



## INTERNATIONALIZATION PROCESS OF SMALL AND MEDIUM ENTERPRISES RELATED TO INFORMATION TECHNOLOGY SERVICES: A STUDY FROM PAKISTAN

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### ABSTRACT

**Purpose:** This paper aims to examine the internationalization process of Small and Medium Enterprises (SMEs) related to IT services. It explores their primary motivations and internal and external factors that prompted them to enter the international market, their main driving strategies and planning when entering foreign markets, the barriers and challenges they faced, and the success factors involved in their internationalization.

**Design and Methodology:** This paper uses a qualitative multiple-case study design. Five IT services related SMEs, both domestic and foreign, working in Pakistan are purposively selected based on prior international experience, firm size, and service orientation. The data is collected through semi-structured interviews with management representatives in a focus group discussion. Thematic analysis is conducted to identify cross-case patterns.

**Findings:** The findings show that the primary motives of IT services related SMEs for internationalization are globalization and expansion. Key factors for the success of these enterprises include a strong grasp of ideas, market research, commitment, well-structured strategies, and an understanding of the policy framework of the country. These enterprises also face new challenges, including political instability, government rules and regulations, legal issues, and foreign exchange risk.

**Originality:** The results show that the internationalization of SME, through exports or foreign partnerships, has far-reaching policy implications for Pakistan's IT sector. Effective policy measures can help SMEs to overcome barriers and seize opportunities related to internationalization.

**Keywords:** *Internationalization Process, Small and Medium Enterprises, Foreign Markets, Information Technology Services, Pakistan.*

**Paper type:** Research Paper



## INTRODUCTION

The internationalization of enterprises refers to the process by which companies expand their operations beyond their domestic borders to engage in business activities on a global scale. This strategic approach allows companies to explore and tap into new markets, reach a wider customer base, and take advantage of opportunities in different regions (Ramdani et al., 2023; Khambhata, 2023; Calheiros-Lobo et al., 2024). Internationalization involves a variety of activities and considerations, and it is often a key component of a company's overall growth and sustainability strategy (Lakshman et al., 2025). Some aspects to consider in the internationalization of enterprises are market research, strategic planning, legal and regulatory compliance, cultural awareness, supply chain management, financial & risk management, technology infrastructure, marketing, and branding (Conconi et al., 2016; Bose, 2016; Magnani et al., 2018; Buzavaite & Korsakiene, 2019; Wu & Deng, 2020). Successful internationalization requires careful planning, adaptability, and a deep understanding of the global business environment. Companies that effectively navigate the complexities of international markets can benefit from increased revenue, enhanced brand recognition, and improved competitiveness (Melin, 2017).

Due to rapid globalization and integration of world markets, enterprises are adopting a strategy to internationalize their businesses and practicing to internationalize their activities. Internationalization as a strategy involves a set of operations pertaining to global businesses ([Johanson & Vahlne, 1990](#)). Internationalization as a practice entails global activities conducted outside national borders ([Cavlek, 2002](#)). In traditional internationalization, enterprises are mainly concerned with providing a more efficient exploration of resources. Enterprises are internationalized with the objectives of developing new products or strategies and keeping updated about worldwide trends in their industry, which is considered essential for surviving in a globalized market (Khambhata, 2023).

Economic globalization pushes many enterprises to expand their businesses from local to international markets ([Glaum & Oesterle, 2007](#); [Lu & Beamish, 2004](#) ). The main reasons are to increase market share, resources, and assets, as well as cost efficiency. Both manufacturing based and services related businesses are expanding internationally. The internationalization of enterprises is the process by which enterprises gradually increase their global reach. The internationalization of enterprises is not only related to large enterprises, but also to medium, small, and micro-enterprises. Internationalization allows SMEs to tap into new markets, access a broader customer base, and potentially achieve higher levels of growth and profitability (Trinh & Doan, 2018). Nowadays, the internationalization of enterprises has not only shown a tremendous increase in the manufacturing market but also in the services market, such as investment banking, advertising, legal services, consultation, and information technology related services (Islam et al., 2023).

The internationalization of Information Technology (IT) services related SMEs involves expanding business operations, products, and services across international borders. This process enables SMEs to tap into global markets, access new customers, increase revenue, and gain a competitive edge (Schweizer, 2012; Chabowski & Mena, 2017; Chandra et al., 2020). The key considerations and steps for the internationalization of IT services related SMEs are carrying out in-depth market research to pinpoint possible target markets, understanding the local IT landscape, customer preferences, regulations, and competition in each target country, developing a comprehensive international business strategy that outlines goals, target markets, entry modes (such as exporting, licensing, joint ventures, or setting up subsidiaries), resource allocation, tailoring IT products or services to meet the specific needs and preferences of the target markets which may involve localization, customization, or offering new features (Audretsch & Guenther, 2023; Monticelli et al., 2025). Familiarizing with the legal and regulatory requirements of each target market, including data protection laws, intellectual property rights, taxation, and business licensing, collaborating with local partners, distributors, or resellers to leverage their market knowledge, networking, and customer base, joint ventures, or strategic alliances for access to local resources and expertise, among others (Johanson & Vahlne, 2017; Ramdani et al., 2023; Khambhata, 2023).

In Pakistan, IT services related SMEs (domestic and foreign) are expanding their business operations beyond the domestic market to tap into global opportunities. Internationalization allows them to access a larger customer base, diversify revenue streams, and stay competitive in the global market, which are critical for the growth and sustainability of these IT enterprises. Therefore, it is necessary to explore the internationalization process of SMEs related to IT services. It is essential to discover their primary motivations, and internal and external factors that pushed them to go to the international market, their main driving strategies and planning when entering foreign markets, the barriers and challenges they faced, and their success factors involved in internationalization.

Hence, the main objective of this paper is to explore the internationalization process of Small and Medium Enterprises related to IT services. For this, the research questions of this paper are i) what are reasons and motivations that forced IT services SMEs to move from domestic to international markets, ii) what are internal and external factors that pushed IT services SMEs to internationalization, iii) how are IT services SMEs entered in foreign markets and how are they operated in foreign markets, iv) what are the strategies IT services SMEs framed to move from domestic to foreign market, v) what are the challenges and barriers IT services SMEs faced in the foreign markets, and vi) what are the important success factors involved in internationalization, and what are the goals that IT services SMEs wanted to achieve in short term and long term as part of their strategies. The internationalization of IT services related SMEs has significant policy implications for governments and policymakers, and other enterprises. Policymakers can play a crucial role in creating

an enabling environment that supports SMEs' efforts to expand into international markets.

