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THE IMPORTANCE OF MULTINATIONAL COMPANIES (MNCs) AND SMALL AND MEDIUM SIZED ENTERPRISES' (SMEs') INTERNATIONALIZATION AS BUSINESS DRIVERS IN GLOBALIZATION AND SLOWBALIZATION: MUTUAL SURVIVAL AND GROWTH FOR BUSINESS VALUES

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Abstract: *This paper analyzes and describes the possibilities of business internationalization for both MNCs and SMEs to survive from competition, risks, restrictions and market tights for business values. The results and analysis demonstrated that Small and Medium Sized Enterprises (SMEs) may use some models to internationalize their product, operations or services. Multinational companies (MNCs) that wish to leave markets tights should take into consideration the importance of location for them once they are determined that they have a strong ownership to compete with in foreign markets. Multinational companies may purchase SMEs in their locations to transform them to some of their subsidiaries and help them survive or merge them to their system. SMEs may grow by going for the internationalization process choosing the chosen suitable entry mode such as FDI in case the three conditions of the OLI model Ownership, location and internalization by Dunning (1988) are fulfilled. SMEs may merge with MNCs in their locations but they should not compete with them to avoid major losses. SMEs may follow the UPPSALA model (1977) and its four stages for their internationalization process. Furthermore, SMEs may choose any of the four Bartlett and Ghoshal's strategies and typology for internationalization to become multinational, global, international or transnational if their internal and external budgets afford them for that. In conclusion, SMEs are considered driving companies for local economies in the EU and other economies with their rising numbers, they may remain domestic or grow through the process of export, import, outsourcing, licensing or franchising especially if they are innovative, they may follow the suitable internationalization entry mode in globalization. MNCs and SMEs are considered driving companies in globalization, according to this full paper and study both are drivers in globalization.*

Keywords: *Business internationalization, SMEs' internationalization, MNCs' internationalization, Globalization, Slowbalization, FDI, business value, process, merger, companies.*

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Introduction

Globalization and the increasing accelerated diffusion of its technological dimension have impacted the production system that has greatly improved, globalization has had a very great impact on companies that try always to adapt various organizational, commercial and structured systems and strategies to survive or rise. Many companies try to incorporate the process of internationalization that has been very important for their business values and the economic values of their countries. Globalization has gone through different phases since its official outward form in the 4th industrial revolution (Benabed, 2024b).

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Slowbalization that is the current state of the world and the actual phase of globalization refers to the Slowdown of globalization and its dimensions due to various factors and reasons such as geopolitical conflicts and tensions, the appearance and widespread of pandemics such as Covid-19, financial crises and the difficult process of negotiation between economies, migration and the division of the world between developed and developing or third economies.

Various companies including Multinational companies (MNCs) and Small and Medium Sized Enterprises (SMEs) try to figure out and follow compatible strategies in order to survive and take advantage of the opportunities offered by the foreign market. In fact, the majority of the production in many regions worldwide is made up by small and medium-sized enterprises (SMEs) that have achieved very great success in the economic sector, but due to the internal and local difficulties of the local markets, they cannot advance and survive for long or grow more to meet their financial needs and those of their workers, if the national demand grows very slowly or the national offer declines and slows downs, it is a helpful sign for SMEs.

The competition and market leadership of large multinationals do not leave many options to SMEs and small companies to grow and survive in local markets. Furthermore, factors such as internal policies, rising taxes, production costs from both energy and labor sides, can be obstacles for many SMEs' growth. The same applies to multinational companies that want to leave the local market and expand abroad to increase their shareholder value. Besides, multinational companies can challenge SMEs in their local markets and SMEs can challenge multinational companies in their local markets or home countries if they are innovative or well sponsored and considered by their governments or if the products are similar in the multinational companies' foreign markets that are local markets for SMEs. As both SMEs and MNCs struggle to leave market tights, they should go on finding ways to grow and reach market leadership.

In fact, in globalization multinational companies (MNCs) had better grapple with the challenges of operational efficiency, risk management, and the need for global learning and innovation (Ghoshal, 1987). SMEs' internationalization refers to the process of firms that adapt strategies, structures and resources for their operations to the international environment (Calof and Beamish 1995).

This full paper aims at studying, analyzing and presenting possibilities for both MNCs and SMEs to survive from competition, risks, restrictions and the possibility for their internationalization and merger for business values. This paper is an original new research that appears supplementary for other prior research by this author and others in the doctoral area.

Literature review

1. Understanding Business companies' internationalization in globalization

Welch and Luostarinen (1988) consider internationalization as the process of increasing participation in international operations across boundaries' dividing lines. Therefore, Business internationalization is a major extent of the being performed strategy process of the greatest quantity of business firms (Welch and Luostarinen, 1988). Melin (1992) states that the strategy process of internationalization focuses on the change and development of companies in terms of breadth, action orientation and business ideas, the managerial nature of work, organizing propositions and main values. The internationalization extent is linked to all the previous facets and sides of the strategy process (Melin, 1992). According to Mitzberg (1987) strategy making is about making different perspectives, outlooks and positions (Mitzberg, 1987).

