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TOWARDS INTERNATIONALIZATION OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs): THE CRITICAL ROLE OF PRODUCT INNOVATION

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Abstract
Internationalisation of business is not limited solely to large and multinational corporations alone, today the business world has witnessed many case scenarios where Small and Medium-sized Enterprises (SMEs) are predominantly gaining a wave and spaces at the international market. The growing share in the developed and even in the developing economy explains their strong participation to the internationalisation. The aim of this paper is to examine how small and medium-sized enterprises internationalise by using innovative approach to their product development, and how this influences their internationalisation process. The focus therefore is on obtaining better understanding of the role of innovation for the SMEs as a driver for their participation at the international market environment. The paper adopts a literature survey where extant literatures are reviewed with a view to gaining an insight into the role of innovation in the internationalization process. The paper concludes that being innovative and vast in R&D can lead to gaining many accesses to the international market, seeking more opportunity and discovering new market for products and services. It recommends that managers of SMEs should focus on new technology, effective Research and Development, and try to be responsive to market changes in the industry they belong to. This can be achieved by having an effective and efficient management that values innovation for change not for fashion.

Keywords: Internationalization, innovation, SMEs, entrepreneurship, technology innovation

INTRODUCTION

Internationalisation and entrepreneurship among Small and Medium-sized Enterprises (SMEs) is a topic of considerable relevance, principally owing to observed growth effects of cross-border venturing, and the demonstrated capacity of SMEs to drive economic development at national, regional and global levels. SMEs internationalisation is perceived as an important aspect to look into, and do anything to promote its gravity across the globe, and remains of considerable contemporary relevance (OECD, 2008). SMEs are important components of economic development due to their flexibility and innovative characteristics.
SMEs are not usually thought as international players, but in fact they play a significant role in the international economy, and about one percent (1%) of SMEs are global players (OECD, 2004). In very general terms, SMEs contribute between fifteen per cent (15%) and fifty per cent (50%) of exports and between 20% and 80% of SMEs are active importers. Overall, it is estimated that SMEs now contribute between 25% and 35% of world manufactured exports (OECD, 2004). Thus, internationalisation of SMEs has in recent years attracted research and policy attention. Yet, it is not clear what skills and capabilities an SME needs to succeed in the international marketplace. More specifically, an important question is whether and to what extent innovation plays a role in SMEs internationalisation?

The answer is simply to be as much innovative as possible. The innovative and entrepreneurial capabilities help to improve economy through their international involvement and domestic employment generation. Their growing share in global activities induced many writers to focus on SMEs internationalisation. However, SMEs increasing number in international involvement explains how strong they compete and fully participate in internationalisation (Coviello & McCauley, 1999). Dynamically, those SMEs that are internationally active are generally growing faster than their domestic equivalents. It is hard to get an accurate gauge on just how fast they are growing, but two to three times average rate of growth of OECD economies is probably not reasonable(Hall, 2004). This suggests that internationalised SMEs are making a significant contribution to the growth of the world economy. This is the major reason why many scholars engage in studying the overall importance of the SMEs in relation to regional and economic growth (Li, 2008).

The aim of this paper is to explore the dimension of the small and medium enterprises internationalisation through innovation. The purpose of the study is to examine how small and medium-sized enterprises internationalise by using innovative approach to their product development, and how this influences their internationalisation process.

SMALL AND MEDIUM-SIZED ENTERPRISES

There are many definitions in the selected literature about what Small and Mediumsized Enterprises are. One issue about SMEs definition is that certain criteria have been used to define what SME stands for most especially according to countries, size and sectors. Conrad and Darren (2009), cited in Lucky and Olusegun (2012), explain that the main reason why SMEs definition varies particularly from industry to industry; country to country; size to size and number of employee to employee is to reflect industry, country size and employment differences accurately. SMEs represent a business and not a public limited company. They are businesses in India having not less than 250 workers in the case of manufacturing and service industries including trading businesses (Jasra, Khan, Hunjra, Rehman & Azam, 2011) also cited in Lucky and Olusegun (2012). The above point shows that the common criteria for defining SMEs are employment, number of employees, size, industry, country and asset value. In Nigeria, the definitions of SMEs focussed on small firms leaving a gap in the definition of medium enterprises. Ogudele (2007) defines SMEs as a business with minimum of 5 employees with minimum capital outlay of not less than five thousand Naira ($33).

