

Small and Medium Enterprises Internationalization and Performance in Emerging Economies: New Empirical Perspectives

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ABSTRACT

Academic and policy research on the internationalization of small and medium enterprises (SMEs) has exploded in the last two decades. Scholars have focused on the relationship between internationalization and performance from this standpoint. Despite this, little is known about the relationship between internationalization and SMEs' performance in emerging countries, and empirical evidence to support the current study is scarce. The relationship between internationalization and the success of SMEs in emerging economies is investigated in this study, which fills a gap. Using a quantitative survey methodology, data was collected from a sample of Malaysian SMEs engaged in international business via a self-administered questionnaire. The data was investigated using structural equation modelling to evaluate associative relationships between internationalization and corporate performance. The findings of this study give important empirical evidence supporting the positive impact of internationalization on the financial and non-financial performance of Malaysian SMEs. The study will surely add to the understanding of how SMEs in emerging nations are impacted by internationalization, particularly in terms of financial and non-financial performance. It has repercussions for Malaysian SMEs in the form of best practices. Managers should be aware of the barriers to internationalization as well as the importance of regularly examining various areas of SMEs' internationalization. Entrepreneurs must build not only skills, competencies, and management know-how to succeed in internationalization, but they must also be important to a company's competitive positioning in the global market. Simultaneously, it can help the government and politicians create legislation and programmes that will benefit the industry.

Keywords: *Firm Performance, Internationalization, Small and Medium Enterprises*

1.0 Introduction

During the preceding several decades, the topic of small and medium enterprises (SMEs) internationalization has been extensively researched from a range of perspectives (Handoyo et al., 2021; Idris & Saad, 2019). Furthermore, in the past, a variety of frameworks and models were established to better explain how SMEs were internationalized (Saad, 2014). On the other hand, the findings of studies on the link between internationalization and performance haven't always been constant (Hosseini et al., 2018; Idris & Saad, 2019). Moreover, theoretical constraints, such as the adoption of a single entrepreneurship theory, have warped SMEs' internationalization concepts (Handoyo et al., 2021; Saad, 2014). Small business internationalization is a complex process that cannot be fully addressed by a single entrepreneurial philosophy (Aliabadi et al., 2019). Experts have attempted to create a comprehensive framework for better understanding the internationalization of SMEs. However, before a full model of SMEs' internationalization can be established, more conceptual work is required (Saad, 2014). As a result, further research is needed to properly understand how internationalization affects performance.

Experts, on the other hand, have focused their efforts on using several theoretical techniques to better understand the nature and impact of SME internationalization. They showed that existing hypotheses are insufficient to explain this event (Buttriss & Wilkinson, 2006; Callaway, 2004). In addition, internationalization is fragmented, unequal, and lacks a clear theoretical framework, resulting in erratic growth (Coombs et al., 2009; Jones et al., 2011). Despite the study's importance as a source of information and education, previous research has cast doubt on its overall relevance due to its use of a variety of theoretical and methodological traditions. In addition, earlier research lacked a comprehensive framework that connected the internationalization-performance relationship explored by both new and established organizations (Jones et al., 2011; McDougall and Oviatt, 2000). As a result of the lack of attention dedicated to this topic, there is a significant gap in the development of a broad conceptual framework for comprehending SMEs' internationalization (Saad, 2014).

Despite progress in extending SMEs' internationalization research, significant difficulties remain unsolved as a result of research constraints or flaws (Banalieva & Sarathy, 2011; Zahra et al., 2005). In developed countries, the majority of research has focused on relatively new high-tech businesses, with little attention paid to older industries (Coviello et al., 2011; Senik et al., 2010), whereas knowledge of SMEs' internationalization in emerging economies is limited (Coviello et al., 2011; Senik et al., 2010). Furthermore, the majority of research on the link between internationalization and performance has focused on large multinational corporations, with SMEs receiving little attention (Lu & Beamish, 2006). Large corporation research findings cannot be applied to SMEs rigorously and scientifically since SMEs are not miniature duplicates of major organizations (Hosseini et al., 2018).