The structure of the paper is as follows: Section 2 presents the literature review consisting of theoretical and empirical reviews, Section 3 presents the theoretical framework and conceptual model, Section 4 describes the research methodology, Section 5 presents empirical findings and analysis, Section 6 provides a discussion, Section 7 presents the conclusion and policy implications and Section 8 concludes the study with limitation and future work.

## LITERATURE REVIEW

The internationalization process of enterprises has been a matter of debate and investigation by researchers for several decades. Various internationalization theories have developed in this regard to better understand the phenomenon of the internationalization process of firms. Further, the empirical literature has investigated the internationalization process of firms.

## THEORETICAL REVIEW

Two groups of theories have been identified in the existing internationalization theories: one based on the economic approach and the other based on the behavioral approach (Andersson, 1993). An economic approach was developed to understand the internationalization process of large multinational enterprises (MNEs), which encompasses Dunning's eclectic theory, the transaction cost analysis model, and the international product life cycle model. A behavioral approach was developed to simplify the internationalization process of small and medium-sized enterprises (SMEs) that includes the Uppsala model, Ahroni's decision-making model, and Innovation-related internationalization models.

The internationalization theories based on an economic approach were based on decision-making theory. They assumed that firms were quasi-rational in their decision to invest. They made their decisions rationally, having access to perfect information when strategizing about going abroad ([Seifert Jr & Machado-da-Silva, 2007](#)). Firms' decisions were based on cost advantage. Cost minimization explains structural decisions. [Anderson and Gatignon \(1986\)](#) developed a Transaction Cost Analysis (TCA) framework for the entry mode decision in foreign markets. It stated that a firm's decision to go abroad depends on the minimization of transaction costs. [Dunning \(1977\)](#) presented Dunning's eclectic theory that offered a framework to identify important factors influencing a firm's entry decision in foreign markets. It stated that a firm's decision to go abroad and entry mode depends on a firm's composition of three sets of advantages: internalization advantages, location advantages, and ownership advantages. [Vernon \(1992\)](#) presented the International Product Life Cycle (IPLC) Theory. A firm's decision to expand internationally depends on four product life cycle stages: introduction, growth, maturity, and decline. Each of these stages has a distinctive impact on the firm's internationalization process. Minimization of production costs is the major motivating factor.

The internationalization theories based on the behavioral approach were based on organizational theory. They demonstrated the significance of organizational knowledge, experience, and learning in the internationalization process. Firms made their decisions knowing international markets. Their decisions were based on understanding the international behavior of markets. Aharoni (1966) developed a decision-making model that described various phases of the internationalization process and highlighted the significance of market knowledge, market risks, and market experience. Johanson and Wiedersheim-Paul (1975) formulated the Uppsala model that stated internationalization as a gradual learning process of the firm through experiences gained from international markets. It described two phases in the firm's process of internationalization. The first phase was the level of firm involvement in global markets, following a chain such as export operations, export through autonomous agents, setting up its own sales organization, and production/manufacturing units. The second phase was that the firms entered foreign markets where there were significant linguistic, cultural, and political divergences or countries that were geographically far apart from the domestic market. These markets were frequently located far apart geographically as well. Therefore, having knowledge and experience of foreign markets helped firms to expand their business activities abroad, find new business opportunities in international markets, and reduce the risk of uncertainty.

[Johanson and Vahlne \(1977\)](#) further expanded the Uppsala model and established a dynamic model to account for the increasingly worldwide aspect of internationalization. They argued that the model focuses on "*the development of an individual firm and particularly on its gradual acquisition, integration, and the use of knowledge about foreign markets and operations and on its successively increasing commitment to foreign markets*" (Johanson & Vahlne 1977, p.23). "*The dynamic model consisted of state and change aspects. The state aspects were market commitment and market knowledge about international markets. The change aspects were decisions to commit resources and the performance of current activities of the firm. The model stated that market commitment and market knowledge affect commitment decisions and current activities which in turn, change market commitment and knowledge*" (Johanson & Vahlne 1977, p.23)

Innovation-related internationalization models included four well-known models that were presented by different researchers ([Bilkey & Tesar, 1977](#); [Cavusgil, 1980](#); [Dunning, 1977](#); [Reid, 1981](#)). These models used perspectives related to innovation to describe the process of internationalization. Internationalization decisions are always the firm's innovation. Internationalization models related to innovation presented a step-by-step procedure for expanding into international markets. The key differences amongst models related to innovation were the number of stages the firm goes through in the internationalization process and the descriptions of each stage. They considered export attitude and knowledge from export activities as an innovation for the firm. Motivation, hopes, and past experiences had an important impact on the internationalization process.

Both approaches of internationalization theory focused on key internal and external factors. According to the economic approach, internal factors such as ownership advantages, communication ability, product characteristics, and tacit knowledge, and external factors such as uncertainty, industry characteristics, comparative advantages, location advantages, government intervention, and opportunism have been influencing the internationalization process. Whereas according to the behavioral approach, internal factors such as experiential knowledge and learning, and external factors such as inter-organizational networks, cultural differences, psychic distance, and geographical distance, have been influencing the internationalization process.

New theoretical internationalization approaches have been developed that apply to the internationalization process of SMEs: Born Global and Network theory. According to the Born Global theory, Born Global firms were the firms that internationalized rapidly and early after their inception (McDougal & Oviatt, 1994; Knight & Cavusgil, 2004). Andersson and Wictor (2003) built a conceptual framework that outlined the factors that have an impact on the emergence of Born Global firms. The factors influencing Born Global firms were split into four primary groups: business, industry, networks, and globalization. Network theory underlined the significance of a firm's business relationships during its internationalization process ([Coviello & Munro, 1995](#)). Networks enable firms to succeed through assistance in the identification of international market prospects and opportunities and the acquisition of market information and knowledge. The theory stated that network relationships were of enormous importance in the international market entry of a firm, as its network partners influence the entry and market choice decisions of that firm.