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Internationalization enables and grants the companies to attain somewhat a competitive advantage to increase their market leadership in foreign markets. Consequently, it is important that the internationalization entry mode should be well considered for business values. Business internationalization help companies to present and launch their products, operations or services in other economies and abroad in foreign markets (Benabed, 2023b).

The process of internationalization through exports may face some restrictions such as customs' declaration or certification in order to be legal so that the products will not be detained by authorities (Benabed, 2023a).

2. The impact of Globalization and Slowbalization on economies and companies

The stability of companies depend on the degree of production, services, goods, market trends and customer confidence as main elements of economies' business. In other words, the stability of companies depend on the stability of economies (Benabed and Bulgaru, 2023). As economic fluctuation is a fact, various economic recessions could occur from time to time impacting the financial levels of business and profits. To keep away from economic downturn, stakeholders, leaders and managers of companies and business attempt to take action. Nevertheless, recessions evoke a crisis if they occur many times due to geopolitical stability or other risks (Benabed and Bulgaru, 2023).

Globalization involved and even imposed the integration of economies, cultures and societies with its economic, cultural, technological, political and social dimensions. Globalization came up with the process of digitalization and brought economies together through technology and digitalization. Benabed and Boeru (2023) in a prior research stated that globalization has been a facilitative phenomenon and process as it has made the access to digitalization and technology easier by disseminating them among economies emphasizing new opportunities for innovation and development within the line of industrialization towards the fifth industrial revolution (Benabed and Boeru, 2023).

According to Benabed and Moncea (2024) the end of Globalization seems kind of impossible since it came with digitalization that is considered one of its instruments together with the process of the internet after its appearance together with the computer, the end of globalization means the end of economies' connection together and digitalization (Benabed and Moncea, 2024). Slowbalization is being reshaped again with a possible movement towards new phases but has to focus more on sustainability processes so the new phase could be even sustainable globalization (Benabed and Moncea, 2024).

3. SMEs internationalization for business values and technology use

The use and application of digital technologies can be very helpful for SMEs that would like to go for the internationalization process to do well and expend in foreign markets (Hervé, Schmitt and Baldegger, 2020).

Many SMEs realize their internationalization movements and activities with regional markets since free trade policies are possible. Beside these there are others that still decline to develop and move beyond regional borders due to competitiveness (Benabed, Miksik, Baldissera and Gruenbichler, 2022). SMEs' internationalization refers to the process of firms that adapt strategies, structures and resources for their operations to the international environment (Calof and Beamish 1995).

4. SMEs with product, service and process innovations for business internationalization

SMEs introduce 3 types of innovations: product, service and process innovations. According to the Organization for Economic Co-operation and development (OECD, 1997)

Volume 10 / Issue 2/ December 2024
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Product innovation means the tangible product produced by a company or an SME that could be significantly enhanced or new. Whereas service innovation is about developing enhanced or new intangible offering (Storey, Cantakurtaran, Papastathopoulou and Hultnik, 2016, p 527).

Process innovation is the process of implementing a noteworthy or worthy of attention delivery method or improved production. (Organization for Economic Co-operation and development (OECD), 1997, p 49). Prior research and literature confirms that innovative SMEs have got a greater and better inclination or natural tendency to export in a particular way than non-innovative SMEs (Saridakis et al., 2019; Higon et Driffield 2011).

Higon and Driffield (2011) found out that exporting SMEs highly take part in innovation activities with a high involvement (Higon and Driffield, 2011).

5. Innovative SMEs and international trade

Exposito and Sanchis-llopis (2019) state that innovative SMEs participate more in international trade by exporting or importing (Exposito and Sanchis-llopis, 2019). Golovko and Valentini (2011) argue that innovative SMEs may grow and expand their growth by selling their products and operating overseas (Golovko and Valentini 2011). SMEs may reduce the costs related to export activities by getting more involved and productive in technology and innovation to be more profitable (Cassiman and Golovko, 2011).

SMEs innovation performs an important capacity and possibility to the export performance or activities (Oura, Zilbert and Lopes, 2016).

Innovators take the opportunity to grow and expand during the absence of expense of non-innovators to dominate and control the market until their position is no longer reachable because of the limitation or lack of innovation or presence of new products, operations or services (Love and Roper, 2011).

6. Multinational companies (MNCs) for markets

Alternatively, multinational companies (MNCs) had better grapple with the challenges of operational efficiency, risk management, and the need for global learning and innovation (Ghoshal, 1987). First, MNCs often look for new opportunities, both in terms of entering new markets and meeting procurement requirements. Second, they are spreading IT as part of their communications networks in coordinating widely dispersed subsidiaries, suppliers and customers worldwide. (Kogut, 2003).