Researchers have become more interested in the performance results of small enterprises' internationalization in recent years (Hosseini et al., 2018; Saad, 2014). The financial status of a company's internationalization has become a topic of investigation. Return on equity (ROE), return on assets (ROA), sales growth, and debt leverage are the four financial characteristics of a new business that have been studied in the past (Lu & Beamish, 2006; Zahra, 2007). On the other hand, financial performance may not be the most important factor in determining whether a new company's sales will be internationalized. A number of these new enterprises will almost certainly expand internationally to meet a variety of strategic objectives. In several studies, SMEs' globalization has been linked to non-financial success. Internationalization was linked to market share and competitive advantage by Coviello et al. (2011), while it was linked to technological learning and the acquisition of new information by Zahra (2007). This study employed both financial and non-financial performance to obtain better results and justify the ramifications of SMEs' internationalization.

SME globalization initiatives have piqued people's interest (Abdullah and Zain, 2011; Coviello et al., 2017). While current research has focused on the process of SMEs' internationalization, the literature on SMEs' internationalization in emerging economies has yet to look into the link between internationalization and performance in this area (Chelliah et al., 2010; Saad, 2014). Malaysia has 1,151,339 small and medium-sized businesses, yet only 9.1% are involved in foreign trade (MATRADE, 2020). Because of the importance of SMEs in Malaysia and the lack of clear conclusions about the internationalization-performance link and their development, this study focuses on them to help businesses and governments establish globally competitive organizations.

2.0 Review of the Literature

2.1 Internationalization

The phrase "internationalization" appears frequently in the literature, and it is a contentious topic (Freeman et al., 2012; Saad, 2014). Internationalization, on the other hand, is not a well-defined notion that can be adequately addressed by a single theory (Coviello et al., 2017; Nummela & Welch, 2006). An

integrated approach to internationalization, according to Freeman et al. (2012), is more accurate. Internationalization, according to prominent scholars, entails three activities: first, inward and outward activities (Lu & Beamish, 2006); second, adapting the firm's operations (strategy, structure, and resources) to international environments (Johanson & Vahlne, 1990; Korsakien & Tvaronaviien, 2012) and third, achieving the firm's objectives (Lu & Beamish, 2006). The current article defines internationalization as the process by which organizations adjust their operations, strategies, structures, and resources to the new environment as they transition from operating in their home markets to operating in foreign markets, as a result the previous explanation.

From several perspectives, including marketing, strategic management, international management, and small business management, internationalization has become one of the most important challenges in international entrepreneurship study (Coombs et al., 2009; Idris et al., 2014). Its importance has grown as a result of greater globalization and hyper-competition (Matlay et al., 2006). Issues like as international decision-making and management, SMEs' performance, global expansion, and variables that encourage or prevent internationalization have been studied by both large and small firms (Chelliah et al., 2010; Lin et al., 2011).

The contribution of SMEs to economic growth (Dutz et al., 2000; Saad, 2014), as well as national well-being and international reputation, is critical for a range of countries (Pina e Cunha, 2005). Many people believe that a business's capacity to expand abroad affects its success (Kabongo and Okpara, 2019; Saad, 2014). Due to the organizations' self-interest, the sense that their position in their local market is being compromised, the economic potential of other nations, and the impact of several external events and forces, the need to internationalize has become increasingly crucial (Matlay et al., 2006). Entrepreneurs extend their enterprises overseas for a variety of reasons, according to Zahra et al. (2005), including market expansion, higher profit, and exposure to new ideas. In contrast, previous empirical research has mainly ignored these incentives, leaving a significant void in the field of internationalization research (Saad, 2014).

There is a shortage of research on the relationship between internationalization and performance in emerging markets, as well as the relationship between internationalization and performance of Malaysian SMEs, according to local academics (Saad, 2014; Senik et al., 2010). The impact of networking on the internationalization of Malaysian SMEs (Nik Abdullah & Mohd Zain, 2011), Malaysian government engagement, and business strategies are just a few of the issues that need to be addressed (Hashim, 2012). The disconnected structure of the previous study implies that the link between internationalization and performance in Malaysia is poorly understood, piquing interest in the subject.

