationalisation, particularly concerning Sabah, Malaysia. Due to its distinct economic and cultural environment, this state has not been the subject of much SME internationalisation research. First, resource-based value theory (RBVT) has been used in earlier research

to analyse the internationalisation of SMEs; however, RBVT is lacking in capturing the dynamic and complex aspects of SME internationalisation. The Dynamic Capabilities Theory (DCT) provides a more nuanced understanding, acknowledging the significance of ongoing innovation and adaptation to changing market conditions (Ahmad et al., 2021; Al-Nimer et al., 2022; Teece, 2010).

Secondly, investigating SME internationalisation through previous methods has limited its ability to handle qualitative aspects and complex causal relationships. The FsQCA approach, on the other hand, is better suited for researching SME internationalisation in Sabah since it can handle complex relationships and incorporate both qualitative and quantitative data. Given the circumstances and difficulties that SMEs in Sabah face, the FsQCA approach enables a more thorough examination of the elements influencing SME internationalisation (Nikou et al., 2024; Pappas & Bley, 2023).

Furthermore, empirical studies focusing on SME internationalisation in Sabah, Malaysia, are still lacking. Most previous research concentrates on a more national perspective in West Malaysia or nationwide (Azman et al., 2020; Chelliah et al., 2010; Hasim et al., 2018), frequently ignoring Sabah's market dynamics and economic and cultural landscape. These variables may impact internationalisation in a manner distinct from other geographical areas. Knowing these dynamics can aid policymakers in creating focused plans to encourage the expansion of SMEs. Legislators can develop focused strategies to assist SME growth by better understanding these factors.

This work makes three contributions. Firstly, it broadens the use of the DCT to comprehend SMEs' internationalisation process and help them navigate challenging foreign markets. While the RBV focuses on static resources, it fails to explain how SMEs can adapt to rapidly changing international markets. While the RBV focuses on static resources, it fails to explain how SMEs can adapt to rapidly changing international markets (Kim et al., 2015; Teece, 2023). The DCF, with its focus on adaptability, learning, and strategic flexibility, provides a more comprehensive understanding of how SMEs deal with the complexities of foreign markets (Dabić et al., 2024). Second, by applying FsQCA, the method can provide multiple configurations that result in high internationalisation and enable a more nuanced understanding than traditional linear models. Third, most previous studies mainly focused on international knowledge and marketing capabilities (e.g., Adedigba et al., 2020; Chelliah et al., 2010) and often overlooked how liabilities such as foreignness, novelty, expansion and complexity affect the level of internationalisation of SMEs (Azman et al., 2020; Fornes & Cardoza, 2019; Zucchella & Servais, 2012). Thus, it empirically fills a significant gap in the literature and expands the limited body of knowledge in the field by providing new perspectives on the circumstances under which SMEs in Sabah can successfully internationalise.

Therefore, this paper examines the configurations of internationalisation liabilities (foreignness, newness, expansion, and complexity) and firm maturity that influence the internationalisation of SMEs in Sabah. Specifically, it seeks to identify the critical conditions that lead to a high degree of internationalisation. By doing so, the study aims to provide actionable insights for SME managers, policymakers, and scholars interested in SME internationalisation.

The remainder of this article is organised as follows: Section 2 reviews the relevant literature on SME internationalisation and the theoretical frameworks employed in this study. Section 3 outlines the research methodology, including the data collection process and the application of FsQCA. Section 4 presents the analysis results and discussion, while Section 5 discusses the conclusion and implications of these findings.

2.0 Literature Review

2.1 Dynamic Capabilities Framework

Dynamic Capabilities Framework (DCF) offers a solid framework for comprehending how businesses create and maintain a competitive advantage in quickly changing environments (Denrell & Powell, 2016; Mudalige et al., 2019; Teece, 2023; Teece et al., 1997). Teece et al. (1997) define dynamic capabilities as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address a rapidly changing environment. A decade later, in 2007, Teece revisited the Dynamic Capabilities Framework, shifting its focus from the previous structure centred around the past (positions), present (processes), and future (paths) to a more practical approach. He introduced three core clusters of capabilities: sensing, seizing, and transforming (Teece, 2023). These capabilities are essential for organisations to effectively anticipate market and technological trends, develop strategies to leverage these opportunities and adapt their structures accordingly to achieve their objectives.