Data, Methodology and research questions

The research method based on an analytical approach that started with relevant related scientific literature review by reviewing various relevant articles and excluding the irrelevant data after setting the main research questions and reachable goals for this full paper. Setting clear steps for the scientific literature structure helped well maintain that it would be effective for the body of the analysis section. After evaluating all the selected data and relevant information, the scientific literature review last step was synthesizing and redacting its structure with attention. The literature review has been a process of searching and critically analyzing the available related prior literature following the main purpose of this research. The details of the literature review are presented in section 2 of this paper starting by understanding and investigating Business companies' internationalization in globalization according to previous literature and theoretical background by other authors, focusing on the impact of Globalization and Slowbalization on economies and companies, Small and Medium Sized enterprises' (SMEs') internationalization for business values and technology use, the categories of SMEs with product, service and process innovations for business internationalization, Innovative SMEs and international trade and multinational companies (MNCs) for markets

The full paper covers and uses as well some of its author's previous findings and results in other published previous full papers and research as it is a supplementary research, analysis and study in his doctoral research and area. After that the research methodology focused on a compatible related literature review, it was followed by a descriptive scientific analysis that based on studying the UPPSALA model for internationalization (See figures 4 and 5), the Bartlet and Ghoshal typology for internationalization (see figure 1) by Bartlett and Ghoshal (1989-2022) and by applying the OLI model (see figure 2) by Dunning (1988) on SMEs and MNCs for internationalization possibilities. Then, a Business internationalization process model through MNCs and SMEs internationalization was created to shape the link between MNCs and SMEs for internationalization following the research criteria to shape as well the possibilities for SMEs' internationalization and MNCs' internationalization linked business process with SMEs (see figure 3).

The research questions for this study and analysis are

- RQ1: Is globalization impacting local companies and why multinational companies (MNCs) are important?
- RQ2: What are the stages of SMEs' internationalization and is internationalization useful for them? And why?
- RQ3: Can MNCs find SMEs useful for them in their foreign locations in the host countries and vice versa?

The results and analysis section passed by analyzing some relevant data for this research on statistical analysis on the available number of SMEs in the non-financial business economy of European Union (EU) in 2024 and the number and of SMEs by sector in the European Union (EU) in 2023 (See figure 6 and 7). This full paper aims at studying, analyzing and presenting possibilities for both MNCs and SMEs to survive from competition, risks, restrictions and the possibility for their internationalization and merger for business values. This paper is an original new research that appears a supplementary chapter for other scientific prior research by this author and others. It is considered as a chapter in the doctoral research.

The Model and Findings

1. The four business internationalization strategies and typology

Bartlett and Ghoshal (1989-2002) classify four main strategies for business internationalization, companies including SMEs can grow by going International, multinational, global and transnational following the criteria of the Matrix in figure 1.

1.1. International strategy

It bases on exports and imports that is why it is very suitable for SMEs internationalization. It bases more on exporting products and services to foreign markets abroad that may be close far from the main company and its headquarters. The international strategy for SMEs has competitive objectives related to the internal markets, if many SMEs from the same country want to follow this strategy, it be hard for them to grow and survive, especially, if they offer the same products for foreign markets, here quality matters and that requests more investments for business revenues and values (See figure 1). The international strategy is characterized by a low level of local responsiveness and low level of global efficiency and integration (Bartlett and Ghoshal, 1989).

1.2. Multinational Strategy

The multinational strategy invests in stetting the multinational company's representation as subsidiaries abroad in foreign markets. Companies that go multinational have to consider well the cultural aspects and commercial preferences of the foreign, so multinational companies have to adapt their products and services abroad while repositioning themselves for the foreign customers. The multinational strategy for MNCs and SMEs set a competitive advantage separately for every location or market and all its locations support each other in case of crises (See figure 1).

Bartlett and Ghoshal (1989) stated that the multinational strategy from the matrix in figure 1 is marked, characterized and based on a high level of local responsiveness and a low level of global efficiency that is why it is more suitable for SMEs' internationalization and MNCs' business growth thought the internationalization process and chosen entry mode (See Figures 1 and 5).

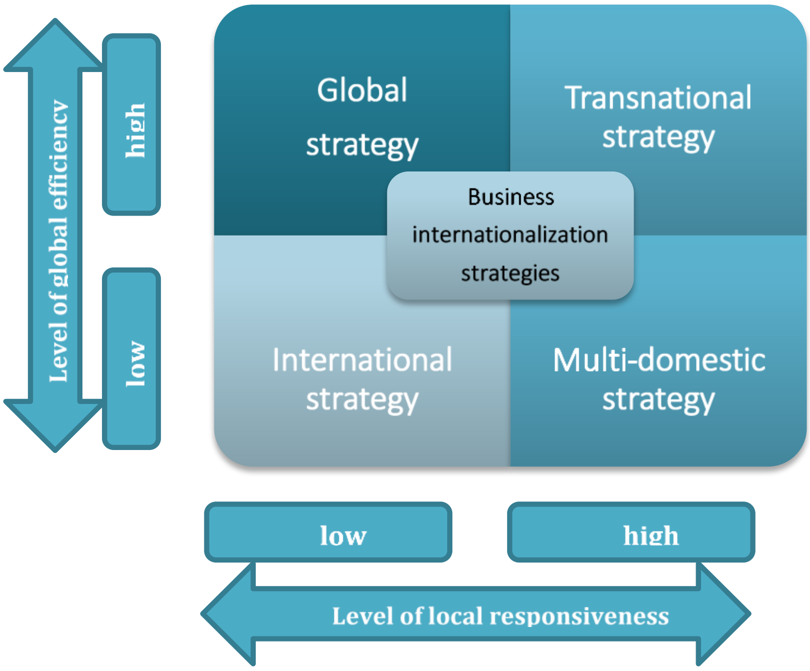

Figure 1. The four business internationalization strategies and typology by Bartlett and Goshal
Source: Author's design and contribution, 2024, Adapted from the Bartlett and Ghoshal typology (1989-2002)