Sullivan (1994) made a significant contribution to the growth of SMEs' internationalization by conducting a comprehensive study that is representative, diverse, and useful for the creation of meaningful internationalization measures. According to the findings, foreign sales as a percentage of overall sales have been widely utilized to assess internationalization. Contractor et al. (2003) used the eigenvector-weighted sum of foreign sales/total sales, number of foreign employees/total employees, and number of foreign offices/total offices to calculate internationalization.

Reuber and Fischer (1997) used three components to measure the internationalization of SMEs in a different study, including foreign sales as a percentage of overall sales. This is a standard, single measure of the degree of internationalization that includes the percentage of a firm's employees who spend more than half of their time on international activities to capture the structural aspects of SMEs, the degree of internationalization, and the geographic scope of the firm's sales by measuring the number of sales from different countries. As a result, the previous study has concentrated on three elements of internationalization: the extent, pace, and breadth of internationalization (Zahra & George, 2002).

2.2 Performance of the Company

Despite data that implies this relationship is non-linear, studies show that internationalization helps SMEs succeed (Jiang et al., 2020; Pangarkar & Hussain, 2013). Academics have recently become interested in the performance results of SME internationalization (Zucchella, 2021). International diversification, according to Wright et al. (2007), improves SMEs' performance independent of financial or human resource constraints. However, determining a company's performance is never simple (Paul, 2020).

2.3 Financial Performance

Prior studies looked at both the financial and non-financial aspects of the performance repercussions of internationalization. Despite the widespread use of financial performance measurements, research into the relationship between internationalization and business success has produced mixed results. There was no link between firm revenues and the degree of globalization, according to McDougall and Oviatt (1996). According to Hisrich et al. (1996), there is a weak but positive link between firm income and the degree of internationalization. Having an international entrepreneurial attitude, according to Kunday & Engüler (2015), enhanced the adoption of business-improvement projects.

Organizational performance, according to some experts, is a multi-dimensional construct (Li et al., 2009; Venkatraman and Ramanujam, 1986). Venkatraman and Ramanujam (1986) proposed that the study of firm performance includes multiple, disparate performance measures and classified firm performance into three categories: financial performance, business performance, and organizational effectiveness, due to the complexity of the multi-dimensional construct. Financial indicators used to determine a company's profitability include return on assets (ROA), return on sales (ROS), and return on equity (ROE). In market or value-based evaluations of a firm's commercial success, metrics such as market share, growth, diversification, and product development are used to evaluate financial and operational (non-financial) performance. Saad (2014) identified two types of company performance indicators in his research: those that are related to current business growth or shares, such as sales growth and market share, and those that are related to future business growth or shares, such as sales growth and market share. The second category includes the company's long-term positioning, such as new product development and diversification. Stakeholder-based traits, on the other hand, are linked to organizational effectiveness. Among them are employee satisfaction, quality, and social responsibility.

2.4 Non-Financial Performance

Because performance indicators that accurately portray a company's competitiveness must be thoroughly studied, precision and thorough performance assessment are critical for measuring a company's success or failure. For a long time, financial performance measurements such as firm revenue, market share, and return on investment have been employed in managerial decision-making, and their widespread use may encourage a focus on short-term results. In today's dynamic global competition climate, combining non-financial performance data with financial performance measurements delivers a more accurate and relevant picture of success (Li et al., 2009). Several research has backed up the use of non-financial success criteria. According to Zahra and Garvis (2000), China's worldwide competitive edge has risen dramatically as a result of the development of new technologies. Internationalization was linked to technological learning and knowledge development by Zahra (2005), while it was linked to market share by (McDougall & Oviatt, 2000).

Due to conflicting results on the financial consequences of internationalization, Zahra (2003) recommended utilizing a combination of financial and non-financial variables to quantify the performance outcomes of internationalization. As a result, this study evaluates company success using both financial and

non-financial indicators. Non-financial performance is measured by competitive capacity and technological learning, while financial performance is measured by return on equity, return on assets, return on investment, and sales growth.

