

## The role of context in SME internationalization - a review

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**Table 1. List of Academic Journals Included in the Review.**

<b>Entrepreneurship &amp; Small Business Management</b>	<b>IB &amp; Area Studies</b>	<b>International Marketing</b>	<b>Strategy</b>
<i>Entrepreneurship and Regional Development</i>	<i>African Affairs</i>	<i>Journal of International Marketing</i>	<i>Business Strategy and the Environment</i>
<i>Entrepreneurship, Theory and Practice</i>	<i>Asia Pacific Journal of Management</i>		<i>Global Strategy Journal</i>
<i>Family Business Review</i>	<i>International Business Review</i>		<i>Long Range Planning</i>
<i>International Small Business Journal</i>	<i>Journal of International Business Studies</i>		<i>Strategic Management Journal</i>
<i>Journal of Business Venturing</i>	<i>Journal of International Management</i>		<i>Strategic Organization</i>
<i>Journal of Small Business Management</i>	<i>Journal of World Business</i>		
<i>Small Business Economics</i>	<i>Management International Review</i>		
<i>Strategic Entrepreneurship Journal</i>	<i>Management and Organization Review</i>		

**Table 2. Article Distribution across Academic Journals.**

	Theoretical	Methodology			Total
		Empirical			No.
		Quantitative	Qualitative	Multiple	
<i>African Affairs</i>	0	0	0	0	0
<i>Asia Pacific Journal of Management</i>	1	4	1	1	7
<i>Business Strategy and the Environment</i>	0	1	0	1	2
<i>Entrepreneurship and Regional Development</i>	3	6	3	1	13
<i>Entrepreneurship, Theory and Practice</i>	3	6	2	0	11
<i>Family Business Review</i>	0	1	0	0	1
<i>Global Strategy Journal</i>	2	3	0	0	5
<i>International Business Review</i>	6	49	30	7	92
<i>International Small Business Journal</i>	3	31	7	1	42
<i>Journal of Business Venturing</i>	6	5	1	0	12
<i>Journal of International Business Studies</i>	3	5	1	0	9
<i>Journal of International Management</i>	1	3	1	0	5
<i>Journal of International Marketing</i>	1	5	6	1	13
<i>Journal of Small Business Management</i>	0	19	4	1	24
<i>Journal of World Business</i>	3	18	5	2	28
<i>Long Range Planning</i>	0	1	3	1	5
<i>Management International Review</i>	4	13	7	2	26
<i>Management and Organization Review</i>	0	0	2	0	2
<i>Small Business Economics</i>	3	26	1	2	32
<i>Strategic Entrepreneurship Journal</i>	1	2	0	0	3
<i>Strategic Management Journal</i>	0	1	0	0	1
<i>Strategic Organization</i>	0	0	0	0	0
<b>Total</b>	40	199	74	20	333

**Table 3. Home Countries Most Frequently Represented in Sampled Articles.**

<b>Country</b>	<b>No of articles examining</b>
China	34
Spain	29
UK	26
Italy	23
Sweden	21
US	18
Finland	14
Australia	14
India	13
New Zealand	12
Germany	11
France	10
Canada	8
Greece	8

**Table 4. Countries Examined According to UN Classification\***

	<b>IB and Area Studies</b>	<b>Entrepreneurship</b>	<b>International Marketing</b>	<b>Strategy</b>	<b>TOTAL</b>
<b>High-income</b>	139	103	11	9	262
<b>Upper middle income</b>	29	24	5	3	61**
<b>Lower middle income</b>	11	8	1	2	22***
<b>Low-income</b>	2	2	0	0	4
<b>Multiple</b>	13	12	0	0	25

\*[https://www.un.org/en/development/desa/policy/wesp/wesp\\_current/2014wesp\\_country\\_classification.pdf](https://www.un.org/en/development/desa/policy/wesp/wesp_current/2014wesp_country_classification.pdf)

