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A Resource Based View Analysis of Internationalization Among SMEs

James Strode

strode@ohio.edu

Ohio University

László Csóka

University of Pecs

Norbert Sipos

University of Pecs

Research Article

Keywords: SMEs, Global Competitiveness Project, resources and capabilities, resource-based view

Posted Date: August 27th, 2026

DOI: https://doi.org/10.21203/rs.3.rs-7759888/v1

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Additional Declarations: No competing interests reported.

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ABSTRACT

This paper investigates how internal factors mediate the relationship between networking and the internationalization of small and medium-sized enterprises (SMEs). The analysis focuses on four elements: online presence, decision-making, human capital, and domestic market conditions. The study is based on data from the Global Competitiveness Project, comprising 1,360 firms across 11 countries between 2016 and 2021. To examine the mediating effects, the research applies linear regression, structural equation modeling, and the PROCESS macro version 4.1. The findings indicate that all four factors play a significant mediating role, although online presence has the weakest effect. Its primary contribution lies in strengthening trust among internal and external stakeholders, while decision-making quality, the development of human capital, and embeddedness in the domestic market demonstrate stronger impacts on internationalization outcomes. These results highlight that networking serves as a key driver of cross-border expansion, yet its influence is largely channeled through internal capabilities and contextual conditions. The study contributes to the literature by providing the first cross-country assessment of these mediating mechanisms within a unified framework. From a managerial perspective, the findings suggest that leaders should allocate resources strategically, avoiding excessive investment in online presence while giving due attention to decision-making processes, talent development, and domestic market knowledge. Regular evaluation of online activities is nevertheless recommended to ensure alignment with internationalization objectives.

Keywords: SMEs, Global Competitiveness Project, resources and capabilities, resource-based view

JEL codes: M13, M16

Competing Interests: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Summary Highlights:

- We studied how networking drives SME internationalization in 1,360 firms, from 11 countries.
- Decision-making strongly mediates SME global expansion.

- Human capital boosts the effect of networking on exports.
- Domestic market ties help SMEs move into foreign markets.
- Online presence matters less but still builds partner trust.

SECOND ABSTRACT IN GERMAN

Diese Studie untersucht, wie interne Faktoren die Beziehung zwischen Netzwerken und der Internationalisierung von kleinen und mittleren Unternehmen vermitteln. Die Analyse konzentriert sich auf vier Elemente: Online-Präsenz, Entscheidungsfindung, Humankapital und Bedingungen des heimischen Marktes. Die Untersuchung basiert auf Daten des Global Competitiveness Project, das 1.360 Unternehmen in elf Ländern im Zeitraum 2016 bis 2021 umfasst. Zur Analyse der vermittelnden Effekte werden lineare Regressionsanalysen, Strukturgleichungsmodelle und das PROCESS-Makro in der Version 4.1 angewandt. Die Ergebnisse zeigen, dass alle vier Faktoren eine signifikante vermittelnde Rolle spielen, wobei die Online-Präsenz den schwächsten Effekt aufweist. Ihr hauptsächlicher Beitrag besteht darin, das Vertrauen zwischen internen und externen Anspruchsgruppen zu stärken, während die Qualität der Entscheidungsfindung, die Entwicklung des Humankapitals und die Einbettung in den heimischen Markt stärkere Auswirkungen auf die Internationalisierungsergebnisse entfalten. Diese Befunde verdeutlichen, dass Netzwerke als zentraler Treiber für grenzüberschreitende Expansion wirken, ihr Einfluss jedoch weitgehend durch interne Fähigkeiten und kontextuelle Bedingungen vermittelt wird. Der Beitrag zur Literatur liegt in der erstmaligen länderübergreifenden Bewertung dieser vermittelnden Mechanismen innerhalb eines einheitlichen Rahmens. Aus einer managementbezogenen Perspektive legen die Ergebnisse nahe, dass Führungskräfte Ressourcen strategisch allokieren sollten, indem sie übermäßige Investitionen in die Online-Präsenz vermeiden und gleichzeitig Entscheidungsprozesse, Talententwicklung sowie Kenntnisse des heimischen Marktes gezielt fördern. Eine regelmäßige Evaluation der Online-Aktivitäten wird dennoch empfohlen, um die Kohärenz mit Internationalisierungszielen sicherzustellen.