3.0 Theories of Internationalization

3.1 Resource-Based Theory

The resource-based view, which emerged from the field of strategic management, focuses on the firm's long-term and one-of-a-kind, hard-to-copy attributes as sources of economic rents, basic drivers, and long-term competitive advantage required for internationalization and superior financial performance (Schmid et al., 2010). The ability of a corporation to build and defend favourable positions concerning the company's most critical resources determines its ability to obtain and maintain profitable market positions (Runyan et al., 2008). According to Korsakiene and Tvaronaviciene (2012), a company's market success is determined by its functions and environmental impact, as well as external circumstances. They maintained that internationalization's crucial resources should be valued, limited, imperfectly imitable, and irreplaceable. According to Kamakura et al. (2012), resources should also be able to communicate durability, transparency, transferability, and replicability.

While some believe the resource-based theory is suitable for understanding a firm's worldwide expansion, it is unable to explain the choice of particular entry mode methods to some extent (Ekeledo & Sivakumar, 2004). Furthermore, according to Malhotra et al., (2003), it does not appear to be capable of measuring various intangible assets.

3.2 The Eclectic Paradigm

Based on internalization theory, the eclectic paradigm theory, often known as the OLI (ownership, localization, and internalization) paradigm, defines numerous types of international production as well as country selection for foreign direct investments. According to Dunning (1988), the three categories of advantages determine the internationalization of economic activity. The first is ownership benefits (firm resources), which are a corporation's intangible assets, technological capabilities, or product inventions. Internalization advantages (relational factors) are the second type of benefit, which refers to a company's capacity to manage and coordinate operations inside the value-added chain internally. Finally, there are geographic advantages (host country variables), which refer to the institutional and productive attributes of a physical area. Tangibles and intermediary products from one country are merged with intangibles and intermediary products from another when the conditions are right.

The greater the motivation for a country's enterprises to internalize, and the more advantageous it is for these firms to leverage these advantages outside of their national borders, the more likely they are to participate in foreign direct investment, according to Dunning (1981).

This hypothesis has aided in a better understanding of internationalization's motivations. It is, however, unable to provide an integrated perspective for the explanation and prediction of entry mode choice. It has also left unresolved the question of why two companies in the same industry and with equal ownership become global. Furthermore, the eclectic paradigm hypothesis ignores the impact of the home nation as well as internal factors like a company's assets and product nature on the decision to join overseas markets (Ekeledo & Sivakumar, 2004).

4.0 Proposed Conceptual Framework

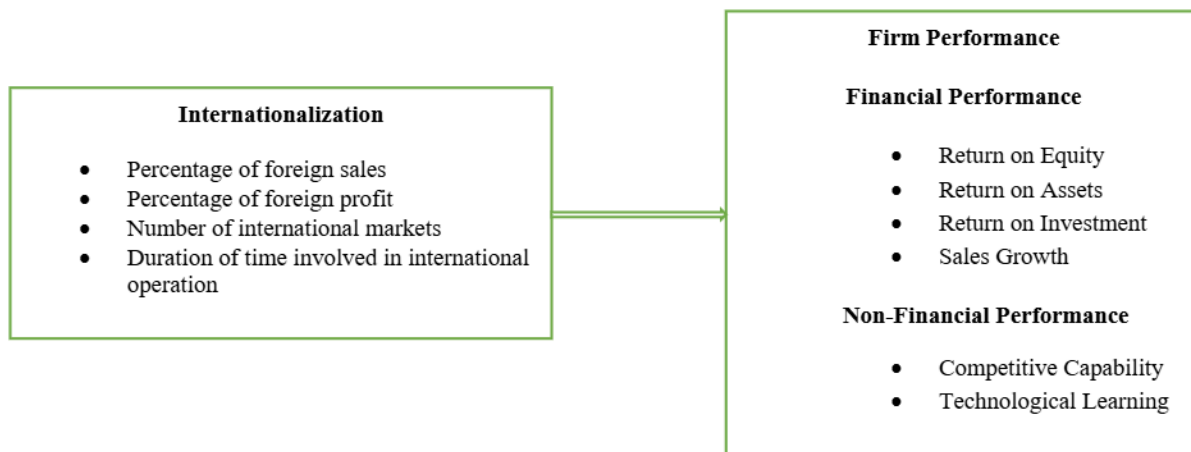
This study's proposed research model is based on a research model produced by Saad (2014). The model is based on the concept of internationalization, which includes internationalization attributes (market and time), as well as internationalization performance. The SMEs owner, CEO, or general manager must report the characteristics of the SMEs under investigation.