By highlighting the possession of valuable resources and a firm's capacity to renew and reconfigure these resources in response to dynamic market conditions, this theory expands upon the Resource-Based View (RBV) (Ahmad et al., 2021; Orisa et al., 2020; Teece, 2023). The procedures, abilities, and practices that allow businesses to combine, develop, and reorganise internal and external competencies in response to changing market conditions are essential to dynamic capabilities (Teece, 2010). The crucial elements of dynamic capabilities are sensing opportunities and threats and strategic flexibility. These skills enable businesses to stay innovative, adapt, and react to outside changes in a way that keeps them ahead of the competition.

2.2 Dynamic Capabilities Framework and SME Internationalisation

When expanding internationally, SMEs frequently encounter a variety of challenges and barriers, such as scarce resources, insufficient experience, and exposure to unfamiliar and complex environments (Fornes & Cardoza, 2019; Virglerova et al., 2021; Zucchella & Servais, 2012). By encouraging adaptability, learning, and creativity, dynamic capabilities help these businesses overcome such liabilities (Orisa et al., 2020). According to the theory, SMEs must be able to recognise opportunities and threats in overseas markets, act quickly to secure them by allocating resources wisely, and then change or reorganise their business practices to meet the needs of global markets better.

When expanding internationally, SMEs often face various challenges and barriers, including scarce resources, limited experience, and exposure to unfamiliar and complex environments (Fornes & Cardoza, 2019; Virglerova et al., 2021; Zucchella & Servais, 2012). These challenges can be understood as liabilities in internationalisation, such as foreignness, newness, expansion, and complexity. The DCF provides a valuable lens for addressing these liabilities by emphasising adaptability, learning, and innovation (Orisa et al., 2020).

The DCF suggests that SMEs must be adept at sensing opportunities and threats in foreign markets (Kim et al., 2015; Mudalige et al., 2019; Teece, 2023), which is crucial for managing liabilities like foreignness and complexity. By identifying potential risks and opportunities early, SMEs can strategically position themselves to navigate the challenges of unfamiliar markets. Seizing opportunities involves quickly and effectively allocating resources to capitalise on these opportunities while mitigating the liabilities in internationalisation.

Furthermore, the framework highlights the importance of learning and innovation for SMEs to adapt and reorganise their operations to meet the demands of the global better (Ali et al., 2020; Kim et al., 2015; Tallott & Hilliard, 2016). As an element of learning, firm maturity plays a crucial role in overcoming the liabilities in internationalisation by leveraging accumulated knowledge and experience to innovate and refine strategies (Galan & Torsein, 2021). Through continuous learning and innovation, firms can maintain a competitive edge and enhance their internationalisation efforts.

In summary, the DCF is closely aligned with the needs of SMEs when it comes to managing the complexities of internationalisation. By fostering dynamic capabilities such as recognising and seizing opportunities and continuous learning and innovation, SMEs can overcome the inherent pressures of liabilities in internationalisation (foreignness, newness, expansion and complexity), thereby improving their ability to succeed in global markets.

2.2.1 Liability of Foreignness

The liability of foreignness refers to the challenges SMEs face when entering foreign markets due to their limited knowledge of external markets (Fornes & Cardoza, 2019). A lack of access to relevant information hinders firms from identifying suitable external markets for their products and services (Orisa et al., 2020). Additionally, businesses struggle to make well-informed decisions without the information needed to assess prospects in foreign markets. Operating abroad has become more complex due to differences in customer preferences, consumption patterns, pricing structures, and communication methods in international markets. Further complicating efforts to expand internationally is the possibility that the retail price of the company's products may not be competitive or appealing to end users in these markets. These difficulties highlight how crucial it is for successful internationalisation to obtain market intelligence and adjust to local market conditions.

