Identifying barriers to internationalization: a study on service quality strategies for SMMEs in South Africa

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ABSTRACT

This study looks at potential barriers to internationalization that SMMEs in South Africa may face while implementing service quality strategies. The contingency theory, which underpins this essay, emphasizes the necessity for SMMEs to employ a variety of techniques for resolving issues that may impede the implementation of a service quality strategy for the international market. Thematic analysis methods were used in this paper’s qualitative research technique, and secondary sources were predominantly used to acquire data on both the private and public sectors. A comprehensive search was used to find the foundational literature for the qualitative study. The results obtained indicate that SMMEs struggle to put their specific strategies into practice because of things like management support, vision barriers, resource barriers, organizational leadership and commitment issues, a lack of knowledge about international markets, technological barriers as a barrier to strategy implementation, and culture, environment, and change management. The authors recommend small and medium-sized enterprises (SMMEs) devote sufficient effort, resources, and staff to the implementation of their service quality improvement strategy for internationalization. Furthermore, it is advised that SMMEs prioritise service quality strategies for internationalization as well as the necessity of pursuing joint ventures with other multinational enterprises. High leadership dedication, increased global technology improvement, and consideration of environmental considerations will all contribute to improved service quality for the international market. All of this is done to make it easier to implement a strategy and supply appropriate services to all SMMEs in South Africa.

Introduction

The level of service quality provided by small, medium, and micro-sized enterprises (SMMEs) can determine whether they succeed post-internationalization or fail. For post-entry internationalization success, SMMEs must constantly modify their service, brand, and products to satisfy the demands and wants of the international market (Donell et al., 2012; Rienda et al., 2023). In this respect, a service quality strategy may perhaps be a solution that helps SMMEs increase their post-entry internationalization speed. It is also referred to as a strategy for ensuring that an SMME’s objectives are consistent (Grant 2014; Zahoor & Lew 2023). Scholars have investigated how SMMEs can form alliances with international partners as a strategy to gain international market entry (Rienda et al., 2023; Xiang et al., 2023; Zahoor & Lew, 2023).

Despite a significant focus on international partners, which also has its limitations in terms of differences in legal and regulatory systems across countries (Xiang et al., 2023), the investigation of service quality as a strategy for internationalization remains relatively limited. This paper is going to address the knowledge gaps by identifying barriers to internationalization and service quality strategies that will enhance SMMEs in the international market. Because of the disruptive international environment we live in, SMMEs must develop flexible, agile service strategies to expand their services post-internationalization.

Services provided by SMMEs are accompanied by poor international knowledge, bad work ethics, and poor growth strategy attitudes (Rienda et al., 2023); Global Entrepreneurship Monitor (2021), SMMEs will encounter significant obstacles related to strategic
issues, the growing uncertainty of government funding, budgetary constraints, and massive quality service delivery. Due to their poor performance, the aforementioned obstacles significantly reduced SMME international growth. Challenges with service quality are a major factor in SMMEs ventures into international markets. Due to negligent and low-level research and development strategy implementation practices, this issue continues, and SMMEs do not give it the urgent attention it needs. Olson (2017) asserts that organizations must explicitly express their strategic planning process, which includes their mission, vision, and objectives. These aspects must be backed up by an action plan in order for the organization to achieve its objectives. The difficulties SMMEs face during the post-internationalization process are unknown. Therefore, it is possible to contend that poor service quality provided by SMMEs contributes to the failure of the strategy's implementation. This research was prompted by uncertainty and the need to better understand the essential factors that contribute to successful service quality strategy execution. The objective of this paper is to assess the post-internationalization strategic management service quality provided by SMMEs with the objective of determining the best course of action for international growth. Proposing recommendations to overcome identifying barriers and enhance SMMEs service quality. As well as giving suggestions for ways SMMEs could adopt for higher-quality services post-internationalization.

**Literature Review**

**Theoretical and Conceptual Background**

As the study examines the challenges faced by SMME internationalization, this section of the paper reviews and conceptualizes the pertinent secondary literature. A service quality plan is crucial for any SMME's international competitive advantage. By strengthening the connections between the six elements of the strategic planning process, service quality enhances the achievement of the SMMEs' entry into the international market (Hertiana & Lawiyah 2022). Service quality is related to how closely the anticipated international services match the perceived services in order for SMMEs to strengthen their post-internationalization growth strategy (Izoglo 2017). Hussain et al. (2015) claim that SMMEs need to focus on the issue of service quality since, among other benefits, it is likely to raise international loyalty and expectations.