The proposed conceptual framework assists SMEs in their internationalization research by outlining the novel and evolving topic of internationalization, as well as its theoretical underpinnings in internationalization research. It also emphasized the importance of time as a component of internationalization, particularly in light of the growing number of enterprises that have been operating in other nations since their inception.

The proposed conceptual framework will contribute significantly to the literature and will address the need for an integrated and interdisciplinary approach to understanding Malaysian SMEs' internationalization. An integrated approach to internationalization explains it better than a single theory (Chandra & Coviello, 2010). As a result, the proposed conceptual framework integrates several previously investigated internationalization theories, such as resource-based theory and eclectic paradigm theory. It also focuses on a multidisciplinary field of studies such as international business, strategic management, and international entrepreneurship to better understand, explain, and document Malaysian SMEs' internationalization.

Furthermore, as a result of SMEs' internationalization, the proposed conceptual framework evaluates corporate success in terms of financial and non-financial performance (Saad, 2014; Zahra, 2005). It also serves as a unified framework that connects the internationalization and performance goals of both new and established businesses (McDougall & Oviatt, 2000). The research is based on the proposed conceptual framework (see Figure 1), which is shown in Figure 1.

Figure1: Proposed Conceptual Framework



Source: Developed from Saad (2014)

4.1 Development of Hypotheses

Several assertions were developed based on the literature review and related reasoning. These claims are about the relationship between internationalization and SMEs' performance when they go global. The following are the details of the several research hypotheses:

4.1.1 Internationalization's Impact on Financial Performance

The impact of a company's financial status on its internationalization is receiving more attention from researchers. They assumed that past organizational success would supply the slack resources required for global expansion (Zahra et al., 2005). Previous research looked at past returns on equity and debt leverage, two important financial indicators for a firm. According to Zahra et al. (2001), past returns on equity were not highly associated with corporate internationalization. According to Hisrich et al. (1996), financial leverage has no link with the degree of internationalization, but internationalization has a marginally significant relationship with corporate income. Furthermore, McDougall and Oviatt (2000) discovered that higher levels of internationalization (percentage of foreign sales to total venture sales) were associated with higher relative market share in a study of new venture manufacturers in the computer and communications industries in the United States with increased international operations. The percentage of overseas sales, on the other hand, had no discernable relationship with the return on investment. They also claimed that overseas operations were more expensive than planned, raising the question of whether the previous financial performance encouraged the internationalization of new businesses.

From the perspective of SMEs, Jiang et al. (2020) discovered a negative and linear link between exporting and SMEs' performance. There was also a U-shaped relationship between foreign direct investments and the performance of SMEs in terms of return on sales and return on assets. Among other things, Lu and Beamish (2006) discovered an inverted U-shaped relationship between the degree of internationalization and return on sales in Taiwanese SMEs. As a result, the current research proposes the following hypothesis:

H1: SME financial performance improves as a result of internationalization.

4.1.2 Internationalization's Impact on Non-Financial Performance

Prior research looked at both the financial and non-financial components of internationalization's performance consequences. Despite the growing use of financial performance measurements, empirical research on the link between internationalization and firm performance has shown mixed results. According to Hisrich et al. (1996), there is a small but favorable relationship between corporate revenue and the degree of globalization. According to McDougall et al. (1994), there is no link between internationalization and a company's return on investment. According to Oviatt and McDougall (2005), having an international entrepreneurial mindset facilitated the implementation of projects that enhanced business performance. The most recent study by Battaglia and Neirotti (2020) concluded that there is a significant relationship between internationalization and firm performance.

Zahra (2005) urged that the performance outcomes of internationalization be quantified using a combination of financial and non-financial measures due to inconsistent results on the financial effects of internationalization. Zahra and Garvis (2000) looked into the effects of internationalization on technological learning and knowledge acquisition, whereas Oviatt and McDougall (2005) looked into the link between internationalization and market share. The following hypothesis was reached based on previous research findings:

H2: Internationalization has a positive impact on the non-financial performance of SMEs.