The Medium businesses as the name suggests are bigger than both micro and small businesses in terms of operations, manpower capacity or number of employees, structure, capital investment and size. According to Darren et al. (2009), they are the businesses that employ up to 249 employees in UK, in European Union, they employ up to 250 employees, in Australia, they employ up to 200 employees wile in U.S.A, they accommodate up to 500 employees.

A major characteristic of Nigeria's SMEs relates to ownership structure or base, which largely revolves around a key man or family. Hence, a preponderance of the SMEs is either sole proprietorships or partnerships. Even where the registration status is thus that of a limited liability company, the true ownership structure is that of a one-man, family or partnership business. Other common features of Nigeria's SMEs include the following among others (Onugu, 2005)

1. Labour–intensive production processes

2. Concentration of management on the key man

3. Limited access to long term funds

4. High cost of funds as a result of high interest rates and bank charges

5. High mortality rate especially within their first two years

6. Over-dependence on imported raw materials and spare parts

7. Poor inter and intra-sectoral linkages - hence they hardly enjoy economies of scale benefits

8. Poor managerial skills due to their inability to pay for skilled labour

9. Poor product quality output

10) Absence of Research and Development

11) Little or no training and development for their staff **INTERNATIONALIZATION**

The process by which firms increase their awareness of the direct and indirect influences of international transactions on the future, establish and conduct transactions with other countries (Beamish, 1990). Internationalization of a firm is a process in which the firms gradually increase international involvement (Johanson & Vahlne, 1994). It is also described to be a cumulative process in which relationships are continually established, maintained, developed in order to achieve the objectives of the firm (Johannson & Mattsson, 1993). These definitions are quite interesting but viewed internationalisation as the process of developing networks of business relationships in other countries through extension, penetration and integration. This paper aims at looking at the innovation as the process of firm's internationalisation, especially the Small and Medium sized Enterprises.

CONCEPTUAL PERSPECTIVE AND RESEARCH ISSUES

It has been said that “a nation's competitiveness depends on the capacity of its industry to innovate" (Porter, 1990) but it is increasingly difficult to come up with new products in the face of intense global competition of present business environment (Jerrard, 1998). The new product literature is vast and growing. After all, developing a new product and service is one of the core business or organisational concern- and, one could argue, the most important process. The growing interest in the behaviour of SMEs internationalisation refocuses attention on the role the innovation plays for their development at all levels, ranging from economic development through job provision and competition and important culture of innovation. A variety of disciplines engage in research and publishing articles on product development and innovation complimenting the work of people like Joseph Schumpeter(1930) and David Keeble, due to the importance of the concept in today's business. SMEs have today embraced innovation as their source for gaining competitive advantage at the international environment (Zheng, 2008).

This section aims at surveying the literature on two dimensions; exploring the importance of new product innovation at the hightech SMEs and the internationalisation process. The reason for choosing this literature is that our understanding of SMEs success in terms of product development and internationalisation is currently limited. They provide theoretical basis for exploring the importance of innovation for SMEs internationalisation process.

Relation to Entrepreneurship Field of Research

Innovation is located in the field of entrepreneurship, a concept which for over centuries has been in business and economic literature (Morris et. al, 1994: cited in Abubakar, 2009). As a general field of research, entrepreneurship seeks to understand how opportunities to bring into existence future goods and services are discovered, created and exploited by whom and with what consequences (Shane and Vankataraman, 2000). Entrepreneurs use innovation to exploit or create changes and opportunity for the purpose of making profit. They do so by shifting their economic resources from area of lower opportunity into area of higher productivity and greater yield, accepting a high degree of risk and uncertainty (Burns, 2007). Therefore, innovation cannot be separated from entrepreneurship as it is the life blood for entrepreneurs' success in business, also regarded as a tool of entrepreneurship by Burns (2007).