Internationalization consumer loyalty is the propensity of a customer to support a SMME through purchases and other activities in spite of the presence of alternatives. Van Vuuren (2012) explained that there are four key elements that can enhance post-internationalization of customer loyalty: business image, trust impact (belief that an organization will take actions to support its beneficiaries), customer satisfaction, and commitment (an exchange between partners who recognize that their current relationship is mutually beneficial and can endure). Beenish and Nikkamariahnik (2018) and Saleky et al. (2018) explained that price is a more crucial component in determining a customer's loyalty. As a result, there is a gap in the literature regarding how SMMEs should apply their service quality strategies for internationalization. By conducting comparative assessments of the key performance indicators of SMMEs in South Africa, this paper seeks to close this vacuum in the literature on SMMEs in developing economies. The most challenging issues governing SMMEs post-internationalization were an unfavourable legal environment, poor international knowledge, supporting institutions, a lack of intellectual capital within SMMEs, a lack of access to international resources and purchasing, accessibility to credit and financing, and a lack of efficient (OCED, 2022)

Small enterprises, often known as SMMEs or small organizations, are significant contributors to the South African economy. SMMEs are important generators of innovation, job creation, and economic growth. Government officials in South Africa understand the importance of the organizational activities of SMMEs, to the point where a new ministry—the Ministry of Small Business Development—was established at the beginning of 2014. The organizations have been shown to be important job creators and considerable contributors to the nation's gross domestic product (GDP) (The DTI, 2015).

SMMEs encompass a huge spectrum of organizations, some of which are informal, formally registered, and not registered for VAT (DTI, 2015). According to Ngcobo and Sukdeo (2015), the benefits of the SMME sector are acknowledged on a global scale, but they provide a significant problem in terms of carrying out strategies and defining what SMMEs actually include. Therefore, it is essential to distinguish between small and medium-sized organisations and small, micro- and medium-sized organizations when seeking to identify SMMEs. These two represent small business organizations in South Africa. Berisha and Pula (2015) state that business entities are categorised based on the number of employees and annual revenues. In view of this, scholars do not use a specific definition of SMMEs.

Internationalization venture adoption has become an important part of SMMEs growth strategy for more than two decades; however, SMMEs still lag behind the internalization explosion (Melo et al., 2023). Therefore, previously, many SMMEs could not afford internationalizing market and its maintenance costs (Sannegadu et al., 2023). However, Lahiri et al. (2020) point out that though international markets are routinely used in medium and large organisations, SMME are beginning to venture into internationalization solutions. Teixeira and Carvallo (2023) proposed that to keep SMME growth at a steady pace and on track, internationalization solutions are needed in small, medium, and micro-organizations. Melo et al. (2023) elucidate that SMMEs can take advantage of internationalization in a number of industries, including financing, production, and marketing. In order to increase the profitability of businesses, internationalization also helps organizational leaders develop new competitive strategies (Zaiboor et al., 2023). Additionally, it was suggested by Hernanik et al. (2023) that internationalization technologies support assessments of organizational effectiveness and competitiveness. One of the difficulties of internationalization, according to Teixeira and Carvallo (2023), is the
whole cost ownership, knowledge of the international marketplace, and information to SMMEs at various levels across an organization.

The timely distribution and accessibility of information about the international market offered by the international market boost organizational competitive advantage and the decision-making process in SMMEs (Child et al., 2022). The total cost of ownership (TCO) is still high for the majority of SMMEs in South African institutions’ efforts to make internalization technology more affordable (Sannegadu et al., 2023). The costs of entering a foreign market include the acquisition of new raw materials, the replacement of software and hardware, the need for training, additional management, and the purchase of equipment.

While SMME internationalization is on the rise, Zahoor et al. (2023) show that SMMEs have been slow to invest in internationalization. The majority of the time, SMMEs still fall behind in producing international analytics. The difficulties for SMMEs in adapting the internationalization process in order to benefit from the potential value that an international market can provide are engaging their staff and encouraging them to be more receptive to market changes. Therefore, the consensus appears to be that adopting international values may theoretically increase profitability by enhancing quality throughout the entire organization. (Sannegadu et al., 2023).