\*\* 34 articles in this group were about China

\*\*\* 13 articles in this group were about India

**Table 5. Key Findings from the Literature and Theoretical Implications**

<b>Macro-level of context</b>	<b>Aspect of context</b>	<b>Theoretical implications</b> NB. While not listed separately, considerations raised by the RBV and resource-dependency theory (resource needs, SME capabilities), and by TCE (costs of governing SME interactions with context, including risk reduction) furnish a rationale for many of the theoretical propositions set out below regarding contextual effects on SMEI
	<b>Institutions and Quasi-institutions</b>	<b>Institutional theory</b>
	<b>Home country</b> <ul style="list-style-type: none"><li>• Home country institutions can assist SME internationalization [SMEI] - e.g. via funding and information [Catanzaro et al., JSBM, 2019], provision of international legitimacy [Nasra and Dacin, ETP, 2010], internationally experienced industry associations [Narooz and Child, IBR, 2017; Felzensztein et al., JSBM, 2019].</li><li>• Institutional network relationships have a positive effect on the internationalization process [Oparaocha, IBR, 2015].</li><li>• National and international institutional pressures influence international market orientation [Williams and Spielmann, IBR, 2019]</li></ul>	<b><i>Home country institutions have both direct and indirect influence on propensity for SME internationalization [SMEI]</i></b>  <i>Direct effects</i> <ul style="list-style-type: none"><li>• Home country institutions support SMEI through provision of resources, information, network connections</li><li>• High state involvement in business can hinder SMEI</li></ul>
	<ul style="list-style-type: none"><li>• Home country institutional voids can stimulate compensatory behaviour (e.g. entrepreneurial learning [Adomako et al. JIMgmt, 2019]; and capability development [Autio et al. ETP, 2011]).</li><li>• Responses to domestic institutional voids of SMEs seeking to export are culturally contingent [Narooz and Child, IBR 2017]</li></ul>	<i>Indirect effects:</i> <ul style="list-style-type: none"><li>• Home country institutions can foster international market orientations</li><li>• Home country institutional voids stimulate compensatory actions supporting SMEI</li></ul>
	<ul style="list-style-type: none"><li>• Resourcing decisions for exporting are contingent upon entrepreneurial perceptions of the home institutional context.</li><li>• Formal and informal institutional dimensions affect SMEs' export activity significantly, but differently [Manolopoulos et al. IBR, 2018; Onuklu et al. JIMkt, 2021]</li></ul>	<i>Interactions:</i> <ul style="list-style-type: none"><li>• With entrepreneurial perceptions of institutional contexts</li><li>• With domestic cultural norms - institutional effects are moderated by culturally informed means of developing social capital.</li></ul>
	<ul style="list-style-type: none"><li>• In countries like China with high state involvement in business and preference for large SOEs, institutional barriers can hinder SMEI [Cardoza and Fornes APJM, 2011]</li></ul>	
	<b>Host country</b>	
	<ul style="list-style-type: none"><li>• Attributes of the foreign institutional environment – especially the socio-cultural environment - explain managerial use of secrecy among biotech SMEs [Delerue and Lejeune, JIM, 2011]</li></ul>	
	<ul style="list-style-type: none"><li>• Host county institutional environment (especially distance from home environment) influences market entry mode [Del Bosco and Bettinelli MIR, 2020]. Effect of distance also depends on type of perceived distance (economic/industrial policy or cultural) [Lo et al, MIR 2016]</li></ul>	