Today, many people refer entrepreneurship as innovation synonymously. Entrepreneurship and innovation are two important elements which are derived in nature that one cannot go without the other. Entrepreneurship has also been defined as the creation of new organisations (Gartner, 1985, 1988). The concept has also been defined as dynamic process of creating incremental wealth (Ronstard, 1984). The wealth here is created by the individual who put in their resources in form of money and time to get profit. In this context, since the research seeks to explore whether product innovation offers opportunity for SMEs internationalisation we need an operational definition that will show clear connections with the topic of discussion. Thus, entrepreneurship in this research refers to the study of sources of opportunities through which future goods and services are discovered and exploited (Vankataraman, 1997; Ventakaraman, 2000). This definition is adopted here because it relates to the topic and new product development, and importantly due to the authorities contributions involved. The emphasis on small firms is because small firms are viewed as relatively more innovative compared to large firms especially in hightech industries (Acs & Audretsch, 1987; Acs, 2002). The study is generally related to the field of entrepreneurship as the heart of entrepreneurship is alertness which relates to searching for the market for the opportunity that could be turned into better goods, new products or less expensive goods to the market (Abubakar, 2009). Alertness here according to Abubakar,(2009) means seeing outside the box of routine ways of getting things done, especially as it relates to new product, alertness means the process of discovering new knowledge that others have not yet noticed, alertness is simply the product innovation.

One important way of getting opportunity for product innovation to entrepreneurial firms is through changes in technology, as technological opportunities are potentially innovative and break away from existing knowledge (Acs, 2005). Therefore the major source of opportunity is simply the amount of innovation available in place by entrepreneurial firms (Drucker. 1985). Technology is therefore an important part of entrepreneurial opportunity today in realising the ultimate goal of business entrepreneurship as it makes possible for people and organisations to allocate resources in different and potentially more productive ways (Casson, 1995). Soon after the Second World War II, the work of Joseph Schumpeter has appeared to show a clear relationship between entrepreneurship and innovation, thereby drawing interest on the importance of innovation in business activities for success, development and economic growth. According to Schumpeter, at the centre of innovation process is the entrepreneur who initiates changes and generates new opportunities which exploits commercial gains (Abubakar, 2009). Therefore, technology is an important source for innovation and entrepreneurial opportunity, and will therefore form the basis for this paper. We therefore found it necessary to clarify the important link between technology and innovation.

TECHNOLOGY INNOVATION: NEW PRODUCT INNOVATION

For Schumpeter, (1996)**,** a normal healthy economy is the one that is continually disrupted by technological innovation. Silicon Valley in California is synonymous with innovation (Smith, 2006). It is the quintessential example of a place that is all about innovation as Schumpeter views. Nowhere else in the world is so readily identified with new product and new services. It is not merely the number of firms that innovate in the valley that matters, it is the fact that Silicon Valley has gone on producing wave and wave of innovations (Smith, 2006). There are other places in the world that have stronger records in scientific discoveries and scientific breakthroughs, for example Cambridge in the UK has quite outstanding records in terms of scientific breakthroughs that include: discovery of electron, splitting the atom, and the identification of DNA. Though these achievements are the stuff of Novel prizes as such are highly significant, they are scientific breakthroughs rather than innovations (Smith, 2006)**.** Only Silicon Valley has an outstanding record in terms of innovation.

It was not always so. In the 1940s what is now Silicon Valley was a peaceful agricultural valley (Saxenian, 1983) located at the southern tip of San Francisco Bay, silicon valley (or rather Santa Clara County) stretches from Palo Alto in the north of Gilray in the south. Covering 1500 square miles and currently a home to 2.5 million people, today it is the densest concentration of high technology and innovative business on earth (Smith, 2006). Such is Silicon Valley's reputation for high technology and innovation that is led to many imitators as stated by Smith (2006) in his book "exploring innovation".