1. INTRODUCTION

To effectively meet the profit objectives of a firm, businesses must seek to identify competitive advantage and the strategies that predicate it. The resource-based view (RBV) posits that to do this, businesses should look internally for key resources and capabilities rather than externally at the competition (Mazzei, 2020). This framework can be applied to all firms but may have especially significant applications to existing firms defined as small and medium-sized enterprises (SMEs). SMEs are businesses with a smaller workforce, revenues, and assets. They are characterized by distinct challenges and may benefit highly from focused analysis on the aspects that contribute to sustained competitive advantage, which is a basic need among SMEs (Garengo, Biazzo, & Bititci, 2005).

Accordingly, it is not surprising that in the last decades, interest in the RBV of SMEs has grown rapidly, and many researchers have dealt with how focusing on different resources affects the competitive advantage of SMEs (Salder et al., 2020). One of the prominent directions in this body of research has been the examination of how internationalization influences SMEs' performance and competitive advantage (Munteanu et al., 2022). As a result, this topic has now generated an extensive body of literature. However, the majority of these works examine the connection between internationalization and other resources separately. Even the complex models do not deal with the indirect effects through resources despite the fact that they do not exist in isolation from each other (Dabić et al., 2020; Salder et al., 2020).

Several studies highlight the role of networking during international expansion as the success of internationalization for SMEs is grounded in their relational position in networks (e.g., Bužavaitė & Korsakienė, 2018; Masiello & Izzo, 2019; Musteen et al., 2010; Tang, 2011). According to the Oxford Online Dictionary (2023), networking is defined as "the action or process of interacting with others to exchange information and develop professional or social contacts." It makes networking favorable for the current study as the primary resource that significantly impacts internationalization. Therefore, through utilizing the RBV framework, this study seeks to fill this need as it builds on existing literature (Lafuente, Leiva, et al., 2020; Lafuente, Szerb, et al., 2020) and identifies how different resources mediate the connection between networking and internationalization itself.

Based on the literature, our research focuses on the most plausible influential SME resources' mediating effects, which are the following:

- online presence (Rienda et al., 2021; Silva et al., 2020),
- decision-making (Petrou et al., 2020),
- human capital (Buzavaite & Korsakiene, 2019; Jafari-Sadeghi et al., 2020; Ruzzier et al., 2007), and

- domestic market (Kazlauskaitė et al., 2015; Odlin, 2019; Torkkeli et al., 2012).

For the sake of this study, the impact is measured as a statistically significant mediating effect between the observed variables. A sampling of 1,360 SMEs comprises the dataset utilized throughout. The data is highly international and heterogeneous in nature, it includes data points from 11 different countries and SMEs that operate in the sectors of agriculture, professional services, retailing, and general industry.

An analysis of firms in these sectors utilizing the methodology present in this study provides a clear direction upon which industry professionals and researchers can evaluate the performance of SMEs in the marketplace and thus adopt strategies to develop a sustained competitive advantage. In doing so, it fills the gap of previous research and highlights clear, actionable areas of focus that correlate to the creation of sustained competitive success among small and medium-sized enterprises.

In section two, we provide the background literature and hypotheses, including the conceptual model. This is followed by the methodology description of the dataset and the applied statistical approaches in section three. In section four, we provide the results regarding the hypotheses. The fifth and final section of this paper concludes with practical implications and future research.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Resource-Based View as it Relates to Competitive Advantage

Considerable literature exists on how a business can achieve competitive advantage from both an internal and external perspective. Research focusing on the latter has leaned heavily on Porter's "Five Forces model". Porter argued that specific forces in the industry environment will provide key information on how companies can achieve sustained competitive advantage (Porter, 1979, as cited in Wernerfelt, 1984). Thus, the forces determining competitive advantage are defined as the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, and potential substitute products (Porter, 1979, as cited in Wernerfelt, 1984). This model differed dramatically from the internally focused resource-based framework that originated with Penrose (1959, as cited in Wernerfelt, 1984), was highly influential to Wernerfelt (1984), and ultimately built on by Barney (1991).

Wernerfelt argues that looking at firms from the lens of their combined resources provides several advantages. He defines a resource as "anything which could be thought of as a strength or weakness of a given firm" (Wernerfelt, 1984,

p. 172). Resources include management practices, financial assets, talent, company attributes, internal knowledge, and other resources that underpin a firm's competitive advantage.