Challenges of SMMEs to Internationalization

SMMEs experience a wide range of complex issues and difficulties when putting internationalization initiatives into practice. Restrictive regulatory and legal constraints in the international context are one of the things inhibiting SMMEs from expanding internationally. Inadequate institutional economic assistance, knowledge of the international marketplace, inadequate institutional economic delivery vehicles to promote and enhance SMME, and weak or non-existent infrastructure or business facilities are some other obstacles (Sannegadu et al., 2023). Melo et al. (2023) explained that the consequences of international regulation on SMMEs are intrinsically tied to their roles in service development and quality. However, how the restrictions actually impact SMMEs will depend on their capacity to implement change.

Research and Methodology

The method of writing this study's qualitative nature will be demonstrated by the gathering and analysis of a literature review. The SMME service quality strategy challenges for internationalization will be the subject of the paper. The steps carried out in this article are: first, formulate the problem. In this paper, the formulation of the problem is service quality strategy for SMME internationalization. The second step is gathering literature. Literature was taken from an online database provided by the University of Johannesburg, which is open access. By using the keywords service quality, SMMEs, and Internationalization. The literature search was limited to the publications from the last ten years. The third step was to determine the inclusion criteria. The inclusion criteria were based on those that meet the criteria for journals written in English and indexed by Scopus. After selecting the literature, the authors then conduct an in-depth analysis of the 28 journal articles by collecting the findings in accordance with the objectives of this paper.

Findings and Discussions

Identical challenges were found in this study's execution of the service quality strategy for the internationalization of SMMEs. The findings of this paper's analysis were interpreted using a thorough methodology. The results showed that their inability to appropriately implement the post-internationalization strategic plan is hampered by a lack of international consciousness. In this sense, SMMEs lack clarity regarding the method by which top management develops strategic plans. As a result, they find it challenging to strategically implement service quality. Their business goals are impacted by this. Teixeira and Carvillo (2023) observed that management should make clear and communicable to employees the strategic execution of service quality to improve service quality strategy implementation. Due to a lack of adequate funding for the strategy implementation process, the resources and equipment concerns posed a barrier to carrying out their post-internalization. This result is consistent with the observations made by Sannegadu et al. (2023) and Zahoor et al. (2023), who stated that an organization's capacity to achieve its overall goals is impacted by its inability to allocate financial and human capital resources effectively.

Based on the literature on SMME infrastructure and system issues, these businesses face difficulties when implementing service quality strategies due to their infrastructure. Further investigation found that certain South African SMME were unable to manage business intelligence, which frustrated and hampered the successful implementation of service quality policies. Contrary to published research, management in SMMEs lacks the ability to carry out plans to improve service quality. This is due to challenges with leadership, a lack of ownership, management impediments, and a lack of commitment to service quality and strategic execution.

This is in agreement with research done by Sannegadu et al. (2023), who examined the key elements supporting internationalization and the challenges involved in implementing a strategy where networking, resources, knowledge, and institutional support are crucial. It is claimed that there is frequently a challenge connecting international expertise to the service quality strategy. This suggests that SMMEs struggle to connect the post-internationalization tasks that need to be executed. This occurs when small and medium-sized enterprises (SMMEs) are unable to see the bigger picture in terms of structure, procedures, and strategy. The activities and structures
that are created to make it easier for an organization to function successfully, such as resource allocation, information dissemination, and top management commitment, are commonly referred to as business processes in SMME.

Conclusions
This study examined the difficulties in implementing a service quality strategy for SMME internationalization in South Africa. The ongoing reduction in SMME internationalization served as the inspiration for this paper. The adoption of strategies to achieve service quality and the internationalization of SMMEs were the primary topics of this paper's secondary literature analysis. It was noticed that internal and external variables, which are essentially connected to SMMEs' insufficient market expertise and institutional support from the government, both influence obstacles in strategy execution.

The SMME was presented with the contingency theory, which challenged managers with selecting the most effective strategies to address various organizational circumstances. Additionally, it was emphasised that growth strategies, management's collaboration, and the government's commitment to carrying out their duties are necessary for successful strategy implementation. This is in order to achieve the goal of entering the international market. By incorporating the study's recommendations into their various administrative procedures, SMME could improve the implementation of its service quality strategies for internationalization. To gain insight about the challenges faced in implementing SMMEs' strategic plans for improving service quality, primary research should be done among SMMEs in South Africa. Research should also be done to create a framework that would update the flow of internationalization for SMMEs.

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