5.0 Methodology of Study

This study uses a quantitative survey methodology to collect data from a sample of Malaysian SMEs involved in internationalization via self-administered survey questionnaires. The sampling frame of the present study is derived from the directories of SME Corp and MATRADE. The owners or highest-ranking officers of Malaysian SMEs were the major informants in this study since they were thought to be the most knowledgeable about their firms' characteristics, management style, foreign operations, and performance (Roth & O'Donnell, 1996). The sampling approach is probabilistic sampling. In this study,

1,200 SMEs were chosen as the sample. The sample was suitable to conduct Structural Equation Modeling for this study since 237 complete questionnaires were obtained, yielding a satisfactory effective response rate of 20%. (Hair et al., 2006).

Two statistical techniques were employed to examine the data after initial data screening for missing data, outliers, and normalcy. To evaluate preliminary data and provide descriptive analyses of the study, such as means, standard deviations, and frequencies, the Statistical Package for the Social Sciences (SPSS) was utilized. The measurement models for the study's key constructs were estimated using Covariance Based Structural Equation Modelling (CB-SEM using AMOS 18). The Proposed Research Model in Figure 1 incorporates latent components measured by several indicators, Structural Equation Modelling (AMOS 18) was used. As a result, both interdependence and dependency methodologies are required by the Model. When compared to traditional regression and causal path investigations, structural equation modeling offers two advantages. First, the approach allows for individual and simultaneous testing of complex multidimensional interactions, and second, it estimates structural links between constructs that are error-free.

6.0 Results of Data Analysis

To determine the overall background of the respondents in this study, a descriptive analysis was conducted. 60.3 percent of the 237 SMEs in the survey are Bumiputera, while 39.7% are non-Bumiputera. Sole proprietorships account for 12.2% of the respondents, while partnerships and private limited companies account for 11.4 percent and 76.4 percent, respectively.

Further investigation finds that 41.4 percent of the 237 respondents worked in manufacturing, 35.4 percent in services, and 23.2 percent worked directly in agricultural companies. Due to the concentration of SMEs in economically established and government-supported locations, specific industry sectors were overrepresented.

In terms of a period of internationalization, nearly half of SMEs (49.8%) had been involved in foreign activities for 1 to 5 years, and 26.2 percent had been active in international operations for 6 to 10 years. As a result, the majority of the SMEs in this study are in the early stages of international business, with limited foreign functions and low modes of entrance such as imports and exports.

Table 1: Respondent Profiles

Business Status		
Business Status	Frequency	Percentage (%)
Bumiputera	143	60.3
Non-Bumiputera	94	39.7
Form of Ownership Status		
Ownership Status	Frequency	Percentage (%)
Sole-Proprietorship	29	12.2
Partnership	27	11.4
Private Limited Company	181	76.4
Business Sector		
Sector	Frequency	Percentage (%)
Manufacturing	98	41.4
Services	84	35.4
Agriculture	55	23.2
Duration of Time Company Experience in International Operations		
Period	Frequency	Percentage (%)

1-5 Years	118	49.8
6-10 Years	62	26.2
11-15 Years	15	6.3
16-20 Years	14	5.9
More than 20 Years	28	11.8
Total	237	100.0

6.1 Assessment of Reliability

This study's final items of independent and dependent variables were subjected to reliability analysis. The outcomes are summarized in Table 2 below. Each of the dependability coefficients has a range of 0.823 to 0.954, which is consistent with Nunnally's (1978) minimum acceptable threshold of 0.70.

Table 2: Reliability Analysis Results

Variable of Items	Number of Items	Cronbach Alpha	Items Deleted
Internationalization	4	0.823	0
Financial Performance	3	0.926	0
Non-Financial Performance	7	0.954	0

6.2 Considering the Model's Fit

Many goodness-of-fit indices have been developed by academics to assess a model's fit to observed data (Arbuckle and Wothke, 1999), but there is no consensus among researchers on a single index or a composite of indices as a universal measure of model fit (Maruyama, 1998). Hair et al. (2006) advised using at least three fit indices, one for each of the three types of model fit: absolute, incremental, and parsimonious, to reflect varied criteria and give the best overall image of model fit.