- Silicon Glen (Scotland)
- Silicon Bog (Ireland)
- Silicon Fen (England)
- Silicon Beach (Vietnam)

Source :(Smith, 2006)

While these places may share part of their name with the Californian namesake, it is probably about all that they do share. Many governments have tried to re-create their own purpose-built versions of Silicon Valley in their own respect like: · Sophia Antipolis (France)

- Hsinchu (Taiwan)
- Multimedia Super Corridor (Malaysia)

Of these, the most recent and the most spectacular is probably Malaysia's Multimedia Super Corridor (MSC), which aims to create the best environment in the world for customers across Asia and the world (Tidd & Brocklehurst, 1999). Despite these imitations, Silicon Valley remains so unique due to constant innovation practised as a result of high record of developing marketing and exploring new technologies that are today marketed for profit and value (Lee et al., 2000). Therefore, we can say that Silicon Valley's unique feature is its capability for developing new technology and exploiting them commercially (Kam & Baird, 2002) - in short it is capability for innovation. It is this capability that this paper aims to explore at the level of Small and medium enterprises.

Innovation is the result of an entrepreneur converting ideas, concepts and opportunities into marketable products and process. Innovation is the means by which the entrepreneur implements changes. If successful, this change will lead to economic advantages of the firms; and this economic change is simply the 'product innovation' (McDaniel, 2002), which is the main focus of this paper.

Probably there are as many definitions of innovation as the number of supposed experts on the field around the world (Daniel, 2009). It has been given several definitions by several writers and scholars.

These definitions include the following: an innovation is an idea, practice or object that is perceived as a new by an individual or other unit of adoption (Rogers, 1995). Mitra (2008) defined it to be a successful exploitation of new ideas. According to Mitra's view mobilisation of knowledge, technological skills and experience to create new products and or services for diffusion in the market place is what is referred as innovation. According to Betje (1998), innovation is a new thing applied in the business of production, distributing and consuming products or services. It is also viewed as the commercial application of a new process or products (Freeman & Soate 1997). In a nutshell, we can simply use the contribution of Acs and Audretch, (1992) to describe innovation as a process of developing a new item, the process of adopting a new item and a new item itself. Therefore, this would take us back to Mitra's view of successful exploitation of new idea in product or service to make more unique to the users and to withstand the competition. Innovation is all about something entirely new to the market in terms of quality or features.

What has been discussed above is a number of perspectives, which is useful because it serves to show that it is actually quite hard to be precise about innovation. Some of these perspectives are broad. For instance they refer to idea and they refer to something being new (Smith, 2006). These are fine but are all features of invention. We need a better degree of perception because so far there are some overlaps with invention. The reference to business and commercial transactions helps because innovation is about commercialisation of inventions- making them relevant to business (Smith, 2006) but it is the verbs in the Mitra's (2008) quotation that really comes closer to the mark in defining innovation. Words like ***exploitation*** and ***apply***. Innovation involves exploitation of inventions so that they can be traded in a market place. Quite obviously, innovation is bringing out invention and getting them ready for the market. In this sense, it is applying inventions to business so that they can be bought and sold. Only when something new is available in the market or is being produced in a new way, that innovation can be said to have occurred (Smith, 2006).

On the other hand, innovation is more than just invention and it is not, necessarily, just a product of research. It can be many things, for example the substitution of a cheaper material in an existing product, or even a better way of distributing or supporting an existing product. Entrepreneurial firms in particular are often innovative in their approach to marketing, finding more effective, often cheaper routes to market (Burns, 2005**).** Mintzberg (1983) defined innovation as 'the means to break away from established patterns', in other words doing things really differently in all aspects of business. So simply, introducing a new product or service that has customers willing to buy it is necessary innovation. True innovation has to break the mould of how things are done (Burns, 2007).

Innovation does make a huge difference to all businesses of all shapes and sizes. The logic is simple- if firms do not change what they offer to the world (products and services) and how they create and deliver them, they risk being overtaken by others (Bessant and Tidd 2007) at the limit, and it is about survival. Those enterprises which do survive do so because they are capable of coming with regular and focused innovation (Li, 2008). It is worth noting that Microsoft, currently one of the biggest and most successful companies in the world, is still leading ahead in their industry due to immense innovation practiced by the company. It is quite obvious that companies that do not invest in innovation put their future at risk. Their business is unlikely to prosper, and they are unlikely to be able to compete if they do not seek innovative solutions to emerging problems (Australian Government websites, 2006). Innovations is the motor of the modern economy, turning ideas and knowledge into products and services (UK Office of Science and Technology, 2000). UK have seen this manifesting in their economy as many regions like that of Essex is remarkably moving ahead in businesses of all kinds, yielding a lot of development and success to the region in terms of job, education and business success.