	<ul style="list-style-type: none"> <li>• SMEs adopt different modes of coping with host country institutional and cultural distance [Puthusserry et al., MIR, 2014]</li> <li>• The contribution made by different SME capabilities (marketing, technological) to internationalization depends on host country institutional context (rule of law, self-expression values) [Eisend, Evanschitzky and Calantone JIMkt, 2016]</li> </ul>	<p><b>Host country institutions and modes of SMEI</b></p> <p><i>Direct effects:</i></p> <ul style="list-style-type: none"> <li>• On market entry mode and coping mechanisms</li> </ul> <p><i>Interactions:</i></p> <ul style="list-style-type: none"> <li>• Impact of host country institutional features is a function of on the level of risk they pose to SMEs and their capabilities to cope with it.</li> </ul> <p><i>Overall: The influence of institutions on SMEI is conditional on SME' resource dependencies/needs and on entrepreneurial interpretations of action possibilities in specific cultural contexts.</i></p>
	<b>National culture</b>	<b>Cultural perspective</b>
	<ul style="list-style-type: none"> <li>• National culture impacts the SMEI decision-making process [Dimitratos et al. JWB, 2011]</li> <li>• Shared ethnicity reduces cultural friction in SMEI [Li et al., JWB, 2019]</li> <li>• Shared religion reduces cultural distance and (in the case of Islam) assists foreign market penetration [Richardson, JWB, 2014; Kurt et al., JWB, 2020]</li> <li>• Internationalization policies vary according to host country cultural context - e.g., use of secrecy to protect IP [Delerue and Lejeune, JIM, 2011]; methods of settling export disputes [Amoako and Lyon, ISBJ, 2014]; proactive use of technological knowledge and networks is greater when SMEs enter culturally non-proximate markets [Freeman et al., MIR, 2012]</li> <li>• Different socio-cultural factors within home country impact transnational entrepreneurship (e.g. attitudes) and transnational activities (implementation) [Urbano et al., ISBJ, 2011]</li> <li>• Psychic distance: PD has varying impacts [Assadinia et al. ISBJ, 2019] – PD at country and business levels has differential impact on different phases of SMEI [Safari and Chetty, IMR, 2019]; SMEs adopt different modes of coping with it, including learning and reliance on trading partners [Puthusserry et al., MIR, 2014]; its influence can be overridden by institutional factors [Yan et al., IBR, 2020]</li> <li>• Relational bilateral (exporter/distributor) norms help protect exporting SMEs in contexts with psychic distance and competitive intensity [Obadia, Vida, &amp; Pla-Barber JIMark, 2017]</li> </ul>	<p><i>Home country culture:</i></p> <ul style="list-style-type: none"> <li>• Influences international entrepreneurship orientation and practices</li> </ul> <p><i>Host country culture:</i></p> <ul style="list-style-type: none"> <li>• Influences SMEI practices, especially to reduce risk and compensate for cultural unfamiliarity</li> </ul> <p><i>Cultural distance:</i></p> <ul style="list-style-type: none"> <li>• Tends to create uncertainty for internationalizing SMEs but its effect can be mitigated by shared social identity, institutional safeguards, and coping modes</li> </ul>
	<b>Economic context</b>	
	<ul style="list-style-type: none"> <li>• Home country level of development influences SME internationalization business models, especially their reliance on innovation [Child et al., JWB, 2017].</li> <li>• SME exporting aided by (1) high domestic employment, investment in product improvement and sourcing from abroad [Ottaviano and Martincus, SBE, 2011]; (2) investment in domestic transport infrastructure [Albarran et. al., SBE, 2013];</li> </ul>	<p><i>Home country economic strength and level of development provide support for SMEI, especially for innovation-led internationalization</i></p>