1.3. Global strategy

Global companies are a bit similar to the international companies but they have units abroad with homogeneity of products to reduce the costs with the same design and brands everywhere. Small adoptions for services may be possible to enter foreign markets. The international strategy can maintain and keep its national policy and adapt it to international markets. While, the global company focuses on companies that treat foreign markets differently but with same products and Services of headquarters (See Figure 1).

Bartlett and Ghoshal (1989) stated that he global internationalization strategies of companies is marked by a high level of global efficiency and a low level of local responsiveness (see Figure 1).

1.4. Transnational strategy

It combines both multinational and global strategies. It allows companies to expand globally their business for global goals. It combines global integration with local responsiveness. Through the transnational strategy companies adapt to local preferences while expanding globally. It allows companies to avoid high shipping costs with local costs in local markets (See Figure 1). Bartlett and Ghoshal (1989) stated that many companies attempt reach it since it is marked by a high level of efficiency and a high level of local responsiveness (See Figure 1).

2. Applying the OLI model by Dunning (1988) on SMEs for business internationalization

Small and Medium Sized Enterprises (SMEs) may use some models to internationalize their product, operations or services. Multinational companies (MNCs) that would like to leave markets tights should take into consideration the importance of location for them after they are determined that they have a strong ownership to compete with in foreign markets. Multinational companies that would like to internationalize through FDIs should have the third condition of internalization confirmed for FDI (See Figures 2 and 3).

Multinational companies may follow FDI brownfield through the acquisition of foreign SMEs and transforming them to some of their subsidiaries or by merging them as part of their internationalization process and some of their foreign subsidiaries.

Both SMEs and MNCs should focus on quality negotiations and contract quality terms with the stakeholders of the host country in case of expanding their business abroad through the chosen internationalization strategy and entry mode. SMEs that would like to internationalize may follow the UPPSALA model (See Figures 3, 4 and 5) by exporting the four stages of the model (See figure 5) or by trying to enlarge their business by choosing one of the internationalization strategies to go either global, multinational, international or transnational. Going multinational could be a bit easier for SMEs as an internationalization strategy if they fulfill the three conditions of the OLI model that are ownership, location and internalization (See Figure 2).

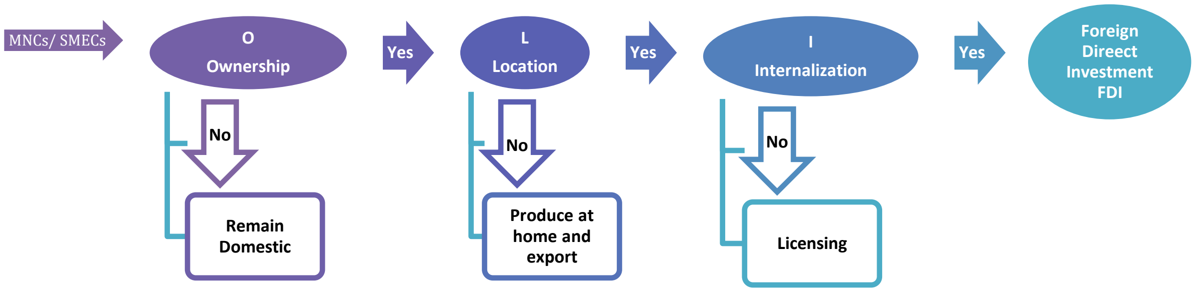

Figure 2. Business internationalization by MNCs and SMEs through FDI and other internationalization entry modes

Source: Author's design and contribution, 2023, Adapted from the Eclectic Paradigm by Dunning (1988)

If the SME has a strong ownership or brand to offer and compete with in foreign markets, it can go for the second step to fulfill the second condition of the location. If the level of its ownership is weak it remains domestic and exercise its business in location and regional markets, if the ownership is strong enough and suitable foreign location are found in compatibility with its main location business, it has to make an internal and external analysis to check if there are strong international and external budgets and abilities by fulfilling the third condition of the OLI model by Dunning (1988) that is internalization (See Figure 2).

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Volume 10 / Issue 2 / December 2024
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Once the three conditions of the Dunning model (1988) are fulfilled, the SMEs may try to go for FDI as an entry mode in the internationalization process of what has to offer for its expansion abroad as offers, operations and services (see figure 2). If the SMEs is not able to provide its main headquarter with compatible locations abroad, it may exercise the activity of exports and imports by focusing on the stages of the UPPSALA model (See Figure 5).