From this, RBV can be defined as a focus on the internal capabilities and resources of a firm. According to Wernerfelt (1984), utilizing a focus on these resources can lead to a more holistic view of a firm—especially as it relates to diversification. Furthermore, he argues that this perspective can highlight resources which can be adopted to achieve competitive advantage (Wernerfelt, 1984). This proposition informed the research conducted by (Barney, 1991).

Barney (1991) enhanced the research of Wernerfelt (1984) when he linked these resources to the potential for competitive advantage. Competitive advantage is defined as a firm that can create and maintain more economic value compared to rivals (Dong et al., 2021). Barney argued competitive advantage is achieved only when these resources are considered valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991).

The distinction of a firm's resource as valuable is earned when they "enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 102). Resources are considered rare when they are distinct in comparison to similar firms in the market. A combination of capabilities or a rare commodity will help a firm achieve sustained competitive advantage according to the framework outlined by Barney (1991).

These postulates serve as a basis for competitive advantage but are obsolete if competing firms can quickly adapt their resources in a comparable manner (Barney, 1991). Thus, the key to sustained competitive advantage is the inability for an existing or emerging firm to imitate the practices of the firm in question. This benefit defined as "imperfectly imitable" resources may be the result of varied factors (Barney, 1991). First, Barney (1991) argued that the dismissal of historical business context in discussions of competitive advantage should be rectified. He claimed that "[a firm's] ability to acquire and exploit some resources" largely depends on their unique histories (Barney, 1991, p. 107). It is these histories that play a significant role in the ability of a company to develop capabilities, advantage, and endowments.

Second, Barney reinforced a common sentiment that a firm's resource is considered imperfectly imitable when it is difficult for existing firms to understand and recreate the variables that underpin the competing firm's capability (Barney, 1991). Third, a resource may be considered imperfectly imitable because of its social complexity. A resource that is the result of complex social constructs is difficult for competing firms to duplicate even if they have similar

resources available. Lastly, the RBV framework contended that a firm's capability should be assessed on its substitutability. A resource should be non-substitutable. If competing firms can employ independent capabilities and resources to achieve a similar outcome, then no competitive advantage exists. As such, the last requirement of competitive advantage is that "… there must be no strategically equivalent valuable resources that either themselves either not rate or imitable …" (Barney, 1991, p. 111). If this were not the case, a competing firm could adapt existing resources for a similar outcome in the competitive environment.

The posits of RBV were widely researched by Wernerfelt and Barney (Barney, 1991; Wernerfelt, 1984) and the framework underlies this research. It is a framework that can be exceptionally applied to businesses marked by smaller expenditures, low employment, and limited flexibility–such as SMEs. Importantly, in the context of SMEs, whose budgets and staff sizes are typically constrained, focusing on identifying and leveraging internal resources can serve as a key strategic advantage. Larger firms may be able to imitate or acquire certain capabilities more readily, but SMEs can utilize their unique histories, embedded relationships, and innovative capacities to develop difficult-to-imitate resources (Games, 2019).

2.2. Small-Medium Enterprises and Competitiveness in the Market

The RBV framework contends that firms are not only able to identify valuable resources but can apply identified resources for future competitive success (Barney, 1991). This identification of the resources that support competitive advantage is highly valuable for firms characterized as SMEs.

SMEs covet unique profiles and are defined as companies that employ less than 250 employees. They are highly reactionary, focused mainly on operational efficiency, and largely informalized (Garengo, Biazzo, & Bititci, 2005). The informality is the result of dynamics among owners, the prevalence of context-specific information, and a perception of technological superiority (Garengo, Biazzo, & Bititci, 2005). Furthermore, existing literature contends that SMEs are more likely to respond positively to benchmarking and managerial practices in terms of competitiveness; however, they are far less likely to employ them (Garengo, Biazzo, Simonetti, et al., 2005). Yet, these very limitations – such as smaller budgets, fewer staff, and less formal management structures – make the identification of critical resources even more pressing. A robust RBV focus can highlight the internal strengths that allow SMEs to compensate for their size-related constraints. In particular, certain resources (e.g., human capital or local market knowledge) can be uniquely leveraged by smaller enterprises to differentiate from competitors (Ofori-Baafi & Opoku, 2024) . All these

facts underpin the need for a larger focus on management practices among SMEs and further research on the competitive index. This need was discussed in previous literature and is built on in this empirical study on internationalization and networking in SMEs (Garengo, Biazzo, Simonetti, et al., 2005; Lafuente, Szerb, et al., 2020).