2.2.2 Liability of Newness

The liability of newness encompasses the difficulties the SMEs face due to the unfamiliarity with foreign contexts and business practices (Fornes & Cardoza, 2019). It takes much work to comprehend and abide by the many legal frameworks that govern different external markets, which makes access and operations more difficult. An additional risk and uncertainty for new market entrants results from political instability in certain regions, which hinders internationalisation efforts. Furthermore, tariff and non-tariff trade barriers impede global trade and pose challenges for emerging businesses seeking to enter the market and establish a presence. Fluctuating exchange rates also represent a substantial risk that affects pricing, profitability, and financial planning. Strategic planning and resource allocation are essential to reduce these risks and barriers.

2.2.3 Liability of Expansion

The liability of expansion involves the complexities associated with scaling operations internationally, including limited contacts, reliable representatives, and control systems (Fornes & Cardoza, 2019). Expanding the customer base is hindered by the challenge of locating and reaching out to potential clients in foreign markets. Furthermore, a significant obstacle that hinders the company's ability to build a trustworthy presence in international markets is the difficulty of finding trustworthy representatives abroad. It is also hard to manage and conduct international business when one cannot effectively control intermediaries in global markets. These problems show how strong networks and strategies are necessary for successful market expansion and efficient global operations management.

2.2.4 Liability of Complexity

The liability of complexity reflects the challenges posed by managing diverse operations across different markets, including social differences, market knowledge and understanding, and market and customer access (Fornes & Cardoza, 2019; Zucchella & Servais, 2012). Disparities in religion, values, customs, and attitudes are examples of sociocultural differences that pose serious challenges. Furthermore, communication can be hampered by verbal and nonverbal language differences, making conducting business overseas challenging. Poor communication makes it more difficult for international business to grow. Complicating international operations are institutional disparities like laws and policies and a lack of experience with business practices. Another difficulty that impedes coordination and logistics is geographic distance. Gaining access to the market is challenging due to the complexity of local demand, which is defined by diversity and ongoing change. High local competition also raises other obstacles to market entry and long-term viability.

2.2.5 Firm Maturity

Mature firms typically possess more refined dynamic capabilities due to their accumulated experience, established routines, and substantial resource base (Galan & Torsein, 2021). These skills enhance their ability to manage and mitigate the various risks associated with internationalisation. For instance, mature businesses typically better grasp consumer preferences, the regulatory landscape, and external markets, lowering their foreign liability. Their familiarity with these markets aids them in recognising and seizing opportunities in foreign markets.

3.0 Methods

3.1 Research Framework

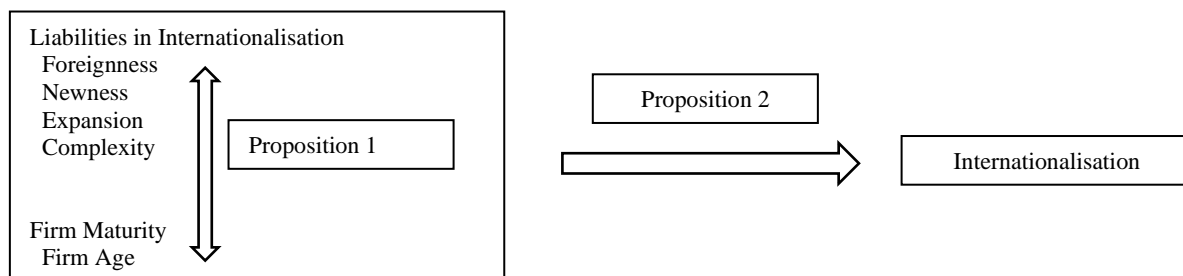


Figure 1: Research Model

The research framework posits that the interplay between the various liabilities of internationalisation and firm maturity (conditions) influences SMEs' degree of internationalisation (Outcome). Therefore, the propositions are:

Proposition 1: Liabilities in internationalisation and firm maturity combine to form internationalisation solutions.

Proposition 2: Different liabilities in internationalisation and firm maturity combinations lead to a high degree of internationalisation.