From the definitions of innovations above, it is clear that innovation and invention are closely related. Invention forms part of innovation (Mitra, 2008). In fact it forms the process of innovation. However, there is another important concept closely related to innovation, namely diffusion (Smith, 2006 and Mitra, 2008). Invention involves new i d e a s , n e w d i s c o v e r y a n d n e w breakthroughs. These are then developed via some process to arrive at workable innovation (Mitra, 2008). A key feature of inventions is the "newness", which means that they incorporate some inventive steps. However innovations are normally ready for market at this stage. Innovation therefore, not only includes inventions but also activities such as design, manufacturing, marketing, distribution and product support. These activities form part of exploitation and commercialisation which is such an essential part of innovation (Smith, 2006). Figure 1.0 shows that innovation involves both invention and commercialisation.

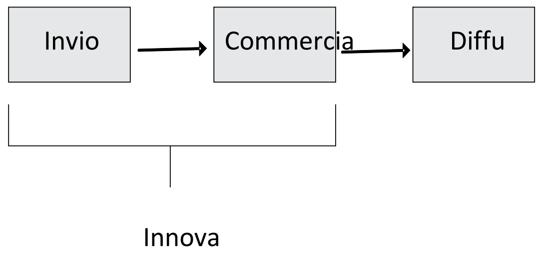

Figure 1.0 Invention, innovation and Diffusion
Source: Smith, 2006

The above diagram shows that innovation is not the end of the story. There remains diffusion. As the terms imply, this is the stage where innovation become widely used and in time spread to other fields.

Joseph Schumpeter's view of innovation slightly takes a different direction. Schumpeter classified firms or entrepreneurs as a sociologically distinct category. They are characterised as people who see the opportunities and create products, change a production process or otherwise create a new marketable contributions to the economy (McDaniel, 2002). Schumpeter termed these activities as "innovation" and claimed as a domain of entrepreneurs. Schumpeter defined innovation as an activity that leads to a new production function, and he listed five specific acts where innovation would lead to any new production function (Bruce, 2006). These are described as follows:

I) The introduction of new product- that is the firm would find a potentially saleable good that was not currently available and provide it in the market place. In this respect, SMEs are widely believed to be a significant source of innovation and associated employment growth in the whole world, a perception that has a considerable impact.

ii) The introduction of new method of production- this innovation would typically involve a different scheme where changing the existing inputs could lead to greater outputs, per unit cost of production could be lowered, or new inputs could be used in place of existing inputs.

iii) The opening of new market- this innovation according to Schumpeter may entail sales to a new region, sales to new customer group not previously thought to be potential buyers or viewing the product as a new market product

iv) The conquest of a new source of supply of raw materials- often times as a resource supplier becomes comfortable with supplying raw materials to a product produced, there is tendency to decrease the new materials quality or increase the price of input resources. As new resource suppliers are developed, the increased resource quality or decreased cost will be reflected in the new production.

v) The carrying out of a new organisation. He described this as an entrepreneurial firm breaking into a monopoly market where prior competition did not exist or creating a condition where entrepreneurial firms could enter into a monopoly market position. Innovating and developing a new product creates a temporary monopoly market (Bruce, 2006)**.** Any of the above scenario was considered as innovation by Joseph Schumpeter, and was of course brought about by the entrepreneurial organisations

For Schumpeter therefore, innovation is related to changes in the production structure of the economy. In his original idea, innovations are introduced by entrepreneurs, who are visionary businessmen that recognise the commercial opportunities of the basic innovations at the time when other businessmen or possible consumers of the products associated to the basic innovations are still in the dark with respect to the new possibilities (Abubakar, 2009). More recently, building on Schumpeter's concept of innovation, researchers have argued that there are number of actors that take part in the process of technological innovation (Rickne, 1999), which could include existing firms, new firms and various supporting organisations. So, entrepreneurs could innovate within existing firms, or they may decide to exploit innovation through starting their own business (Abubakar, 2009).