The literature on SME internationalization reveals two dominant paradigms: the economic approach and the behavioral approach. The economic approach (Dunning, 1977; Anderson & Gatignon, 1986) emphasizes ownership, location, and internalization advantages as cost-driven determinants. Conversely, the behavioral approach (Johanson & Vahlne, 1977; Aharoni, 1966) stresses experiential learning, networks, and gradual commitment. Later perspectives, such as Born Global (Oviatt & McDougall, 1994) and Network Theory (Coviello & Munro, 1995) extend these models to knowledge-intensive SMEs that internationalize early and rely on global linkages. However, these frameworks inadequately address emerging economies where institutional voids and policy instability affect firm behavior. For Pakistani IT SMEs, contextual barriers like limited institutional support and financial constraints coexist with global connectivity and digital networks. Internationalization theories provide diverse explanations for how firms expand beyond domestic markets. The Uppsala model emphasizes experiential learning and incremental commitment (Johanson & Vahlne, 1977), whereas the Network theory highlights relational ties and trust as critical enablers of foreign market entry (Coviello & Munro, 1997). The Born Global perspective suggests some firms achieve rapid internationalization through innovation and a global mindset (Knight & Cavusgil, 2004). However, these models largely emerge from developed economies and may not fully capture the realities of

SMEs in resource-constrained environments (Welch & Luostarinen, 2011). This study synthesizes these frameworks, comparing and contrasting their applicability to the Pakistani IT SME context.

## EMPIRICAL REVIEW

A significant body of research focused on understanding the internationalization process of SMEs. [Gankema, Snuij, and Zwart \(2000\)](#) provided insight into the internationalization process of SMEs by examining the innovation-related internationalization model by Cavusgil and concluded that Cavusgil's stage theory holds for SMEs. [Jansson and Sandberg \(2008\)](#) integrated internationalization process theory with industrial network theory to explain SME entry in emerging markets. They developed a Five/Five Stages Model to take into account the dynamic relationship among entry modes, which are further supported by entry nodes and entry processes. They found that connections are essential for entrance, but indirect connections through distributors or agents are more significant, and the involvement of subsidiaries is rare. Gammeltoft and Cuervo-Cazurra (2021) explained the internationalization process for emerging market firms. By examining internationalization theories, they revealed three contextual accelerators for the internationalization process of emerging market firms, which are government, catch-up, and global value chains. Government accelerators include regulations, financial support, direct government ownership, and advisory services, among others; Catch-up accelerators include foreign knowledge and technology acquisition, export market learning, inward foreign direct investment learning, and institutional environmental flexibility; and global value chains accelerators include spillover of technology and knowledge, joint actions with other firms, and upgrading. They concluded that these accelerators aid in adapting the models of the internationalization process to novel contextual realities. Misati, Walumbwa, Lahiri, and Kundu (2017) investigated the internationalization of SMEs by taking different aspects of SMEs' foreign expansion. They provided insight into the causes, timing, strategies, modes, and outcomes of SMEs' internationalization. Their analysis revealed that integrating several theoretical foundations—such as the Uppsala model, the Linkage-Leverage-Learning framework, and Network theory—can lead to an understanding of SME internationalization.

For a better understanding of the internationalization process of firms, Santos, Batalha, and Larue (2021), based on the Uppsala model, found that firms frequently internationalize in two ways. Foreign direct investment (FDI) focusing on distribution is often created gradually, but FDI focusing on setting up a foreign production facility tends to be done rapidly. Samant, Thakur-Wernz, and Hatfield (2023) shed light on the internationalization process of emerging market firms by examining technological innovations developed by these firms for international expansion. The incremental internationalization process, which is slow and gradually increasing, and the springboard perspective, which is aggressive and rapidly increasing, are the two main

perspectives on internationalization that have been compared. They argued that differences in entry speed and mode, as well as the relationship between entry mode and internationalization location, will result in differences in the kinds of technologies (novel versus mature) developed by emerging economy enterprises. They concluded that enterprises that use cross-border mergers and acquisitions and internationalize more quickly tend to have innovations in mature technologies. Further, the entry node obstructs internationalization. Mejri and Umemoto (2010) built an expanded knowledge-based model of SMEs' internationalization. It includes "knowledge factors", such as entrepreneurial knowledge, cultural knowledge, network knowledge, experiential knowledge, and market knowledge. They concluded that understanding the role of knowledge in SME internationalization is enhanced by the acquisition and application of various types of knowledge throughout the internationalization process.

Several studies examined the important factors for the internationalization of SMEs. [Armario, Ruiz, and Armario \(2008\)](#) found that market commitment, knowledge acquisition, and market orientation were the important factors in the internationalization process that directly and indirectly affect the performance of SMEs in foreign markets. [Osei-Bonsu \(2014\)](#) investigated important personnel factors (resources) that were specific to a firm and had an impact on SMEs' internationalization process. They discovered that important managerial skills of personnel as well as firm-specific elements like networking prowess and organizational procedures, served as the primary forces behind internationalization. Additionally, they discovered that the production capacities, domestic market dynamics, and outcomes—both financial and non-financial—all played crucial roles in SMEs' ability to grow globally. [Kunday and Sengüler \(2015\)](#) pointed out that entrepreneurial skills and innovation were the main factors in the internationalization of firms. [Booltink and Saka-Helmhout \(2018\)](#) found that internationalization leads SMEs to use their investment in research and development and improve the performance of companies. They also documented that research and development were the key drivers of the internationalization process of SMEs. [Hanif and Irshad \(2018\)](#) found that the main factors of the internationalization of SMEs included strong business orientation and utilization of network resources. [Yaprak, Yosun, and Cetindamar \(2018\)](#) examined the factors that propel the internationalization of emerging market firms. They discovered that the ten main variables that influence the internationalization process in emerging market firms were firm-specific and country-specific variables. The firm-specific variables included supremacy in finance and operations, excellence in value chain activities, cheap human resources, fast manufacturing and technology development, learning capacities, and foreign market adaptability. The country-specific factors included logistical advantages resulting from the geographic location, the adaptability capabilities resulting from prior survival through institutional voids, the availability of low-cost resources, the strength of social connections established through networks, and domestic policies supporting internationalization.

On the international diffusion of SMEs' innovations, [Acs, Morck, Shaver, and Yeung \(1997\)](#) pointed out that SMEs faced two challenges in internationalization: property rights protection and barriers to entry. From a strategic perspective, [Cavlek \(2002\)](#) highlighted the internationalization process as a challenge currently faced by enterprises around the world. [Hanif and Irshad \(2018\)](#) pointed out that SMEs faced many domestic and international problems and challenges in achieving economies of scale in marketing their products and gaining a competitive advantage in the international market. Innovation was needed to deliver value-added products by creating value so that a competitive advantage could be achieved. [Boso, Adeleye, Ibeh, and Chizema \(2019\)](#) highlighted issues in the process of internationalization.