3.2 Data Collection and Research Sample

The population of this study includes SMEs in Sabah, Malaysia, that are engaged in international business activities. Specifically, only SMEs that are at least exporting their products or services to foreign markets or are involved in more advanced forms of internationalisation, such as establishing subsidiaries or joint ventures, were included. SMEs solely engaged in import activities without any international business expansion were excluded from the study. This population selection ensures that the study focuses on firms actively navigating the complexities of global markets, providing a relevant and targeted analysis of the factors driving successful internationalisation.

The respondents were owners or supervisors of these companies. The sample list was obtained from the databases of the Federation of Sabah Industries and the Federation of Malaysian Manufacturers. Invitations to participate in the survey were sent by email and the companies were contacted again by telephone one week later. The survey was administered via Google Forms. This study includes a filter questionnaire to ensure the respondents accurately represent the targeted population of SMEs involved in international business. The filter questions were explicitly developed to identify and include only those SMEs that engage in exporting or higher levels of internationalisation, such as establishing subsidiaries or joint ventures abroad. Firms solely involved in import activities without international business expansion were excluded from the study. Ninety-one responses were received, but only 51 met the population criteria.

3.3 Measures

Key variables were measured to investigate the causal configurations influencing SME internationalisation, focusing on SMEs' liabilities and firm maturity. Considering the many variables affecting the internationalisation of SMEs, an index was developed to measure internationalisation effectively. This multi-dimensional index was created because a single-item measure, such as the foreign sales/total sales ratio, does not comprehensively capture a firm's international orientation (Chelliah et al., 2010). To measure SMEs' degree of internationalisation, selected variables were incorporated into this index. Following Chelliah et al.'s (2010) study, the index includes various internationalisation variables and their weights, as detailed in Table 1. This approach provides a more complete view of a firm's international orientation.

Table 1: Weightages for Index of Internationalisation

Internationalisation Variables	Weightage (%)
Percentage of foreign sales	30
Percentage of foreign profit	30
Number of export destination countries	15

Number of overseas subsidiaries and joint ventures	15
Length of time in international business	10
Total	100%

The study assessed four types of liabilities: Liability of foreignness, liability of newness, liability of expansion, and liability of complexity. Each liability was measured using items on a five-point Likert scale, ranging from "strongly disagree" to "strongly agree." The items for liability of foreignness, liability of newness, liability of expansion, were adapted from Fornes and Cardoza's (2019) study. Meanwhile, items for liability of complexity were adapted from Fornes and Cardoza's (2019) and Zucchella and Servais's (2012) study. Refer to Appendix 1 for detailed items.

Liability of foreignness reflects the challenge of limited knowledge of external markets and was measured through questions about the SMEs' familiarity with local market conditions, consumer preferences, and regulatory environments. Liability of newness represents the challenge of unfamiliarity with foreign contexts and business practices, evaluated based on the firm's experience in international markets. Liability of expansion involves the complexities of scaling operations internationally, such as establishing and managing contacts, reliable representatives, and control systems. Liability of complexity reflects the challenges of managing diverse operations across different markets, including social differences, market knowledge and understanding, and market and customer access (Fornes & Cardoza, 2019; Zucchella & Servais, 2012). Responses showing significant difficulties in these liabilities indicated higher levels of these liabilities, with items on the Likert scale capturing the extent of agreement with statements about these challenges.

Furthermore, the years the SME had been in business was recorded as the firm's age, indicating its maturity and experience navigating domestic and foreign markets (Santoro et al., 2021). This measure aids in comprehending how firm maturity affects the capacity to control and lessen the recognised risks associated with internationalisation. Compared to younger firms, mature firms are likely to be better equipped to handle these challenges because of their established routines and accumulated experience. An understanding of how experience and maturity contribute to SMEs' high level of internationalisation can be gained from the analysis of firm age.