If only the ownership and location are fulfilled as condition but the internalization degree is weak, the SME has the ability to go for licensing, franchising or outsourcing (See figures 2 and 3) by being merged in large or multinational companies after efficient negotiations. SMEs should not try to compete with multinational companies in the same market because they may lose financially and market leadership, it is better for them to grow their employees, use more technology and get innovative for business value for their future expansion abroad and the process of internationalization (See figure 3).

If SMEs decide to enlarge their business and expand abroad, they have to increase the number of their employees to more than 250 by uniting their business with other SMEs or large companies from abroad, they could be easily part of the internationalization process by seeking the sponsorship of multinational companies through the merger process (See Figure 3).

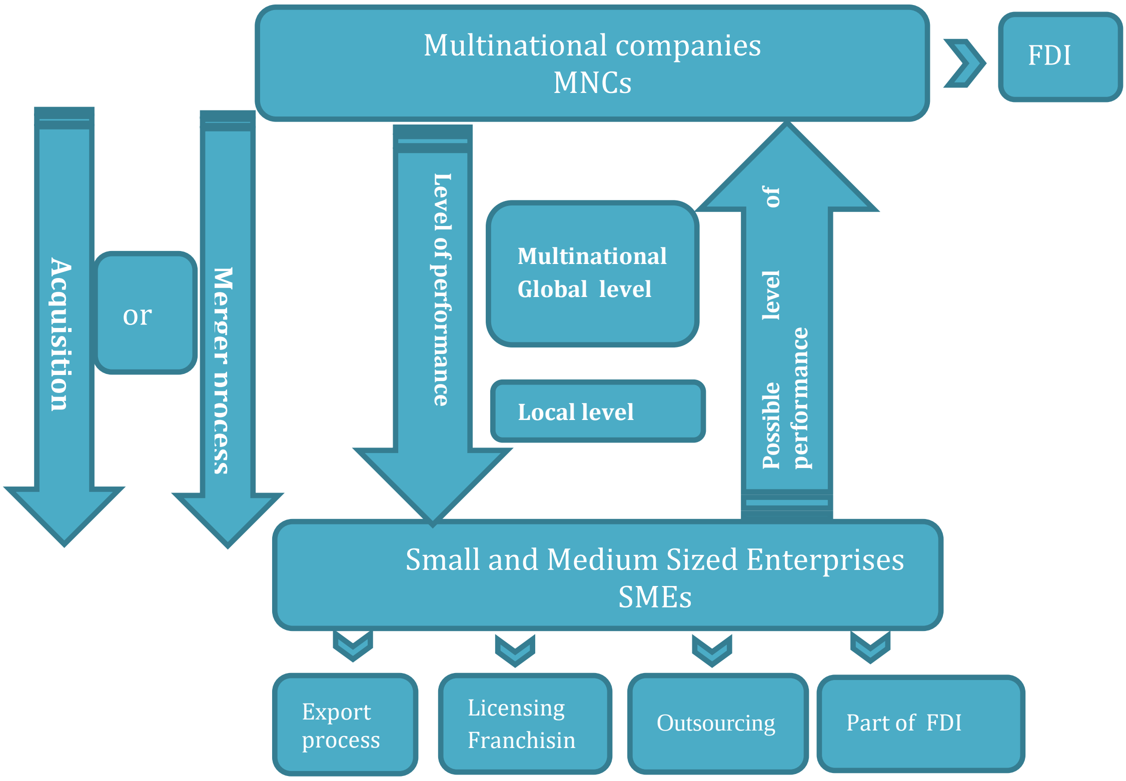

Figure 3. Business internationalization process model through MNCs and SMEs internationalization (The link between MNCs and SMEs)

Source: Author's design and research, 2024

3. The internationalization of SMEs and MNCs for business values

Both SMEs and multinational companies that would like to internationalize have to rely on experts before entering foreign markets and before negotiating with the stakeholders. SMEs may internationalize and for the internationalization process easily if they are innovative or they decide to export. If SMEs would like to go or become multinational, they have to grow by becoming main enterprises in the home country and open subsidiaries in the

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host countries (See Figure 3). It is possible for SMEs to grow to large companies in order to manage and control the subsidiaries or merge with large multinational countries or it is possible for them to be bought my large multinational companies.

The process of internationalization needs financial support or sponsorship, so, seeking financial opportunities is highly important for SMEs internationalization because it is a process that requires a budget and the same thing for multinational companies. SMEs may seek financial support by uniting their business aspects with multinational companies (See Figure 1, 2, 3, 4 and 5).

However, during the internationalization process the SMEs may generate profit and business values by trying to get the money back through innovation, efficient negotiations and more production as well. Otherwise, it will be hard for them to survive (See Figure 3).

Multinational companies MNCs can internationalize with FDI Greenfield by setting new subsidiaries in the new locations abroad or through FDI Brownfield but purchasing other companies or merging other companies to their business and headquarters, those firms could be the SMEs because they are the best option for them (See Figure 3). SMEs are very compatible for MNCs since they hire and contain up to 250 employees so it will not be very expensive or difficult for MNCs to merge them or buy them but that process depends on every economy and its laws (See Figure 3).