For developing or emerging economies, studies such as Monticelli et al. (2025), Lakshman et al. (2025) found that marketing innovation capabilities and networking capabilities are important factors for the internationalization of SMEs. Khambhata (2023) highlighted that risk diversification, increased competitiveness, knowledge transfer, innovation, improved profitability, and business growth are some benefits that SMEs can reap in emerging economies through internationalization. Whereas Islam et al. (2023) found that in developing economies, lack of market knowledge, a lack of family support, the proliferation of 'scammer buyers', the (negative) involvement of third parties, mismanagement of domestic ports, and an unregulated local market are hindrances to the firms' internationalization.

Several studies examined the different impacts of the internationalization of SMEs. [Jabar, Tajuddin, and Paine \(2015\)](#) explained SMEs' role in fostering growth, employment, and income in the country. They concluded that SMEs are crucial for fostering innovation and stabilizing growth; therefore, they should be brought up towards internationalization. [Martin and Javalgi \(2018\)](#) examined the effects of entrepreneurial orientation and internationalization of SMEs. Their results showed that entrepreneurial orientation and internationalization were positively linked to sustainable development. [Trinh and Doan \(2018\)](#) examined growth for SME manufacturing companies and the internationalization nexus. They discovered that labor productivity, output, and employment growth were all positively impacted by internationalization. Further, they also documented that continuous engagement in the internationalization process resulted in higher growth. Furthermore, firms that sell domestically and export to foreign-invested enterprises perform better than those that only take part in one of these internationalization strategies.

The theoretical and empirical literature provide the conceptual framework of the internationalization process of Small and Medium Enterprises (SMEs), which encompasses various factors and stages that influence how these businesses expand and operate in the global market. The general conceptual framework that outlines key elements includes international and external factors, and internationalization stages. The internal factors include resource base, managerial capabilities, innovation and technology adoption, and organizational culture. The external factors include market conditions, industry characteristics, government policies and support, and global

economic trends. The internationalization stages involve exporting, collaboration and alliances, establishing foreign subsidiaries, and mergers and acquisitions.

## **THEORETICAL FRAMEWORK AND CONCEPTUAL MODEL**

Based on prior theories and empirical insights, this study proposes a conceptual model linking motives, barriers, and performance outcomes. Motives (push\ pull), barriers (institutional, operational, resource-based), and performance outcomes (international reach, learning, competitiveness). The framework positions internationalization as an iterative process influenced by internal readiness and knowledge development. It integrates Uppsala's incremental learning with Network theory's relational capital and Born Global firms' rapid entry models, proposing that Pakistani SMEs follow an adaptive internationalization path driven by network learning and contextual adjustment.

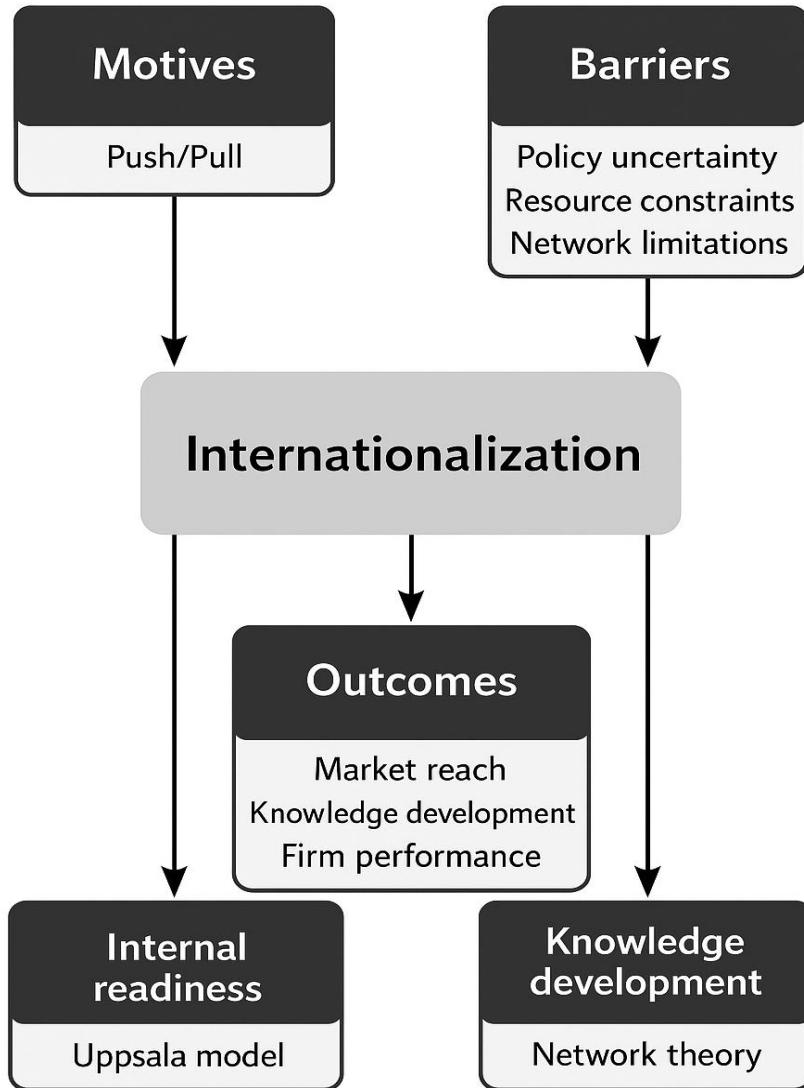


Figure 1: Conceptual Model of SME Internationalization

Hence, the propositions of this paper are:

1. To explore the primary motive/reasons of firms for entering foreign markets?
2. To discover internal and external factors that push firms to internationalization.
3. To explore the entry and operations of firms in foreign markets.
4. To discover the main driving strategies of firms when entering foreign markets.
5. To explore the barriers and challenges for firms to internationalize.
6. To find the important success factors for internationalization.

## RESEARCH METHODOLOGY

The primary objective of this paper is to provide a deeper understanding of the internationalization process of IT services-related SMEs in Pakistan. By adopting a qualitative multiple-case study approach as prescribed by Yin (2017), this paper provides detailed insights and descriptions of the internationalization process of IT services-related SMEs. According to OECD (2005), SMEs are non-subsidiary, independent firms having employees of less than 250 people, which serves as the unit of analysis for this study<sup>1</sup>.

Five companies are selected for the focus group interviews, which are treated as distinct cases for comparative insights. Purposive sampling is used to select firms based on firm age, export experience, and ownership type (domestic/foreign). The data is collected through semi-structured interviews as a primary source for information from each participant representing IT services SMEs (domestic and foreign companies working in Pakistan) that have already passed through the internationalization process and moved from domestic to international markets. The interviews are placed in a group panel consisting of five panelists, where a group of interviewers interview them. The IT services SMEs include Rhine Consulting PVT LTD, Laudators Communication & Solutions PVT LTD, Tell How PVT LTD, KALSYM group, and Mobitel PVT LTD. The details of the representatives are given in Appendix Table 1. The time dimension of the survey is 2023.