3.4 Fuzzy Set Analysis

The FsQCA method offers several advantages over traditional regression methods (Cangialosi, 2023, 2023; Diao & Liu, 2021; Pappas & Bley, 2023; Pappas & Woodside, 2021; Rasoolimanesh et al., 2023). Instead of focusing on individual variables as regression does, it addresses complex causality by analysing how several conditions work together to produce an outcome. Fuzzy-set scores allow FsQCA to integrate qualitative and quantitative analysis, even with smaller sample sizes. It also identifies multiple pathways (equifinality) leading to the same outcome (Pappas & Bley, 2023). It differentiates between sufficient and necessary conditions, lowering the possibility of misspecification of the model and improving compatibility by theories emphasising the interaction of various variables. By capturing qualitative and quantitative insights, this method offers a thorough grasp of complex situations that are more practical in the real world.

In contrast to conventional correlation-based quantitative techniques, the FsQCA method generates rules that summarise the effects of various combinations of causal conditions on the outcome by attempting to

identify the logical relationships between combinations of causal conditions and outcomes (Pappas & Bley, 2023). This approach addresses some limitations inherent in multiple regression analysis. While regression analysis can reveal whether a positive or negative relationship exists between variables, it often fails to capture the full spectrum of cases within a dataset, as not all instances conform to a simple positive or negative relationship between the independent and dependent variables.

In this study, FsQCA 4.1 software was utilised to perform FsQCA. The analysis followed several critical steps (Cangialosi, 2023; Pappas & Bley, 2023; Pappas & Woodside, 2021). First, descriptive statistics were used to summarise the sample characteristics and understand the distribution of key variables. Calibration was then conducted to convert raw data into fuzzy set values by establishing thresholds for each variable's full membership, the crossover point, and full non-membership. This calibration ensured that the variables were appropriately scaled for FsQCA. In this study, we calibrated max, mean, and min threshold values to calibrate the raw data into fuzzy set data.

A truth table was constructed listing all possible combinations or configurations of causal conditions (such as liabilities and firm age) and their outcome (i.e., internationalisation). This table was instrumental in identifying patterns and determining which configurations lead to high degree of internationalisation. The FsQCA method was employed to pinpoint necessary and sufficient conditions for achieving high degree of internationalisation.

A condition was deemed necessary if it was required for the outcome to occur, with consistency set at ≥ 0.90 (Pappas & Woodside, 2021). Conversely, a condition is considered sufficient if it could produce the outcome alone or in combination with other conditions. The FsQCA analysis produced three solutions: complex, parsimonious, and intermediate. The intermediate solution was selected for interpretation, as it provides a balanced and practical understanding of the causal configurations.

4.0 Results and Discussion

4.1 Descriptive analysis

Table 2: Descriptive Analysis

Conditions	Maximum	Mean	Minimum	Cronbach's Alpha
Liability of foreignness	5	4.37	2.5	0.945
Liability of Newness	5	4.38	3	0.938
Liability of Expansion	5	4.37	3	0.951
Liability of Complexity	5	4.38	3	0.969
Firm Age	42	7.3	3	
Internationalisation Index	29.3	10.9	1.5	

According to the analysis, SMEs face significant liabilities regarding internationalisation. The liabilities are scored as follows: complexity and newness liabilities have the highest mean scores (4.38), indicating that they are the most urgent issues facing SMEs. The liabilities of foreignness and expansion, which both receive 4.37, are closely behind them. The Cronbach Alpha values indicate the measurements' high reliability and internal consistency, which range from 0.945 to 0.969.

The range of firm maturities is demonstrated by the firm age, which ranges from 3 to 42 years, with a mean of 7.3 years. The internationalisation index shows significant variation in SMEs' international engagement, which ranges in value from 1.5 to 29.3. The complexity and newness liabilities, combined with the wide range of firm ages and levels of internationalisation, emphasise how complex and varied the internationalisation liabilities that SMEs face are.

4.2 Necessary Analysis

Table 3: Analysis of Necessary Conditions

	Internationalisation		~Internationalisation	
	Consistency	Coverage	Consistency	Coverage
Liability of Foreignness	0.6218	0.3917	0.7992	0.7577
~Liability of Foreignness	0.6154	0.6708	0.3584	0.5878
Liability of Newness	0.5781	0.3841	0.7657	0.7657
~Liability of Newness	0.6473	0.6473	0.3841	0.5781
Liability of Expansion	0.6154	0.4032	0.7461	0.7358
~Liability of Expansion	0.5968	0.6096	0.3949	0.6071
Liability of Complexity	0.5658	0.5746	0.5636	0.8613
~Liability of Complexity	0.8635	0.5680	0.7216	0.7144
Firm Age	0.5452	0.6822	0.4236	0.7978
~Firm Age	0.8384	0.4915	0.8312	0.7334

Note: The symbol (~) represents the negation of the characteristic.