In fact, there are considerable problems interpreting these criteria for innovation. For example, what constitutes a new product or service **(**Burns, 2007**)**? For example as given by Burns, when a sofa manufacturer produces a 'new' sofa, is that a new product? Economist would probably argue that it was not (because the cross elasticity of demand is likely to be zero) - but the entrepreneur might disagree. What of if the sofa manufacturer starts producing chairs? At what point does the firm start producing genuinely new product? As Porter (1998a) observed, much innovations are mundane and incremental, depending more on the accumulation of small insights than on a single major technological breakthrough. If Schumpeter's description of innovation is inadequate it is because of the myriad forms it can take. What is more, the central role of the entrepreneurial firm in taking the innovation to the market needs to be explicitly acknowledged in any dimension (Burns, 2007).

Having seen all the definitions above, this paper will conclude to define innovation *as any technologically new product or a product which undergone a significant improvement in terms of features, quality, and taste e.t.c.* To be considered as innovation, it must have been implemented, that is, introduced into the market (product innovation) or used in production process (Subrahmanya, 2009). Thus, the above definition will take us to the meaning of a product innovation as defined by Mitra, (2008) as the act of introducing something new (product) for diffusion into the market place. Product innovation seems to mean different things to many people. Some for example tend to think in terms of a product which is *first of its kind,* whether in the US, UK, Nigeria or in some other larger market. Naturally, few SMEs have achieved innovation to that respect. Indeed, since 1970S there seems to have been a steady swing towards improvement rather than totally new products, throughout the industrial world. Therefore, we can see today that there are development of new products, changes in the product features and use of new components in the manufacture of products; as such this is all about product innovation is all about. Anything which is new to the business and its product range is counted as innovation, even if similar products are available elsewhere or if the change is an incremental one. To clearly elaborate on the meaning of product innovation, it is important to fully understand what a product is all about. A product is a good or service offered to the customers to exchange of exchange of money (Barras, 1986). Thus product innovation can be defined as new products or services introduced to meet an external user or market need. Product innovation has a market focus and is primarily a customer driven (Utterback, 1975 and Gleave, 2008). Product innovation requires that firms assimilate customer need patterns, design and manufacture the product (Ettlie et al., 1984).

The rate of product innovation tends to be higher than the rate of adopting any form of innovation because product innovation is more observable and is perceived to be more advantageous than all forms of innovation a firm can practice. This is because product innovation is seen as more important because successful products command significant price and leads most firms' p a r t i c u l a r l y s m a l l f i r m s t o internationalisation and more revenues (Pisano &Wheelwright, 1995). Generally, product innovation is believed to be the success of firms of all kind and sizes (Abubakar, 2009**),** and successful product lunch in terms of quality and features have helped many firms achieving competitive advantage.

Innovation and Small Firms; Why are SMEs particularly relevant when it comes to innovation?

Today, SMEs have become matter of discussion in the business world because ninety percent of the businesses around are SMEs. They command a lot of concern due to their flexibility in the way they constantly innovate. Small firms are more likely to introduce more range of products than their larger firms' counterparts in the economy even though they cannot conduct the more sophisticated Research and Development the way larger firms do. Small firms are often introducing products or services that are entirely new and differentiated to stand the competition. Small firms are most likely to provide something marginally different from the competition in terms of the product or service, and thus find a gap in the market. They are also more likely to innovate in terms of marketing and customer service. They find new ways of marketing their product, example through direct selling, and in their approach to key account management and customer relation (Burns, 2007). Studies suggest that, although they are much less likely to conduct Research & Development (R&D) than large firms, they conduct them more efficiently and introduce new product to the market than the larger companies (Burns, 2007). Thus**,** Acs (2002) brought out some reasons why SMEs are quite innovative than the larger firms as cited by Abubakar (2009) as;

a) That the innovative activity is greater in industries composed of large firms, but, ceteris paribus, the increased innovative activity will tend to come more from SMEs than larger firms (Acs & Audretch, 1988).

b) Although corporate R&D is relatively more important source of generating innovation in large firms, universities and research centres are more important in producing innovative activities in small firms **(**Acs, 2002).

c) Industries that are highly innovative, small firms tend to have the innovative advantage, where large firms are present and skilled labour is relatively important (Acs & Audretch, 1987).