In some economies, if foreign companies would like to invest in their area for security reasons and geopolitical stability, they do not allow them do invest through Greenfield or buy territories from their state, so, the merger process through FDI brownfield with local companies in the host economy and market could the best and the only option, in this case, selecting SMEs is optional but very suitable (See Figure 3).

If SMEs would like to grow buy following any of the four internationalization strategies (see figure 1), they have to seek sponsorships and look for investors from their locations, countries and even from abroad but here efficient contact negotiations for short and long terms are very important. Otherwise, they may choose to export, be part of the outsourcing, licensing or franchising processes by uniting and merging their capacities with large companies but they do not have to compete with them especially in terms of prices or production because they may lose since financially and globally they are still vulnerable (See Figure 3).

IT and AI help and makes sure as an innovation and one of the instruments of digitalization, globalization that business internationalization can be possible through communication and virtual communication. Today, companies and stakeholders may even communicate virtually and for the case of SMEs and multinational companies it is possible. Indeed, According to Porter (2001) AI makes sure that activities and transactions are also smooth and continuous without gaps between them across the MNC's value chain. If we take the inbound logistics and operations, the multinational company's entire value chain is connected with various suppliers via planning, shipping, warehouse management and integration scheduling. (Porter, 2001).

Once a domestic company is prepared to enter the international market to internationalize its business and for the internationalization process, it has to think about one of the four strategies of internationalization in order to go global, multinational, transnational or international (See Figure 1). Multinational companies represent well the process of internationalization according to the OLI model (See Figure 2), they represent globalization that pressure domestic companies to go for internationalization (Dunning, 1988) to avoid market tights and difficulties in the home country (Benabed, 2023a).

SMEs or multinational companies may face restrictions and risks through the internationalization process that is why a resilience plan is required before engaging in the process so that it can be developed and adapted within the internationalization process (See Figure 3).

4. Analysing the UPPSALA model (1977) for SMEs and MNCs' internationalization possibilities and stages

4.1. The internationalization of companies according to the UPPSALA model

The internationalization of a company can be defined as a process in which the company seeks to develop part of its activities in countries or markets abroad other than its own. According to Johanson and Vahlne (1977), the company must create the necessary conditions to enter international markets so that it will be able to increase its success chances.

Johanson and Vahlne created in 1977 the model of state and change in the basic mechanism of business internationalization. (See Figure 4).

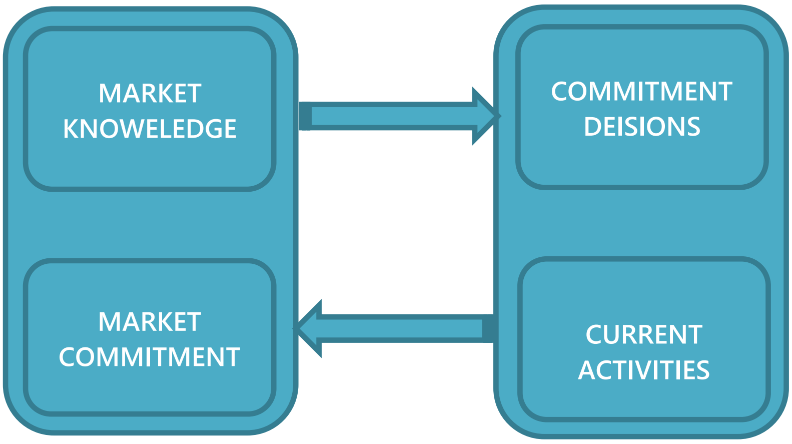

Figure 4. The UPPSALA model for the basic mechanism of business internationalization (State and change aspects) for SMEs and MNCs

Source: Author's redesign (2024) adapted from Johanson, J., & Vahlne, J. E. (1977) "The internationalization process of the firm-a model of knowledge development and increasing foreign market commitments. International business Studies 8, 23-32. https://doi.org/10.1057/palgrave.jibs.8490676"

The model tries to explain and guide the successive steps that a company must follow to enter an international market. Small and medium-sized companies are the best example to conduct studies or in which it can be applied, since the UPPSALA model was based on studies and research on them and was it was developed based on these results (See Figures 3 and 4).

4.2. The UPPSALA four main stages of business and companies' internationalization

The model considers four steps in the business internationalization process and with every single step the company that would like to internationalize gains greater and more knowledge so that it increases its commitment to the international market (See Figure 5).

According to the UPPSALA model (1977), if a company would like to enter the international market it has to go through four stages:

Stage 1- Non- regular export activities

At this stage, the company sells its products abroad in an unusual way; as it is unfamiliar with the new foreign market or with the international market, it decides to carry out a test or a trial export.

Stage 2- Exports through independent representatives

Volume 10 / Issue 2 / December 2024
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At this stage, the company decides to hire a representative in the host country who will be in charge of marketing its products (See Figure5) by trusting more the international market.

Stage 3- Setting a commercial branch or a subsidiary abroad
At this stage the company that would like to internationalize decides if it wants to set commercial brands or subsidiaries abroad for its own sales and operations abroad, the company at this stage may carry out this activity through licenses or franchises. To achieve this step, the company must carry out a comprehensive analysis of the costs and benefits of the target market (See Figure 5).