The FsQCA analysis of necessary conditions shows that while some variables are linked to high performance—such as firm age and the absence of liabilities like foreignness, newness, and complexity—none satisfy the necessity threshold of 0.9 for consistency. The results suggest that, despite their importance, these requirements are not necessary conditions to achieve a high degree of internationalisation. Likewise, regarding the negation of high internationalisation, the existence of liabilities like foreignness, novelty, and expansion, although highly correlated with subpar performance, does not meet the strict necessity threshold. These findings imply that different combinations of requirements can lead to high degree of internationalisation. Thus, firms should adopt flexible strategies to manage internationalisation liabilities effectively.

4.3 Sufficiency Analysis

Table 4: Sufficient Configurations of Antecedent Conditions for Internationalisation

Configurations	Solutions		
	1	2	3
Liability of Foreignness	○	○	●
Liability of Newness	○	○	○
Liability of Expansion		●	●
Liability of Complexity	○		●
Firm Age	●	●	○
Consistency	0.8143	0.8760	0.8053
Raw Coverage	0.3531	0.2569	0.2682
Unique Coverage	0.1047	0.0083	0.0614
Solution coverage	0.4229		
Solution consistency	0.7526		

Notes: ● = presence of a core condition (i.e., high level); ○ = absence of a peripheral condition (i.e., low level); [] Do not Care (condition levels are irrelevant to that configuration regarding the outcome).

Table 4 shows the solutions based on intermediate solutions. The core condition appears in both the parsimonious and intermediate solutions. Core Conditions indicate that the essential factors are present and play a significant role in achieving the outcome. Peripheral conditions indicate that supportive factors enhance the likelihood of achieving the outcome. For a high degree of internationalisation to occur, solutions 1–3 reflect configurations of the presence and absence of liabilities in internationalisation and firm maturity. Firm maturity or firm age and liability of newness are core constructs, highlighting the importance of these factors.

The first solution in the analysis indicates that the absence of liabilities of foreignness, newness, and complexity, combined with the presence of firm age, significantly contributes to high degree of SME internationalisation. The liability of expansion is considered a "do not care" condition. This configuration suggests that mature firms, which do not face liabilities related to foreignness, newness, and complexity, are more likely to have a high degree of internationalisation. The absence of liabilities or low-level liabilities implies that the firm seems to have overcome these challenges over time. The results implied that firm maturity underscores the importance of experience and accumulated capabilities in navigating internationalisation challenges. Mature firms likely have robust managerial competencies, established processes, and extensive networks, enabling them to overcome complexities associated with international expansion. The findings align with the dynamic capability framework, emphasising the role of experience and evolving capabilities in sustaining competitive advantage in dynamic environments. The "do not care" condition for the liability of expansion suggests that mature firms can manage expansion effectively, possibly due to their established resources and capabilities. The findings are consistent with the previous studies (e.g., Fornes & Cardoza, 2019; Kusa et al., 2021; Zhou & Guillen, 2016; Zucchella & Servais, 2012) where liabilities significantly influence internationalisation.

The second solution involves the absence of liabilities of foreignness and newness but with the presence of the liability of expansion and firm age. In this context, the liability of complexity is a "do not care" condition. This configuration implies that mature firms, which do not face foreignness or newness liabilities but do face expansion liabilities, can still achieve high degree of internationalisation. Mature firms are better equipped to handle the scale and complexity of international expansion because of their advanced age, which highlights the value of experience and the development of dynamic capabilities. Despite facing expansion liabilities, these firms can leverage their matured capabilities, networks, and resources to maintain high degree of internationalisation. The findings align with the dynamic capability framework, emphasising the need for firms to continuously adapt and refine their capabilities to sustain competitive advantage in dynamic and complex international environments. The results are consistent with the previous studies (Fornes & Cardoza, 2019; Sardon & Da Rocha, 2023; Zhou & Guillen, 2016) where liabilities significantly influence SME internationalisation.