The indices provided by the path diagram of the predicted entire structural model were within the acceptable recommended value. RMSEA = 0.053, CFI = 0.947, CMIN/DF = 1.672, and CFI = 0.947. As a result, it may be stated that the proposed model fits quite well.

6.3 Testing Hypotheses

Given an appropriate model fit, testing the model predicted relationships entails evaluating each of the model path coefficients for significance. The null hypothesis says that the path coefficient is equal to zero and is tested for statistical significance, similar to regression. If the path coefficient is statistically significant, the predicted relationship theorized is supported.

The hypotheses are tested using the results of the structural coefficients shown in Figure 3. For each hypothesized path, Table 3 summarizes the parameter estimates, standard error, critical ratio, and p-value.

Table 3: Regression Weights

Hypothesis	Path	Estimate	S.E	C.R	P
H1	INT ---> FP	0.377	0.132	2.865	0.004
H2	INT ---> NFP	0.165	0.077	2.127	0.033

6.4 Internationalization's Impact on Firm Performance

H1: Internationalization improves a company's financial performance.

The link between internationalization and firm financial performance has an estimated value of 0.377 and a critical ratio of 2.865, both of which are significant at the p0.01 level (two-tailed). This suggests that internationalization has a major beneficial impact on a company's bottom line. As a result, H1 is supported in this research.

H2: Firm non-financial success is favourably related to internationalization.

The relationship between internationalization and the non-financial performance of firms has an estimated value of 0.165 and a critical ratio of 2.127, both of which are significant at the 0.05 level (two-tailed). This suggests that internationalization has a strong beneficial impact on a company's non-financial performance. As a result, H2 is backed up in this investigation.

7.0 Findings of the Study

This study created and empirically validated a model that helps SMEs in Malaysia better understand internationalization and performance. There are few kinds of research that have looked into the relationship between internationalization and company performance, but the results have been inconclusive and conflicting (Zahra and George, 2002). Internationalization has a considerable positive link with firm financial and non-financial performance, according to the findings of this study. In addition, it was discovered that foreign sales and profit made a higher contribution to the internationalization. The findings are in line with prior research by Baird et al. (1994), which found that internationalization has a favorable impact on small firm success. They advised that SMEs might boost their return on sales (ROS) by exporting their existing products, either on their own or through international collaborations. The current research backs up Burpitt and Rondinelli's (2000) findings, which claim that financial success allows for aggressive internationalization measures. This research backs up the findings of Contractor et al. (2003), who discovered a link between internationalization and performance.

SMEs that have internationalized their operations, according to a previous study, can improve knowledge and technical skills, diversify resources, and promote development, growth, and success (Chelliah et al., 2010). As a result, there is conclusive evidence that internationalization and financial and non-financial performance are associated. Overall, the findings of the study imply that internationalization improves SMEs' financial and non-financial performance. As a result of these findings, SMEs in Malaysia should consider expanding internationally, as improved revenues and a better reputation in overseas markets are considered positive effects.

8.0 Conclusion

Internationalization is an important issue for both new and established firms since it helps them to enter new markets. The purpose of this research was to develop a theoretical framework for examining the relationship between SMEs' internationalization and performance in Malaysia. Internationalization increases the financial and non-financial performance of SMEs. As a result, Malaysian SMEs should think about growing internationally, as increased revenues and a better global reputation are both desirable outcomes.

Small firms should be encouraged to develop internationally because it increases income and expands their market. They should work with other SMEs to help them recognize their unique skills and

search out international market opportunities that would benefit Malaysian businesses. Motivational and self-assessment programs must be promoted because they may have an impact on a company's internationalization efforts.

Another important lesson for practitioners is that entrepreneurs must be aware of the challenges of internationalization as well as the need to assess various areas of SMEs' internationalization frequently. Entrepreneurs must build not only skills, competencies, and management know-how to succeed in internationalization, but they must also be important to a company's competitive positioning in the global market.

Small and medium businesses are often recognized as the most important sources of employment and capital, as well as the competitiveness backbone. As a result, Malaysia's government must seek to create an economic and regulatory climate that encourages the growth of globally competitive SMEs and start-ups.

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