	(3) financial support [Catanzaro et al., JSBM, 2019]; (4) exchange rate depreciation (in case of Pakistan manufacturing SMEs) [Rashid and Waqar, SBE, 2017]	
	<ul style="list-style-type: none"> <li>• Lack of finance for FDI hinders small firms' international development [De Maeseneire and Claeys, IBR, 2012]</li> </ul>	
	<b>Political Context</b>	
	<ul style="list-style-type: none"> <li>• Political connections can moderate impact of domestic institutional impediments on SMEI from developing economies [Adomako et al., IBR, 2020]</li> </ul>	Limited evidence on relevance of the political perspective, but indications that:
	<ul style="list-style-type: none"> <li>• Higher politicization and international hostility diminish the effects of International Entrepreneurial Orientation on international performance [Thanos et al., ISBJ, 2017]</li> </ul>	<ul style="list-style-type: none"> <li>• Political connections can facilitate SMEI (see also networking theory)</li> <li>• Political risk is an impediment to SMEI</li> </ul>
	<ul style="list-style-type: none"> <li>• Favourable socio-political environment supports international VC investment once effects of legal variations are controlled for [Bonini and Alkan, SBE, 2012]</li> </ul>	<i>The close link between institutions, politics and networking calls for an integration of these theoretical perspectives as applied to SMEI.</i>
	<b>Industry</b>	<b>Industry-based view</b>
	<ul style="list-style-type: none"> <li>• Industry shapes SMEI business models due to the institutional (especially regulatory), technological, and social systems it denotes [Child et al., JWB, 2017].</li> </ul>	Industry as an institutionalized social-technical system is a significant contextual referent for SMEI.
	<ul style="list-style-type: none"> <li>• Industry conditions can promote SMEI - industry dynamism drives the speed of the internationalization [Qian et al., MIR, 2018]; pioneering internationalizing SMEs act as reference competitors for other firms in same industry [Odlin, JWB, 2019].</li> </ul>	Informing theories are: <i>Institutional theory</i> : industry identifies markets and regulatory regimes relevant to SMEI <i>Networking theory</i> : industry identifies scope of significant socio-commercial networks relevant to SMEI <i>Technological implications theory</i> : industry identifies dominant technologies, key knowledge bases, and role of innovation
	<ul style="list-style-type: none"> <li>• Need for IP protection is key for SMEs in knowledge-based industries like biotech – use of secrecy as protection varies by home country institutional (cultural) context, with implications for IP policies in foreign environments [Delerue and Lejeune, JIM, 2011]</li> </ul>	
<b>Meso-level of context</b>	<b>Networks/ boundary-spanning/collaboration</b>	<b>Networking perspective</b>
	<p>Different forms of networking can assist exporting and SMEI. E.g. belonging to business groups [Tajeddin and Carney, ETP, 2019] and inter-organizational networks increases export intensity [Stoian et al. JSBM, 2017]. More specifically:</p> <ul style="list-style-type: none"> <li>• Investment in business relationships can help overcome institutional impediments and improve SMEI performance [Jonsson and Lindbergh, IBR, 2010].</li> <li>• Boundary-spanning through alliances by resource-poor small firms is a way of achieving innovation and internationalization [Goerzen, JIM, 2018].</li> <li>• Network relationships with tourists help promote exporting by Italian wine-producing SMEs [Francioni et al., IBR, 2017].</li> </ul>	<p><i>(It is important to distinguish between networking theory and theories of networks)</i></p> <p>Networking assists SMEI through:</p> <ul style="list-style-type: none"> <li>• Providing relevant market knowledge and other resources</li> </ul>