The third solution includes the presence of liabilities of foreignness, expansion, and complexity, alongside the absence of the liability of newness and firm age. This configuration indicates that younger firms facing liabilities of foreignness, expansion, and complexity can achieve a high degree of internationalisation, provided they have low level of liability of newness. The liability of newness, characterised by unfamiliarity with foreign contexts and business practices, is particularly detrimental to younger firms as it impedes their ability to navigate and integrate into international markets effectively. Younger firms must first overcome the liability of newness when dealing with global markets, in contrast to more established businesses that

may have a wealth of experience, knowledge and well-established operational procedures (e.g., Fornes & Cardoza, 2019; Zucchella & Servais, 2012). This insight highlights the need for younger companies to successfully navigate internationalisation by strategically mitigating the risk associated with their liability of newness through focused learning and adaptation strategies.

The combined solutions explain approximately 42.29% of the cases, indicating a moderate level of coverage. The raw solution result suggests that these configurations collectively capture a substantial portion of the successful cases. The overall solution consistency is 0.7526, reflecting a generally reliable association between these configurations and the desired outcome.

5. Conclusion

This study demonstrates that the interplay between various internationalisation liabilities (particularly liability of newness) and firm maturity plays a crucial role in achieving the degree of internationalisation among SMEs in Sabah. The findings reveal that different combinations of these conditions can facilitate a high degree of internationalisation. Specifically, the absence of liabilities such as foreignness, newness, and complexity configurations related to high degree of internationalisation. Additionally, even younger firms can achieve high degree of internationalisation by effectively managing the liability of newness despite facing other liabilities (foreignness, expansion and complexity). The results highlight the importance of understanding how specific liabilities and firm maturity influence internationalisation outcomes (Ciravegna et al., 2018; Fornes & Cardoza, 2019; Zucchella & Servais, 2012). The study provides valuable insights for SMEs on navigating global market complexities, contributing to theoretical development and practical strategies in SME internationalisation.

Our findings align with the DCF, reinforcing that firms can successfully navigate global markets by leveraging their dynamic capabilities and resources (Tallott & Hilliard, 2016; Teece, 2023). The DCF emphasises the importance of a firm's ability to integrate, build, and reconfigure internal and external competencies to adapt to rapidly changing environments, particularly in managing internationalisation liabilities such as foreignness, newness, expansion, and complexity. In addition, our research highlights the significance of firm age, demonstrating that mature firms are better equipped to strategically handle these liabilities by dynamically adjusting their operations and strategies (Galan & Torsein, 2021). This alignment with the DCF underscores how mature firms can effectively sense opportunities, seize them, and transform their capabilities to maintain a competitive edge in global markets.

Furthermore, from a methodological point of view, the study findings provide insight into the effectiveness of FsQCA in analysing complex causal relationships influencing SMS internationalisation, challenging traditional linear models by revealing that no single factor is necessary for internationalisation (Ciravegna et al., 2018). This approach highlights the importance of considering multiple, simultaneous conditions to understand SME internationalisation in global markets. By uncovering nuances that conventional quantitative methods may overlook, FsQCA offers a more comprehensive understanding of how various factors interact, providing deeper insights into the complexities and dynamics of international business environments.

In addition, the study findings highlight that the presence or absence of specific liabilities significantly impacts the degree of SME internationalisation. In line with the DCF, SMEs can recognise and leverage

their core capabilities to overcome specific internationalisation liabilities rather than attempting to address all the liabilities. The results suggest that achieving a high degree of internationalisation does not require overcoming every liability but instead strategically managing those aligned with the firm's capabilities. The results implied that mature SMEs should use their experience and dynamic capabilities to navigate challenges (Galan & Torsein, 2021; Idries et al., 2022), while younger firms should focus on addressing critical liabilities like foreignness, expansion, and complexity through strategic partnerships and targeted efforts. Eventually, both mature and younger firms will achieve the same outcome in internationalisation.