A general interview approach is used where a formal set of questions is devised with utmost care and followed by the interview guidelines of Benbasat et al. (2002) and Yin (2017). An interview guide covering motives, strategies, planning, and barriers has been developed. The interviews are taken and recorded at the same time with a group of participants representing each company. The interview questions are given in Table 1.

**Table 1: Interview Questions**

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### General Information

- 1- Background of the Owner?
- 2- How long have you been in business?
- 3- How long have you been in the export business?
- 4- Where was the company established?
- 5- What organizational structure do you follow?
- 6- What were the products/services you provide both nationally and internationally?

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<sup>1</sup> OECD, 2005, OECD SME and Entrepreneurship Outlook: 2005, OECD Paris, page 17.

- 7- What gave your product/services a competitive advantage over your competitor's products/services?
- 8- Who were your targeted customers in foreign markets?
- 9- Who were your main competitors internationally?
- 10- The number of countries/regions where the company is present.
- 11- What were the challenges you faced at the start-up position?
- 12- Have you planned to operate internationally from the beginning or did the occurrence of some events encourage you?

### **Internationalization Process**

#### **A- Motives/Reasons**

- 1- What was your primary motive/reasons for entering foreign markets?
- 2- What external factors push firms to internationalization?
- 3- What internal reasons and motives push firms to internationalization?

#### **B- Entering Foreign Markets**

- 1- What factors did you take into consideration when choosing foreign markets to enter?
- 2- How did you prepare yourself before entering foreign markets?
- 3- How did you get information about the foreign target markets before entering that market?
- 4- What is the role of information regarding foreign markets in internationalization?
- 5- How do you operate in foreign markets? a. Joint Venture, b. Direct, c. Sales Office
- 6- When you entered foreign markets what were your entry modes?
- 7- Indicate the intensity of competition in the foreign markets.

#### **C- Strategies and Planning**

- 1- What was your main driving strategy when entering foreign markets?
- 2- What business model you have developed for internationalization?
- 3- How important is building strategic networks – building links with a range of relevant players – for the internationalization process?
- 4- Do you have strategic partners? How many strategic partners do you have?
- 5- How you do market yourself in foreign markets, is it different compared with local conditions?

#### **D- Barriers and Challenges**

- 1- What was the most significant risk/hurdle you faced?
- 2- What were the top three challenges for company internationalization?

### **Important Factors for Success**

- 1- What were the top three factors considered for your success?

- 2- What was the importance of a firm's innovativeness in the international process?
- 3- How can international competencies and strategies for internationalization affect the firm's success rate?
- 4- What was the role of entrepreneurial skills in achieving the targeted goals?

### **Future Planning**

1. Do you have plans to expand in the future? Which countries?
2. What are the goals that your company would like to achieve in the future at the international level?

### **Suggestions**

1. What would be your suggestions to the SMEs that are planning to internationalize in the near future (strategy and methods)?

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After taking interviews from a group of participants, all the interviews are transcribed. After transcribing, the interviews are mapped to relevant questions. The codes are assigned to every answer mentioned in each question manually. Companies are provided with codes based on their experience or fresh startups, and single-owner or joint nature. Old sport- one-man show code is assigned to the company, whose owner had previous job experience, but it's a sole proprietorship company. New bee, one-man show code is assigned to the company whose owner is a fresh graduate and immediately started his own entrepreneurship business, but still a sole proprietorship company. After assigning the code, it is identified that 4 out of 5 companies belong to Old sport- one-man show, and only one out of 5 companies belong to New bee, one-man show category. Thematic analysis is conducted to identify cross-case patterns. Ethical considerations are strictly followed. Informed consent is obtained from participants.

## **EMPIRICAL FINDINGS AND ANALYSIS**

In this paper, semi-structured interviews were conducted with the top management of each IT services related SME. The IT services SMEs included are Rhine Consulting PVT LTD, Laudators Communication & Solutions PVT LTD, Tell How PVT LTD, KALSYM group, and Mobitel PVT LTD. To understand the internationalization process of these SMEs, the interviews' main aspects are company background information, the internationalization process, important factors for success, future planning, and suggestions. The internationalization process included information about motives/reasons, entering foreign markets, strategies and planning, barriers, and challenges.

The summary points of transcribed interviews are given in Table 2

**Table 2: Summary Points of Transcribed Interviews**

1- Rhine consulting old sport- one-man show	2- LCS old sport- one-man show	3-Telhow new bee- one-man show
<b>General Information</b>		
1- Background of the Owner?		
-experience player -multi talented	- multi talent -experience player	-no experience
2- How long have you been in business?		
-3 years of experience	-5 years of experience	-20 years of experience
3- How long have you been in export business?		
-3 years of experience	-5 years of experience	-20 years of experience
4- Where was company established?		
-originated in Pakistan	-Pakistan	-China
5- What organizational structure do you follow?		
-no formal structure, purpose based hiring	-no formal structure, purpose based hiring	-formal chain of command
6- How many employees are working in your firms?		
-purpose based hiring	- purpose based hiring	-more than 20000 employees
7- What are the product/services you provide both nationally and internationally?		
- multipurpose product and services	- multipurpose product and services	- multipurpose product and services
8- What gives your product/services competitive advantage over your competitors' products/services?		
-strong communication	-customized products and services	-customized products and services

-service level confidence		-innovation	
9- Who are your targeted customers in foreign markets?			
-Chinese market	-Oil & Gas	-IT companies and Government	
10- Who are your main competitors internationally?			
-Chinese companies	- India and China	- Huawei, ZTE, Simmons, Nokia, IBM	
11- Number of countries/regions where the company is present.			
-China	-Saudi Arabia, middle east and Dubai	- Kenya, Indonesia, Pakistan	
12- What were the challenges you faced at the start up position?			
-lack of mechanism and formal structure -no support from bank - lack of infrastructure	-no support from FBR and SECP -market competition -govt. policies	-no big challenge due to strong political support	
13- Have you planned to operate internationally from the beginning or the occurrence of some events encouraged you to do so?			
-motivated from start	-domestic competition push for internationalization	-globalization push for international market	
<b>Internationalization Process</b>			
<b>A- Motives/Reasons</b>			
1- What was your primary motive / reasons for entering foreign markets?			
-lack of local support for Chinese investors	- globalization	- market competition - globalization	
2- What external causes push firms to internationalization?			