	<ul style="list-style-type: none"> <li>• [Chinese] returnees' international experience and contacts assist SMEI [Bai et al., IBR, 2017].</li> <li>• Access to local network resources via industry associations predicts export propensity [Boehe, JSBM, 2013].</li> <li>• Network spread: The greater the number of networks utilized the more are entrepreneurs likely to target diverse world regions [Felzensztein et al., JSBM, 2015].</li> <li>• Family ownership negatively moderates relationship between networking (inter-organizational and interpersonal) and SMEs' international success [Eberhard &amp; Craig, JWB, 2013]</li> </ul>	<ul style="list-style-type: none"> <li>• Stimulating innovation by providing access to relevant technical knowledge and market outlets for innovation</li> <li>• Providing legitimacy – offsetting liability of smallness and of origin</li> <li>• Overcoming institutional and political impediments</li> <li>• Promoting foreign sales</li> </ul>
	<p>Forms of networking assistance to SMEI:</p> <ul style="list-style-type: none"> <li>• Network development increases foreign market knowledge [Tolstoy, ERD, 2010; Stoian et al. JSBM, 2017].</li> <li>• Different aspects of networking can increase speed of SMEI, while network building is associated with initial entry speed and international scope speed [Musteen et al., JWB, 2010].</li> </ul>	<p><b><i>Need to distinguish different forms of networking (intensity, durability, formality, functionality); also between networking and collaboration</i></b></p> <p>Collaborations can assist SMEI to exploit knowledge and other resources acquired, also to benefit from scale effects through specialization, subject to the benefit of managerial experience and firm capabilities</p>
	<ul style="list-style-type: none"> <li>• Contribution of social capital, and of its constituent dimensions to SMEI varies at different points in the SMEI process [Lindstrand et al., IBR, 2011; Puthusserry et al., GSJ, 2020].</li> </ul>	
	<ul style="list-style-type: none"> <li>• Closed nature of foreign networks (e.g., Russia) can impede SMEI [Berger et al, MIR, 2017].</li> </ul>	<p>Different network connections (forms of social capital) assist different phases of SMEI</p>
	<p>Collaboration:</p> <ul style="list-style-type: none"> <li>• SME collaboration with external organizations, characteristics of collaboration (e.g. intensity), and social capital support can all assist SMEI and its success, subject to moderators (esp. firm level) [Zahoor et al., 2020]</li> <li>• Domestic collaboration helps exports [St. Pierre et al., JSBM, 2018]. Alliances with non-competitors help internationalization, but alliances with competitors impede it [Nakos et al., SEJ, 2014].</li> <li>• Ties with MNEs: (1) People (interpersonal diaspora ties) within pipelines (interorganizational MNE ties) help emerging economy INVs to gain legitimacy for internationalization [Prashantham et. al., MOR, 2019]; (2) Building ties with MNEs is necessary but not sufficient for new ventures to internationalize; they require managerial action to exploit the knowledge acquired [Prashantham and Dhanaraj, APJM, 2015].</li> </ul>	<p><b><i>Interactions affecting SMEI:</i></b></p> <ul style="list-style-type: none"> <li>• Benefit of network ties increases with quality of social capital</li> <li>• Benefit of collaborations increases with managerial pro-activeness</li> <li>• Family ownership tends to negatively moderate relationship between networking and SMEs' international success</li> </ul>
	<b>Ownership/Family Firms</b>	<b>Family ownership perspective</b>
	<p>The relationship of SME family ownership [FO] and internationalization varies from positive to negative depending on the level of family influence on strategic decisions and presence of mediating/moderating factors. Some of these factors lead FO to encourage internationalization while others lead FO to discourage internationalization</p> <p>Positive effect of FO on internationalization is facilitated/supported by:</p> <ul style="list-style-type: none"> <li>• internal social capital of family relationships (Turkish SMEs) [Tasavori et al., ISBJ, 2018]</li> </ul> <p>Negative effect of FO on internationalization is encouraged by:</p>	<p><b><i>(It is important to distinguish between family ownership and entrepreneurial ownership. The former tends to be associated with traditional SMEs while the latter is associated with INVs and BGs)</i></b></p> <p>Arguments regarding effects of family ownership on SMEI conflict between (1) positive – e.g. social capital and (2) negative – e.g. risk aversion</p>