The findings suggest that policymakers should prioritise initiatives designed to enhance SMEs' capacities for managing the complexities of internationalisation. Key strategies include implementing training programs, facilitating access to financial resources, and providing robust infrastructure support, essential for helping SMEs navigate global markets and address the specific liabilities of internationalisation, including foreignness, newness, expansion, and complexity. Policymakers are encouraged to develop frameworks that mitigate these liabilities and strengthen SMEs' dynamic capabilities, improving their competitive position internationally.

Our study has several limitations. First, the sample size and scope may limit the generalisability of the results. Future research should aim to include a broader range of geographical contexts to validate and extend our findings. While FsQCA provides valuable insight into the necessary conditions, further research could incorporate complementary methods to examine other aspects of SME internationalisation, such as the role of knowledge and government support that could influence internationalisation outcomes to provide a more comprehensive understanding of the interplay between different conditions.

In conclusion, our study highlights the importance of a nuanced approach to understanding SME internationalisation. By recognising the multiple paths to success, the study provides theoretical and practical insights to help SMEs and policymakers develop more effective strategies to achieve high internationalisation in international markets. In particular, the DCF provides a solid theoretical perspective for understanding how SMEs can leverage their capabilities to adapt and thrive in the face of the liabilities of internationalisation.

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Appendix

Appendix 1: Items for Liabilities in Internationalisation

Category	Code	Item	Adapted from
Liability of foreignness	LF1	The company does not have access to the relevant information sources to identify external markets for the company's products and services.	Fornes and Cardoza (2018)
	LF2	The company does not have the relevant data to assess the possibilities that the international markets are offering.	
	LF3	The different preferences, patterns, prices, and communication with customers in international markets make operating abroad more difficult.	
	LF4	The retail price of the company's products is not adequate for the final consumers in international markets.	
Liability of Newness	LN1	The different regulations in external markets make access and operations more difficult.	Fornes and Cardoza (2018)
	LN2	The political instability in external markets is seen as a barrier to operating internationally.	
	LN3	The tariff and non-tariff barriers in overseas markets restrict international activities.	
	LN4	Exchange rate variations represent an important risk to the company's operations abroad.	
Liability of Expansion	LE1	The company has difficulties identifying and contacting potential customers in markets overseas.	Fornes and Cardoza (2018)
	LE2	It is not easy to find reliable representatives abroad.	
	LE3	It is not easy to exercise effective control over the middlemen in international markets.	
	LE4	The company finds the distribution channels complex to serve international markets.	
Liability of Complexity	LC1	The sociocultural differences (religion, values, customs, attitudes, etc.) are considered obstacles to international activities.	Fornes and Cardoza (2018)
	LC2	The differences in verbal and non-verbal language affect the activities carried out in external markets.	
	LC3	Communication difficulties affect the normal development of business abroad.	
	LC4	The lack of familiarity with commercial practices abroad affects the company's operations.	
	LC5	Differences in institutions such as laws and policies are seen as hindrances to international operations.	Zucchella and Servais (2012)
	LC6	The geographical distance presents challenges to international activities.	
	LC7	The complex nature of local demand, with its variety and constant changes, makes accessing the market harder.	
	LC8	High competition locally makes it harder to access the market.	

Surat kami : 700-KPK (PRP.UP.1/20/1)
Tarikh : 20 Januari 2023

Prof. Madya Dr. Nur Hisham Ibrahim
Rektor
Universiti Teknologi MARA
Cawangan Perak



Tuan,

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Kelulusan daripada pihak tuan dalam perkara ini amat dihargai.

Sekian, terima kasih.

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Saya yang menjalankan amanah,

Setuju.

27.1.2023

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Timbalan Ketua Pustakawan

PROF. MADYA DR. NUR HISHAM IBRAHIM
REKTOR
UNIVERSITI TEKNOLOGI MARA
CAWANGAN PERAK
KAMPUS SERI ISKANDAR

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