Many other factors may be added to the Zoltan's(1987) contribution above like in the case of Rothwell (1989), believes that differences in management structure confer innovation advantage to small firms. Since the decision to innovate in large firms must survive bureaucratic structure such as decision is taken by relatively few people. These decisions will defiantly take longer time before execution and the small firms are absolutely flexible, they will surely innovate than the larger firms (Scherer, 1991). Similarly, SMEs have been seen as embodiment of innovation especially for radical new technologies that are not easily absorbed by existing larger firms. Based on the above, therefore, it is important to review more literature to be able to provide the clear definitions of Small firms especially the high tech SMEs for thorough understanding of the context to the reader.

A broadly accepted definition of high technology SMEs is not in existence, neither in the academic area, nor in economic policy in general (Abubakar, 2009). What is more, the notion we regularly associate with the term 'technology based firms' is surrounded by a diversity of terms with often rather similar or related meanings; examples are new technology based firms (NTBFs), innovative SMEs, knowledge based firms etc (Abubakar, 2009).

However, researchers have tried contributing to the literature about what is meant of the high tech SMEs, people like Saemundsson, that they are established firms, independent at the start up, that rely on technical knowledge of employees for identifying and exploiting economic opportunities (Saemundsson, 2002). High tech SMEs can also be viewed as firms whose strength and competitive edge drives from the engineering know-how of people who are integral to the firm, and upon the subsequent transformation of this know-how into products or services for a market (Klofsten, 1994). However, high tech SMEs can be described as firms that place major concern and emphasis on technology or firms that have implemented technologically "new" or significantly improved products or services (Cooper, 1971; Oslo ManualOECD, 1997).

Looking at the different approaches to the definition of the high tech SMEs above, it is obvious that a unified definition of technology based SMEs is yet to emerge (Abubakar, 2009). We can say that today's SMEs are particularly relevant when it comes to innovation as they give more priority to technology, and engaged in producing marginally new products and services, using the application of science and technology. They use the technological roles and process generating opportunities, and translating them into new products and service (Abubakar, 2009), thereby remaining competitively stronger both domestically and abroad. SMEs are relevant to innovation as well because of their flexibility and less bureaucratic nature. As such SMEs are more entrepreneurial because of their quick response to opportunities using innovation a vehicle led to their internationalisation, which we will see more in the next heading of this dissertation.

INTERNATIONALIZATION AND SMEs

Globalisation encompasses a wide range of issues and developments. It includes changes in business strategies in production, marketing, finance, and research and development (R&D). The increase in globalisation has significantly influenced global trade and investment. Rapid technological changes in communications and increasing trend towards significant change in the structure of industry and business competitiveness necessitate SMEs to become global. Globalisation has created greater incentives and opportunities for SMEs to access the various markets and knowledge sources needed to build a lasting international commitment and competitive advantages through international market and continuous innovation (OECD, 2000). As well, it has brought new competitors for SMEs in industrialised world, especially in countries with high technology like the

UK and US. SMEs need to search for competitive advantages across national borders in order to sustain their existence more efficiently.

To achieve this end, they have to internationalise their business activities beyond a single operational geography to a more diverse territory. Traditionally, competition in international business has been the reel of larger firms (Etemad & Wright 2001), while smaller firms remained local, but that was the story of before because today SMEs can compete with any form of business organization due to their immense innovative activities. Therefore, today size is not an issue when it comes to innovation because SMEs are the topic of discussion in that regards. Consumers today want the best with little concern where products are produced provided that they satisfy the overall taste of the customers in terms of the features and the general benefits composed in the product. As the businesses become more integrated into globalised arena, there is an increased strength in the side of the SMEs to need an intensified support in their activities to become globally competitive. In this heading we will explore the meaning of the internationalisation and relate it to SMEs.