<ul style="list-style-type: none"> <li>-favorable regulations in foreign markets</li> <li>- market opportunity</li> </ul>	<ul style="list-style-type: none"> <li>- high level of domestic competition</li> <li>- market opportunity</li> </ul>	<ul style="list-style-type: none"> <li>-innovative opportunities</li> <li>-market information</li> </ul>	
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3- What internal reasons and motives push firms to internationalization?

<ul style="list-style-type: none"> <li>- strong business orientation</li> <li>-adaptability to foreign markets</li> </ul>	<ul style="list-style-type: none"> <li>-technology competence</li> <li>-rapid learning capabilities</li> </ul>	<ul style="list-style-type: none"> <li>- entrepreneurial skills and innovation</li> <li>-financial and operational advantages</li> </ul>	
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## B- Entering Foreign Markets

1- What factors did you take into consideration when choosing foreign markets to enter?

<ul style="list-style-type: none"> <li>-commercial viability of products and services</li> </ul>	<ul style="list-style-type: none"> <li>-referral available</li> <li>-demand</li> </ul>	<ul style="list-style-type: none"> <li>-marketing research</li> </ul>	
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2- How did you prepare yourself before entering the foreign markets?

<ul style="list-style-type: none"> <li>-govt. laws</li> <li>-policy framework</li> </ul>	<ul style="list-style-type: none"> <li>- local homework</li> </ul>	<ul style="list-style-type: none"> <li>-local training</li> <li>-generate competitive advantage</li> <li>-AWOT analysis</li> </ul>	
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3- How did you get information about the foreign target markets before entering that market?

<ul style="list-style-type: none"> <li>-market research</li> </ul>	<ul style="list-style-type: none"> <li>-channel partner</li> </ul>	<ul style="list-style-type: none"> <li>-channel partner</li> </ul>	
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4- What is the role of information regarding foreign markets in internationalization?

<ul style="list-style-type: none"> <li>-highly important</li> </ul>	<ul style="list-style-type: none"> <li>- highly important</li> </ul>	<ul style="list-style-type: none"> <li>- highly important</li> </ul>	
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5- How do you operate in foreign markets? a. Joint Venture, b. Direct, c. Sales Office		
-direct	-joint venture	-joint venture
6- When you entered foreign markets what were your entry modes?		
-channel partner	-channel partner	-channel partner
7- Indicate the intensity of competition in the foreign markets?		
-highly competitive markets	-highly competitive markets	-highly competitive markets
<b>C- Strategies and Planning</b>		
1. What are your main driving strategy when entering foreign markets?		
- customized strategy	- customized strategy	customized strategy
2. What business model you have developed for internationalization?		
-local collaboration	-local collaboration	-purchasing model -govt. financing model -revenue share model
3- How important is building strategic networks – building links with a range of relevant players – for in		
-strategic networks are the life line	-strategic networks are important	-strategic networks are vital
4- Do you have strategic partners? How many strategic partners do you have?		
-Yes, many strategic partners	-Yes, many strategic partners	-Yes, many strategic partners
5- How you do marketing yourself in foreign markets, is it different compared with local conditions?		
-referral based	-using Qaffel channels	-participating in exhibitions - CSR

## D- Barriers and Challenges

1- What was the most significant risk/ hurdles you faced?

-political risks and barriers		-exchange rate risk	
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2- What are the top three challenges for company internationalization?

-political stability -govt. rules and regulations -policy framework	-finding partner -legal issues -resource arrangement	-market dynamics -finding partner -learn from failure	
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## Important factors for success

1- What are the top three factors which consider towards your success?

-strong grip on idea -market research -understanding policy framework	-self determination -motivation -believe in team	-market research -quality of services -customized services	
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2- What is the importance of firm's innovativeness in international process?

-key to success	- very important aspect to success	- important role to success	
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3- How can international competencies and strategies for internationalization affect the firm's success rate?

- play a vital role	- important for success	- very important for success	
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4- What is the role of entrepreneurial skills in achieving the targeted goals?

- goal setting skills lead to success	-decision making skills lead to building experience	-creative thinking skills lead to innovation	
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## Future Planning

1-Do you have plans to expand in the future? Which countries?

-yes, Thailand, Vietnam, Cambodia.	-yes, Qatar	-yes, Sri Lanka	
2- What are the goals that your company would like to achieve in the future at the international level?			
-move to other foreign markets	-increase footprint	-increase footprint	
<b>Suggestions</b>			
1. What would be your suggestions (in term of strategy and methods) to the SMEs that are planning to internationalize?			
-have market knowledge	-get right reference -have local experience	-understand foreign policies	

**Note:** The table shows the semi-structured interviews taken from the top management of IT services related to SMEs.

## EMPIRICAL FINDINGS

The empirical findings of the main aspects of the interviews are given below:

### GENERAL INFORMATION

Most of the IT services SMEs are experienced players having multi-talents and leadership thirst that have moved from national to international markets. They have business experience of 3 to 20 years, and the same is in the export business. Rhine Consulting and Laudators Communication & Solutions originated in Pakistan under the company's registration authorities, but now Rhine Consulting is working in China, and Laudators Communication & Solutions is working in Saudi Arabia and the Middle East. KALSYM has opened its branch office from Malaysia to Pakistan and is working in Singapore & Thailand. Mobitel has relocated from Bahrain to Pakistan and is currently operating in Saudi Arabia and the Middle East. Tell How is established in China, moved to Pakistan, and is working in Kenya and Indonesia. Most of them have a formal chain of command whereas Rhine Consulting and Laudators Communication & Solutions have no formal but partial formal structure and purpose-based hiring purposes. They provide multipurpose products and value-added services both nationally and internationally. Strong communications, service level confidence, customized products and services, innovation, on-time delivery, and minimum cost are their competitive advantages over their competitors' products and services. Their targeted customers in foreign markets are Oil and Gas, Telecom, and IT companies, as well as the Government and the Armed Forces. Their main competitors are IT-related services SMEs from India and China.

The IT-related services SMEs are present internationally in China, Saudi Arabia, Bahrain, Dubai, Kenya, Indonesia, Singapore, and Thailand. While going

internationally, they have faced start-up challenges, a lack of mechanisms and formal structure, a lack of infrastructure, no support from government authorities, market competition, and government policies. Domestic competition and globalization have pushed these companies towards internationalization.