	<ul style="list-style-type: none"> <li>• family firm risk aversion [Zaefarian et al., IBR, 2016]</li> <li>• autocratic and paternalistic family firm culture [Eberhard &amp; Craig, 2013]</li> <li>• high internal (organizational) financial slack, high home country capital availability and low host country capital availability (sample not confined to SMEs) [Xu and Hitt, 2020].</li> </ul> <p>International entrepreneurship is maximized when family ownership stands at moderate levels (US family firms) [Sciascia et al., SBE, 2012].</p> <p>Effects of family ownership on internationalization are mediated/moderated positively by governance capability [Tasavori et al., ISBJ, 2018]; by institutional ownership [Chen et al., JSBM, 2014]; presence of non-family managers [Alayo et al., IBR, 2019], and negatively by paternalistic family firm culture [Eberhard &amp; Craig, JWB, 2013].</p> <p>Family ownership impacts entry mode decisions [Pongelli et al. SBE, 2016].</p>	<p>Moderating factors include:</p> <ul style="list-style-type: none"> <li>• governance and strategic capability – this can be enhanced by presence of non-family managers</li> <li>• negative effect of paternalistic family firm culture</li> </ul>
	<b>Size of Firm</b>	
	<ul style="list-style-type: none"> <li>• As SME size increases, so formal interpersonal network links (e.g. with accountants) become more important for assisting internationalization than informal ones (e.g. family) [Idris and Saridakis, IBR, 2018].</li> </ul>	<p>Despite the argument that internationalization of SMEs differs from that of larger MNEs, there is insufficient evidence to show clear scale effects within the size range of SMEs.</p>
	<ul style="list-style-type: none"> <li>• Globally integrated small firms do not differ markedly from larger firms in the nature of their international relationships [Kalantaridis and Vassilev, JSBM, 2011].</li> </ul>	
	<ul style="list-style-type: none"> <li>• Firm size affects innovation in internationalization, larger firms are more inclined to pursue product rather than process innovations [Golovko and Valentini, GSJ, 2014].</li> </ul>	
	<b>Temporal Context (Organizational learning and phases of internationalization)</b>	<b>Organizational learning theory</b>
	<p>Relevance of phase of internationalization:</p> <ul style="list-style-type: none"> <li>• Progression of SMEI is a learning process, including learning about context. Learning comes from (1) experience including success and failure and (2) from and with network partners [Lee et al., 2020]</li> <li>• Higher firm mortality at early period of internationalization [Puig et al., ISBJ, 2018]</li> <li>• Perceived barriers to exporting vary at different points in their internationalization [Uner et al., IBR, 2013]</li> <li>• Early internationalization may offset liability of ethnicity of immigrant-started new ventures [Jiang et al., IBR, 2016].</li> <li>• Psychic Distance at country and business levels has differential impact at different periods of SMEI [Safari and Chetty, IMR, 2019]</li> <li>• Contribution of social capital, and of its constituent dimensions, to SMEI varies at different points in the SMEI process [Lindstrand et al., IBR, 2011; Puthusserry et al., GSJ, 2020].</li> </ul>	<p>The SMEI process is one of learning and knowledge accumulation</p> <p>The firm's ability to learn has implications for external support required at different phases of SMEI</p>
	<b>Technological Context</b>	<b>Technological implications theory</b>
	<p>Positive effects of (new) technology on SMEI:</p> <ul style="list-style-type: none"> <li>• Platform and web capabilities enhance SME export marketing and performance [Gabrielsson and Gabrielsson, IBR, 2011; Jean &amp; Kim, JIM, 2020]</li> <li>• Digital technology helps internationalization of women owned SMEs [Pergelova et al., JSBM, 2019]</li> <li>• Shared technological knowledge allows rapid transfer and development of new knowledge and the drive to commercialize a product before a competitor; this speeds internationalization [Freeman et al., IBR, 2010]</li> </ul>	<p>Technological capabilities facilitate SMEI - via innovation and via ICT assistance for new market access</p>

	But: Digital platform risk reduces scope of SMEI because it increases transaction costs [Jean et al., JWB, 2020]	
	<b>Home-host country distance/similarity (see also entries under “institutions: host country” and “national culture”)</b>	<b>For relevance also see entries under other sections</b>
	<p>Distance and ownership mode:</p> <ul style="list-style-type: none"> <li>• Cultural, geographic, and institutional distance affect the choice of ownership mode of SME foreign subsidiaries in different ways, and family control moderates the relationship between distance and foreign ownership mode [Del Bosco &amp; Bettinelli, MIR, 2020]</li> <li>• Perceived differences in the macro-economic and industrial-policy environment of a host country encourage new market entry via wholly-owned subsidiaries; perceived socio-cultural difference in a host country encourages entry via JVs [Lo et al., MIR, 2016]</li> </ul>	<p><b>TCE perspective:</b> Home-host country distance/dissonance effects on SMEI imply greater need for control and hence higher transaction costs</p>
	<p>Distance, strategy &amp; international performance:</p> <ul style="list-style-type: none"> <li>• Host-home country similarity has a positive impact on an SME's international performance when the firm adopts an exploitation strategy. Conversely, host-home country similarity has a negative impact on an SME's international performance when it adopts an exploration strategy [Cui, Walsh, &amp; Zou JIMark, 2014]</li> </ul>	