Previous research identified competencies of SMEs that "contribute to competitiveness in contexts where the interactions between resources and capabilities are complex and heterogenous" (Lafuente, Leiva, et al., 2020, p. 204). The study by Lafuente, Leiva, et al. (2020) showcased ten pillars that proved valuable in the creation of competitiveness among SMEs. The ten pillars were human capital, product, domestic market, networks, technology, decision making, strategy, marketing, internationalization, and online presence (Lafuente, Szerb, et al., 2020). The variables were empirical analyzed to determine how impactful they are on firm competitiveness and what steps would increase firm competitiveness further. The study defined competitiveness as the ability for businesses to create value-adding competencies that ultimately bolster sustained competitive advantage (Lafuente, Szerb, et al., 2020).

If any firm can identify types of resources leading to higher revenues through a resource-based view of their performance (Garengo, Biazzo, & Bititci, 2005; Lafuente, Leiva, et al., 2020; Wernerfelt, 1984), so too can firms with the unique challenges of SMEs. These firms can not only identify determinants of higher profits, but they can also identify the determinants of sustained competitive advantage and their associated significance. Given that SMEs often lack economies of scale enjoyed by larger firms, clarifying which internal resources can most effectively enhance performance and international growth becomes all the more critical (Ruzzier et al., 2006). As such, SMEs would benefit highly from the analysis of the ten pillars of success as discussed by Lafuente, Szerb, et al. (2020) and the identification of the burdens of SMEs in terms of mediating effect between networking and internationalization (Pituch & Stevens, 2015).

2.3. Influential SME Resources with Potential Mediating Effect

SMEs and micro-sized companies are in a unique position to benefit from more formalized managerial practices and a clearer understanding of the determinants of sustained competitive advantage. This level of structure would directly contrast much of the prevalent attributes of SMEs as evidenced in the previous literature review (Garengo, Biazzo, & Bititci, 2005). Furthermore, this study would build on the existing findings related to pillars of success among SMEs creating greater opportunity to meet the "growing need for advanced and codified managerial practices" (Garengo, Biazzo, Simonetti, et al., 2005, p. 440). The study of the impact of networking and internationalization has

grown as of late, as researchers continually searching for ways to create sustained competitive advantage. For example, the positive impact of international networking capabilities within small family businesses was demonstrated by Chatterjee et al. (2023), while networking capabilities was shown to contribute to developing sustainable value within Destination Management Organizations (DMO). Such findings underline that establishing and leveraging networks can help SMEs overcome limited resources or market knowledge, especially when seeking expansion abroad. Therefore, understanding the mediating effects between networking and internationalization will prove valuable in the target market. An understanding of this begins with a deep dive into several variables with a history of impact in the ability for SMEs to gain sustainable competitive advantage. The focus of this research is on four of the ten pillars. In selecting these four RBV-based pillars from the broader set identified in the literature and within the Global Competitiveness Project (GCP) framework, three primary considerations guided our choice. First, they each enjoy robust theoretical and empirical support for their pivotal role in shaping SME competitiveness and international expansion (Barney, 1991; Lafuente, Leiva, et al., 2020; Odlin, 2019; Ruzzier et al., 2007). Second, while online presence, decision making, human capital, and the domestic market represent distinct domains, they also complement one another by capturing both firm-level (managerial, human, and digital capabilities) and contextual (market-based) resources that can mediate networking benefits. Third, given the parsimonious focus of this study, these four areas emerged as especially salient for SMEs, which often operate with limited resources and rely heavily on relational networks for growth (Lee et al., 2022; Onkelinx et al., 2016; Sipos et al., 2024). Consequently, examining these specific mediators not only aligns with established research but provides a clear, multifaceted view of how networking effects are channeled into internationalization outcomes.

2.3.1. Online Presence

In the context of SMEs, online presence may provide a significant asset. However, while the use of social networks is historically widespread in larger organizations, their use is still largely unexplored among SMEs (Ritz et al., 2019). The reasons for this limit may be unqualified employees, a lack of managerial knowledge, or incomplete strategic visions (Taiminen & Karjaluoto, 2015).