## **INTERNATIONALIZATION PROCESS**

### **MOTIVES AND REASONS**

The primary motives and reasons for IT services SMEs entering foreign markets are globalization, market gap, and competition. The external factors that push firms to internationalization are favorable regulations in foreign markets, market opportunities, a high level of domestic competition, innovative opportunities, market information, potential international customers, and growth potential. These are aligned with the studies of Monticelli et al. (2025) and Lakshman et al. (2025). The internal reasons and motives that push firms to internationalization are strong business orientation, adaptability to foreign markets, technology competence, rapid learning capabilities, entrepreneurial skills and innovation, financial and operational advantages, unique products, utilization of network resources, availability of low-cost resources, and value chain activities. These are aligned with the studies of Hanif and Irshad (2018) and Ramdani et al. (2023)

### **ENTERING FOREIGN MARKETS**

The factors that IT services SMEs take into consideration when choosing foreign markets to enter are the commercial viability of products and services for Rhine Consulting, demand, and availability of reference for Laudators Communication & Solutions, marketing research for Tell How, rules and regulations, and taxes for KALSYM and Mobitel. Before entering the international market, Rhine Consulting has studied government laws and policy framework of foreign markets, Laudators Communication & Solutions has performed the local homework and resource arrangements, Tell How has done SWOT analysis, KALSYM has identified the channel partners, and Mobitel has performed financial and operational skills enhancement. Rhine Consulting directly, KALSYM and Mobitel through sales offices, Laudators Communication & Solutions, and Tell How through joint ventures are operating in foreign markets.

These IT services SMEs believe that the role of information about foreign markets is highly important when entering. They entered foreign markets through channel partners and found these highly competitive markets, as highlighted by Conconi et al. (2016) and Khambhata (2023).

### **STRATEGIES AND PLANNING**

Each IT services SME adopts customized strategies for entering foreign markets. For them, strategic networks and channel partners are essential for internationalization. They build strategic local partners and local collaborations in foreign markets. Rhine Consulting, Laudators Communication & Solutions, and KALSYM adopt the developed local collaboration business model, Mobitel customized business model

and Tell How purchasing model, government financing model, and revenue share model as a business model for internationalization.

The IT services SMEs have to market themselves through referrals, local advertisement, and web-based channels, as well as participation in exhibitions. They develop new markets through reference-based, channel partners, and consultancy firms. Similar results are found by Islam et al. (2023) and Khambhata (2023).

## **BARRIERS AND CHALLENGES**

The most significant risks and barriers IT services SMEs face are political risks, exchange rate risk, and competitors and their prices. These IT services SMEs face challenges such as political stability, government rules and regulations, and policy framework for Rhine Consulting, finding partners, legal issues, and resource arrangement for Laudators Communication & Solutions, market dynamics, and finding partners for Tell How, channel partners, trust factor, and resource limitations for KALSYM, competitors, financial and public relations for Mobitel. These results are aligned with the studies of Hanif and Irshad (2018), Khambhata (2023), and Lakshman et al. (2025).

## **IMPORTANT FACTORS IN SUCCESS**

IT services SMEs believe that innovation is the key to success and a crucial factor in the internationalization process. According to these SMEs, international competencies and strategies for internationalization play a vital role as well as essential for success. Moreover, effective and decision-making entrepreneurship skills are also crucial for success. Particularly, the success factors for Rhine Consulting are market research and understanding policy framework; for Laudators Communication & Solutions are self-determination, motivation, and teamwork; for Tell How are market research, quality of services, and customized services; for KALSYM are commitment, well-structured strategies, and hard work; and for Mobitel are project delivery on time, commitment, and loyalty. Similar results are found by Kunday and Şengüler (2015) and Ramdani et al. (2023).

## **FUTURE PLANNING**

Most of the IT services SMEs plan to expand their businesses further in other foreign markets to increase their footprint and customers.

## **SUGGESTIONS**

The representatives of IT services SMEs give suggestions to other SMEs that are planning to internationalize shortly. Their suggestions for going internationally are that one should have market knowledge and information, the right reference, and know-how about foreign policies and competitors.

## **CROSS-CASE SYNTHESIS**

Through thematic analysis, five dominant themes across the cases are generated.

### **MOTIVES FOR INTERNATIONALIZATION**

Firms sought global expansion due to domestic competition, customer diversification, innovative opportunities, entrepreneurial skills, technological competence, and adaptability to foreign markets were critical motivators.

### **BARRIERS AND CONSTRAINTS**

Firms faced political instability, policy inconsistency, exchange rate volatility, and limited financial capital as major barriers. Resource limitations and financial constraints restricted scaling capacity and long-term commitments.

### **STRATEGIC ADAPTATION**

All firms emphasized customized market entry strategies and reliance on international networks. Partnerships with foreign distributors and joint ventures were vital for overcoming entry barriers.

### **NETWORK DEPENDENCY**

Relationship building was identified as a link for market access and trust formation. Firms leveraged professional networks to gather market information and secure foreign customers.

### **SUCCESS FACTORS AND OUTCOMES**

Innovation, adaptability, managerial commitment, and cross-cultural competence emerged as key success factors. Internationalization outcomes included knowledge transfer, brand reputation, and business sustainability.

## **DISCUSSION**

The findings are now discussed through interpretive lenses—explaining why and how firms differ in their internationalization approaches. For instance, foreign-origin firms leverage established networks (Network theory), while domestic SMEs rely on experiential learning (Uppsala model). Thematic synthesis connects firm motives and challenges to theoretical propositions, identifying context-specific drivers such as political instability and regulatory fragmentation.

The findings also show that IT service related SMEs pursue internationalization through a combination of gradual learning (Uppsala model) and network-based acceleration (Born Global). Unlike Western SMEs, they operate in institutional environments where formal support systems are weak. Thus, network-driven

strategies compensate for institutional voids, while entrepreneurial agility substitutes for capital constraints. These results extend existing theory by showing that internationalization in emerging markets is both opportunity-seeking and survival-oriented.

The internationalization process includes their motives/reasons, entering foreign markets, strategies, planning, barriers, and challenges. The main motives of SMEs related to IT services for internationalization are globalization and expansion, as pointed out by Audretsch and Guenther (2023) and Monticelli et al. (2025). The important factors for the success of these enterprises are a strong grip on ideas, market research, commitment, well-structured strategies, and an understanding of the policy framework of the country, as highlighted by Kunday and Şengüler (2015) and Ramdani et al. (2023). These enterprises also face some new challenges, which are political instability, government rules and regulations and policy framework, legal issues, and foreign exchange risk. Further, all these enterprises want to expand their businesses in the short term and long term as they believe in increasing their footprint, but they need to develop a strong edge before entering highly competitive markets.