Internationalisation of SMEs may come in different forms. Johnson &Mattson (1999) i d e n t i f i e d t h r e e p r o c e s s o f internationalisation. First, that the firm has to develop a source of competitive advantage in its domestic market by being very innovative in their products to gain strong market share, and if this advantage cannot be efficiently exploited domestically, then the firm has to move on and seek for the opportunity abroad. A good example of this is the case of
Alibaba.com a firm whose massive innovation in terms of technology assisted in going far to the global trading. Two, the process of increased international sales and production and lastly, the network approach which focuses on the relationships between companies. Madhumita, (2008) viewed internationalisation as the act of bringing something under international control using any methods possible to get through the process. SMEs today have realised that the major opportunity for them to rub shoulders with their larger firm's counterparts is to innovate massively on products or service they are dealing with. Many SMEs operating across the border today have achieved that through product innovation. According to Gleave (2008), the increase in number of firms (SMEs) in the international market results from the following reasons:

a) Increase in innovation activities by the Small and Medium-sized Enterprises (SMEs),

b) Increasing networks by SMEs across geographical boarders,

c) Globalisation, and

d) Government's support for innovation activities.

FIRM'S FOREIGN MARKET ENTRY MODE

According to Kotler & Keller (2006) as cited in Tahir and Mehmood (2010), firms adopt four approaches to enter in the international market: exporting, licensing, joint venture and direct investment. The most common way firms adopt to enter in the international market is exporting activities. The firms sell their product in foreign country to expand their business globally. According to Kotler and Keller (2006), firms can adopt direct and indirect approaches to start their exporting activities. In case of direct exporting activities, firms handle its export activities by itself. Firms establish a network of their representative in the international market. While in indirect approach strategies, firms did not handle its export activities by itself but the company works through independent intermediaries. Lindh (2009) also cited in Tahir and Mehmood (2010) maintains that the intermediary of the firm may be a domestic buyer or export agent who buys the firms product and exports it into international market.

The second entry mode firms adopt to start their internationalization process is through licensing. Firms did not sell their product by itself but issue license to a local company to use its manufacturing process, trademark etc. Kotler & Keller (2006) described that the advantage of the licensing method for firms is that firms enter in the international market with a little risk. However this method also involves risk for the firms, if the license is terminated, the firm has a threat of potential competitor in the new market. (Lindh, 2009).

The third entry mode firms use to enter in the international market is via joint venture. Company makes partnership with foreign company to share the ownership and control of the firm. Kotler & Keller (2006) described that the firm establish partnership with firms in the foreign country if the firm has limited resources, market knowledge and investment to start their operation or if it is a requirement in the host country. This method also has disadvantages, in case of joint venture it is some time hard for firms to carry on worldwide policies. (Lindh, 2009).

The last method according to Kotler & Keller (2006) firms use to enter in the international market is by making direct investment in the host country. Firms can start its own production facilities in the host country by purchasing a local company or by building its own production plant. Although in this method firms has full control on its operations but the disadvantage of the method includes devaluing the country's currency and blocking the heavy firm's investment. (Lindh, 2009).

CONCLUSION

The study concludes that innovation plays a pivotal role for SMEs' global penetration of both market and dissemination of new products. The activities of SMEs confirm that massive innovation is the yardstick for the internationalization of the small firms. They do that by engaging in Research & Development which was before related to larger firms alone. R & D in Small and Medium-Sized Enterprises is the key for their excessive innovative capacity which leads to their internationalization. Being vast in R&D can lead to gaining many accesses to the international market, seek more opportunity and discover new market for their products/services. SMEs are very important for the economic development of any nation and their present participation has boosted regions and nations. Therefore, for SMEs to become fully globalised, they have to develop a source of competitive advantage domestically which will enable them to gain strong market share. This they can do only by being highly innovative in their business. This will tremendously boost their potential of becoming international. The paper recommends that the managers of the existing SMEs should focus on innovation for them to achieve the success of global trading. They should focus on new technology, effective Research and Development, and try to be responsive in nature to the market changes in the industry they belong to. This can be achieved by having an effective oriented management that values innovation for change not for fashion. In addition, all small businesses should try to have a global focus in their affairs as this will boost their level of thinking and realize the opportunity of networking and Foreign Direct Investment (FDI).

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