Stage 4- Starting production units in the host country or market
This involves the establishment of production units in the foreign country. This is the last stage where the company shows its greatest commitment to the internationalization process. In addition to having its own commercial presence, it also establishes its production in the foreign country. To do this, the company must analyze all the advantages offered by the international or foreign market (See Figure 5).

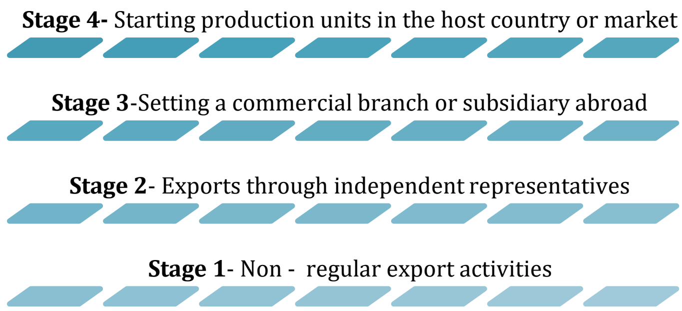

Figure 5. The four stages of the UPPSALA model for MNCs and SMEs
Source: Author's design and research (2024) according to the Uppsala model by Johanson, J. and Vahlne, J. E. (1977)

To sum up, the UPPSALA model (See Figure 4) is for companies seeking to internationalize but every stage matters and requires a greater commitment by the company to the foreign or international market. For this reason, this UPPSALA model is gradualist for companies. The UPPSALA model establishes patterns by which companies develop their internationalization process. Before going abroad, companies should always gain experience in the local market. Second, companies prefer should start operations in countries with which they have a great cultural and geographic affinity. Third, as companies gain experience, they may seek to expand to more distant and culturally different markets (See Figure 4).

5. SMEs' position and number in the European Union economy by state and sector

Figure 6 illustrates some available data from the mentioned sources in figure 7 about the number of SMEs in the non-financial business economy of European Union in 2024. If we take the example of the EU Small and Medium Sized Enterprises (SMEs) are not a big amount in 2024 in many European Union states (see figure 4) we observe that Italy is in the lead with a huge number of SMEs (3906272) followed by France with 3438355 and then Spain with 2974329 and then Germany with 2639534 followed by Poland in the5th place with 2266665 of SMEs according to the available data (see Figure 6).

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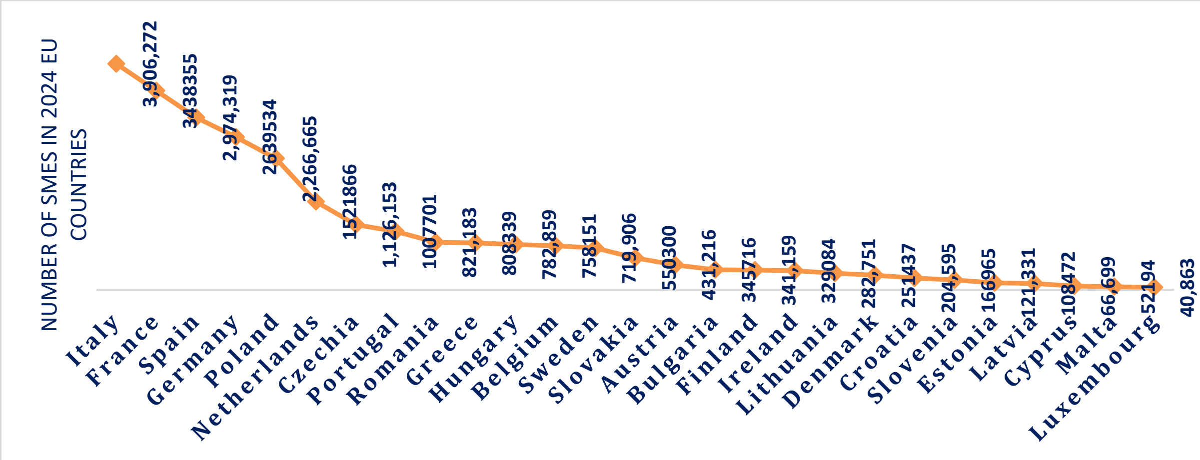

Figure 6. Number of SMEs in the non-financial business economy of EU in 2024

Source: European Commission; Eurostat; DIW Berlin, Statista 2024

Figure 6 shows a number in SMEs and some EU countries especially those with first prosper economy in the EU such as Italy, Spain, France, Germany, Poland and the Netherlands due to the fact that there are more investment, facilities and support from their governments and stakeholders. As these countries appear in the EU more innovative compared to the others. The reason they have many SMEs it is because they reply more on quality, education and innovation (See Figure 6).

Figure 7 illustrates some official data from 2023 about the number of Small and Medium Sized Enterprises (SMEs) by sector in the EU in 2023. SMEs that deal with distributive trades took the lead in 2023 economy in the European Union with 5983505 SMEs in EU followed by professional scientific and technical activities with 5133527 SMEs followed by construction SMEs with a number of 3870198 in the third place. However, in the fourth place we find accommodation and food services with 2194855 SMEs in the EU in 2023 (See Figure 7).