Successful internationalization requires careful planning, investment, continuous learning, a willingness to adapt, readiness for international expansion, and a long-term perspective. It's important to have a clear vision, realistic expectations, and a long-term commitment to building a strong global presence for IT-related SMEs. Successful internationalization can lead to significant growth opportunities and enhanced competitiveness in the global IT market.

In Pakistan, IT services related SMEs for internationalization should conduct thorough market research to identify potential target markets for IT services. Consider factors such as demand for specific services, competition, regulatory environment, and cultural nuances. Identify specialized IT services or niches where the SMEs can excel. Having a clear value proposition and expertise in specific areas can help SMEs stand out in the global market. Obtain relevant certifications and adhere to international quality standards to build credibility and trust with global clients. Certifications such as ISO standards can enhance the perception of the SME's capabilities. Establish a strong online presence through a professional website, social media, and other digital channels. This is essential for reaching international clients and showcasing the SME's capabilities. Build relationships with international business networks, industry associations, and potential partners. Collaborations with global companies or entering joint ventures can facilitate market entry. Develop a robust remote work infrastructure to facilitate collaboration with clients and teams across different time zones. Embrace digital collaboration tools and technologies. Understand and comply with the legal and regulatory requirements of the target markets. This includes intellectual property protection, data privacy laws, and compliance with international trade regulations.

## CONCLUSION AND POLICY IMPLICATIONS

The internationalization of Information Technology (IT) service related SMEs involves expanding business operations, products, and services across international borders. The aim of this paper is to explore the internationalization process of IT services related to SMEs. To have an in-depth understanding of the internationalization process, detailed interviews are conducted with the representatives of five IT services companies who have already passed through this process and moved from the domestic to the foreign markets.

The internationalization process of Information Technology (IT) Services related Small and Medium Enterprises (SMEs) involves several stages and strategic steps. The first step is evaluating the SME's current capabilities, resources, and competitive advantages, determining whether products or services have the potential for international demand and scalability, and assessing the commitment of the management team and employees to handle the challenges of international expansion. Secondly, conducting thorough market research to identify potential target markets based on factors such as market size, growth potential, competition, and cultural fit, and considering macroeconomic indicators, technology adoption rates, and regulatory environment in different countries. Thirdly, choosing an appropriate entry mode for each target market, such as exporting, licensing, franchising, joint ventures, partnerships, or establishing subsidiaries, and the choice of entry mode should align with SME resources, risk tolerance, and strategic objectives. Fourthly, modifying IT products or services to suit the preferences, needs, and regulatory requirements of the target market. Fifthly, establishing relationships with local partners, distributors, or agents to facilitate market entry and distribution, developing a marketing strategy that resonates with the target audience, using appropriate communication channels and cultural sensitivities, and building a strong online presence, including localized websites and social media accounts. Further, establishing the necessary infrastructure to support international operations, including logistics, supply chain management, and customer support.

This study contributes to understanding SME internationalization in emerging markets by linking motives, barriers, and strategic responses through a conceptual model. It demonstrates that IT service related SMEs from Pakistan internationalize despite institutional and resource limitations by leveraging networks and innovation. For policymakers, strengthening digital infrastructure, simplifying export regulations, and offering financial incentives can accelerate SME globalization. For SME managers, cultivating global partnerships and continuous learning are key to sustainable international growth.

The internationalization of SMEs—through exports, foreign partnerships, or digital globalization—has far-reaching policy implications for Pakistan's IT sector. For IT service related SME owners, internationalization offers access to global markets, innovation ecosystems, and knowledge networks; however, it also exposes them to competitive pressures, regulatory complexities, and capability gaps.

The internationalization of SMEs has significant policy implications for governments and policymakers. Governments can play a crucial role in supporting SME internationalization by ensuring access to information and advisory services, as well as providing updated resources on global markets, regulations, trade agreements, and export opportunities. Establishing dedicated support centers can further help SMEs through training, mentoring, and expert guidance. Financial incentives, such as grants, subsidies, low-interest loans, and export credit insurance schemes, can help mitigate the financial risks associated with market research, product adaptation, and entry into foreign markets. Enhancing trade facilitation through investments in logistics, transportation, and digital infrastructure, along with reducing customs delays and bureaucratic hurdles, can significantly ease cross-border operations. Simplifying and harmonizing regulations, documentation requirements, and standards, as well as establishing mutual recognition mechanisms, can lower compliance burdens. Strengthening intellectual property rights protection and providing guidance on international IPR frameworks to safeguard SMEs' innovations and brand assets abroad. Training and capacity-building initiatives that improve business skills, cultural understanding, negotiation abilities, and cross-border management are essential, and partnerships with educational institutions can expand these opportunities. Furthermore, networking platforms, trade missions, exhibitions, and matchmaking events can connect SMEs with international partners and encourage collaboration. Supporting research and development, technology transfer, and innovation enhances SMEs' competitiveness in global markets. Ensuring diversity and inclusion in policy design is vital so that women-led and minority-owned enterprises can equally access international opportunities, while targeted measures address existing disparities. Finally, coordinated government policies and regular monitoring of outcomes ensure coherent implementation, continuous improvement, and alignment with SMEs' evolving internationalization needs.

Effective policy measures can help SMEs overcome barriers and capitalize on opportunities associated with internationalization. By creating a supportive ecosystem, policymakers can contribute to the growth, competitiveness, and resilience of SMEs in the global marketplace.

## **Limitations And Future Research**

The limitation of this case study is that it only considers a few aspects of the internationalization process of SMEs by conducting a qualitative multiple-case study and gathering the perspectives of five SMEs.

Limitations of this case study include the small number of cases, the perspectives of five SMEs, and reliance on qualitative insights. Future research should adopt longitudinal or mixed method designs to validate the proposed framework empirically and across broader contexts.

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## Appendix

**Table: 1**

Company Name	Representative
<b>Rhine consulting PVT LTD</b>	Sarfraz Malik CEO & Owner
<b>Laudators Communication &amp; Solutions PVT LTD</b>	Khurram Ishaq CEO & Owner
<b>Tell How PVT LTD</b>	Zi Ying Country Head (Pakistan Office) Head office China
<b>KALSYM GROUP</b>	Muhammad Rashid Regional Director (Pakistan Office) Head office Malaysia

<b>Mobitel PVT LTD</b>	Awaid Abid Operations Manager (Pakistan Office) Head Office Bahrain
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