Regardless of this lack of adoption, previous literature provides evidence for the effectiveness of online presence among SMEs. According to Franco et al. (2016), the internet has enabled SMEs to create mechanisms to achieve sustainable competitive advantage. Furthermore, Westerlund et al. (2009) discussed the ability for online presence to

increase trust and commitment within business relationships. This trust then serves to reduce risk and uncertainty in relationships enabling SMEs to create shared value (Solomon et al., 2024; Westerlund et al., 2009).

By being active on digital platforms, SMEs can also more easily access international business networks and reach potential clients or partners who would otherwise remain out of reach through traditional channels. Moreover, the synergy between networking and online presence is particularly pronounced for smaller firms, as they often rely on less formal advertising and word-of-mouth to build their reputations. A well-curated online presence – through web-sites, social media profiles, or online marketplaces – can rapidly communicate credibility, reduce perceived risks for foreign partners, and foster faster, more transparent communication. This is especially relevant when establishing ini-tial trust with international stakeholders who cannot rely on face-to-face interactions (Lee et al., 2022).

In the case of the mediating effect framework, internationalization would be considered the dependent variable, networking the independent variable, and online presence the mediating variable. Considering this context, we have developed the following hypothesis:

H1: In SMEs, online presence mediates the effect of networking on internationalization.

2.3.2.Decision Making

Existing research on decision making purports that it has a significant impact on SMEs and their performance (Watson, 1993, Fuller, 2000, Bernardi and Biazzo, 2003 as cited in Garengo, Biazzo, Simonetti, et al., 2005). However, it is also highly noted that the variable of decision making is under considered and underutilized, which is a result of internal views of imperviousness, dynamics among owners and the prevalence of context-specific information (Garengo, Biazzo, Simonetti, et al., 2005; Harms & Schiele, 2012). In many SMEs, decisions are made informally by a small group of people – often the founders or lead managers – whose personal networks influence strategic direction (Weerasekara & Bhanugopan, 2023).

This paradigm, according to Garengo, Biazzo, Simonetti, et al. (2005, p. 442), has led to a clear "…need for greater development of management systems for SMEs". Moreover, this need only exacerbates with SMEs increasing scale. The necessary adoption of formalized decision making in order to be successful with increasing scale is noted by Garengo, Biazzo, Simonetti, et al. (2005). Garengo, Biazzo, Simonetti, et al. (2005, p. 442) claims that "…to success-fully carry out dimensional growth, there must be a parallel qualitative growth which requires the company to adopt more rational management techniques…".

Networking with other firms, associations, or mentors can stimulate the adoption of such formalized practices, as it exposes SME leaders to successful decision-making frameworks and benchmarks. Without these codified processes, an SME's networks might fail to translate into effective international partnerships, because informal or inconsistent decision processes can introduce risks for potential partners. Hence, while networking may open doors to global opportunities, a lack of structured decision making can hinder the firm's ability to seize them effectively (Soluk et al., 2023).

Considering this context and the purpose of this study, one may wonder how the presence of or lack of codified decision-making mediates the effect between internationalization and networking in SMEs. To answer this, one must ask themselves how a company can build a network capable of supporting internationalization without codified managerial or decision making techniques. Without such formalized practices this network is based on the internal views and dysfunction mentioned above as well as context-specific information (Garengo, Biazzo, Simonetti, et al., 2005). Thus, an SME might struggle to adapt or properly evaluate foreign expansion opportunities, thereby limiting the benefits gained from its external connections. This leads us to the following hypothesis:

H2: In SMEs, decision making mediates the effect of networking on internationalization.

2.3.3.Human Capital

SMEs' international operations necessitate the right resources and skills, where human capital appears to play a significant role in identifying and taking advantage of international opportunities (Buzavaite & Korsakiene, 2019). This is supported by the literature, which is rich on the topic of the connection between human capital and the internationalization of SMEs and demonstrates that there is a positive and direct relationship between the degree of internationalization of the business and the entrepreneur's human capital (Ardito et al., 2021; Jafari-Sadeghi et al., 2020; Olise et al., 2019).