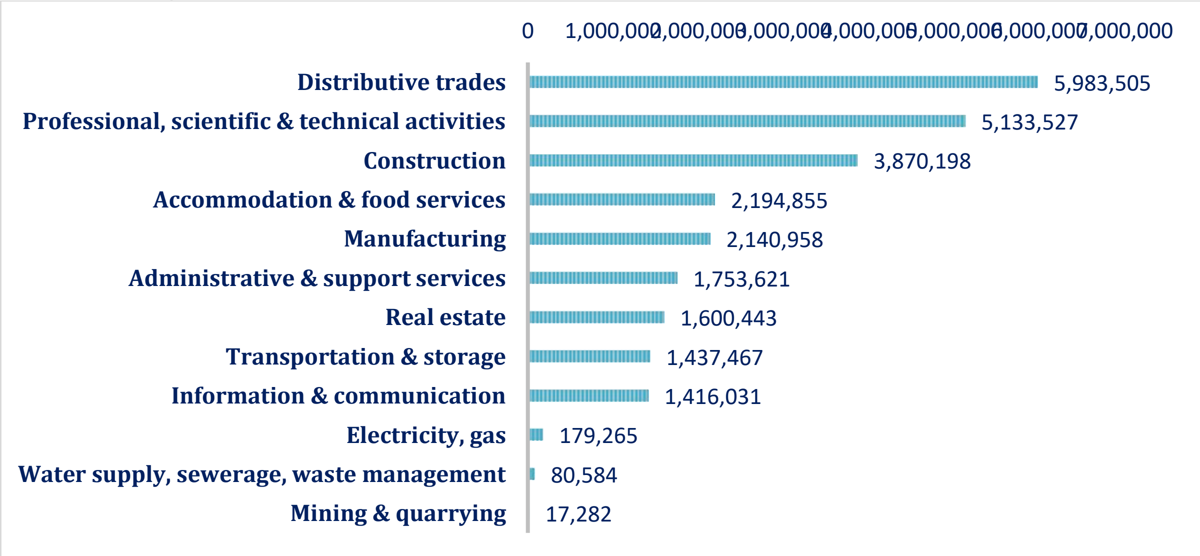

Figure 7. The number of Small and Medium Sized Enterprises (SMEs) by sector in the EU in 2023

Source: European Commission; Eurostat; DIW Berlin, Statista 2024

Other SMEs followed the fourth place with lower number compared to the first ones, these SMEs are for manufacturing, administrative and support services, real estate SMEs, information and communication SMEs, electricity and gas SMEs, water supply and waste management SMEs. The least but acceptable number of SMEs in the EU is the of mining and quarrying SMEs with17282 according to the available statistics and data from 2023-2024 (See Figure 7).

Conclusions

In conclusion, SMEs are considered driving companies for local economies in the EU and other economies worldwide with their rising numbers, they may remain domestic or grow through the process of export, import, outsourcing, licensing or franchising especially if they are innovative focusing on the best internationalization entry mode for them in globalization. However, MNCs are considered driving companies in globalization. In the European Union (EU) SMEs take the lead as economic and business driving units in many member states with high numbers due to the continuous support by their governments and stakeholders. As distributive trades SMEs take the lead in the EU in 2024 that means that as they deal with trade and they may go for internationalization either through innovation or by being merged with large companies such MNCs to grow and survive. SMEs should not compete with multinational companies (MNCs) to remain in the markets but they have to follow the model in figure 3 designed by the author of this paper for the internationalization perspectives. SMEs and MNCs may follow the Bartlett and Ghoshal's model (1989) to transform in business internationalization (See figure 1).

SMEs as well should follow the OLI model (see figure 2) by Dunning (1988) to engage with FDI in case the three condition of the model that are Ownership, Location and Internalization are fulfilled. MNCs may choose to engage with either Greenfield FDI by opening new original units in the host countries but it depends on the nation and its rules or constitutional aspects, some nations do not allow nations to invest buying or using some of their territories without engaging local firms and employers in their business activities and operation. Thus, it is useful for both large companies such as multinational companies (see Figure 1) since they have a high level of responsiveness and a low level of global efficiency (See Figure 1) to merge local SMEs from the local markets and economies in host countries.

SMEs remain the best example for economic prosperity since they drive the EU economy in many states in different fields with efficiency (See Figures 6 and 7). The process of internationalization needs financial support or sponsorship, so, seeking financial opportunities is highly important for SMEs internationalization because it is a process that requires a budget and the same thing for multinational companies. SMEs may seek financial support by uniting their business aspects with multinational companies.

However, during the internationalization process the SMEs may generate profit and business values by trying to get the money back through innovation, efficient negotiations and more production as well. Otherwise, it will be hard for them to survive (See Figure 3). Finally, multinational may avoid competition from SMEs in their foreign locations in the host countries by helping them financially, investing in them and merging them.

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