In addition to this direct relationship, an indirect effect could also appear. Kenny és Fahy (2011) indicate that the question of which network structure is best may be just as important as the one of which network resources are relevant. It means that the nature of the network resources that partners provide to the SME may be more important than the number of partners or network density. Thus, the use of established networks may not be the best network resource for explaining firm internationalization. Rather, it may be the speed, scope, and capacity for network management to exploit the social networks created by entrepreneurs from SMEs. Consequently, having employees or management with

international experience, intercultural knowledge, and foreign language proficiency can be decisive in whether an SME can truly capitalize on relationships formed through networking activities.

Human capital also influences how effectively knowledge is absorbed from networks. Better-trained teams can learn faster from foreign partners, adapt market information to their own context, and co-develop innovative solutions. Conversely, if human capital is weak – lacking the skills or global mindset – a firm's networking efforts might fail to convert into meaningful international expansions (Buzavaite & Korsakiene, 2019). Considering this idea, we have developed the following hypothesis:

H3: In SMEs, human capital mediates the effect of networking on internationalization.

2.3.4.Domestic Market

For SMEs the connection between the domestic market and internationalization is multifold. Firstly right away opportunities in their expanding domestic markets seem too advantageous, as not to be exploited, which uses up their resources and holds up their internationalization (Odlin, 2019). Secondly, internationalization could also strengthen the position of SMEs in the domestic markets. SMEs from emerging economies are more likely to internationalize than companies from advanced economies because they are motivated to gain new knowledge that is unavailable domestically and improve their domestic market reputation (Kazlauskaitė et al., 2015; Li et al., 2022). However, that also means an SME may not need to expand internationally if it operates in a very large domestic market. Large in this context stand for the relation to the minimum efficient firm size in its industry (Glaum & Oesterle, 2007).

Beyond these direct considerations, domestic market connections can act as a critical stepping-stone in the networking-to-internationalization path. When SMEs do not have several relationships at a foreign inter-organizational level or contact with international networks, domestically embedded relationships are especially beneficial to their internationalization. As a result, these relationships serve as a bridge to foreign business opportunities and an indirect link to the foreign market, allowing businesses to avoid the liability of outsidership. In this process, a strong domestic base of suppliers, customers, and industry alliances can signal to potential international partners that the SME is reputable, reliable, and capable of scaling beyond its home borders (Ratajczak-Mrozek, 2014; Torkkeli et al., 2012).

It means that the domestic market does not just have a direct effect on internationalization but could also mediate the effect between networking and internationalization, especially when local partners provide the SME with credibility, resources, or references that facilitate foreign entry. On the contrary, if an SME exhausts all its resources to stay

competitive in a demanding home market, it might be less inclined or able to leverage new networks abroad. Considering these characteristics, we have developed the following hypothesis:

H4: In SMEs, the domestic market mediates the effect of networking on internationalization.

Taken together, these four resource-based variables (online presence, decision making, human capital, and domestic market) represent distinct but interconnected pathways through which networking can either be magnified or attenuated in its effect on SME internationalization. In the following sections, we outline our empirical method to test these mediating relationships and detail the results that indicate which mediators play the most significant roles. Based on the four hypotheses developed, the conceptual model shown in Figure 1 can be established.

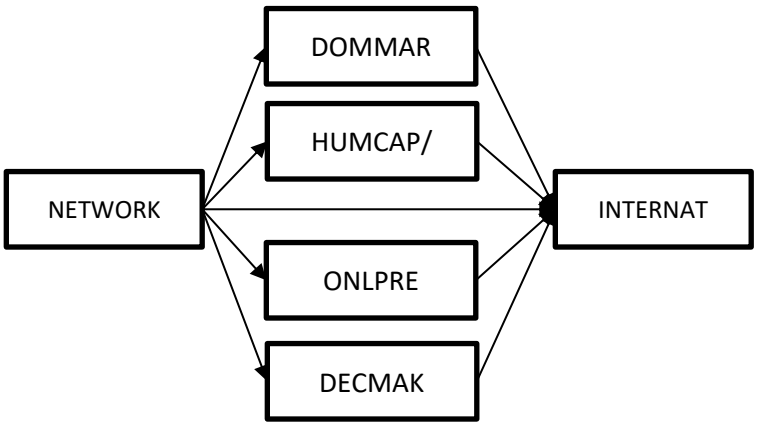


Figure 1. Conceptual model of mediation between Networking and Internationalization by Domestic market/ Human capital/ Online presence/ Decision

Source: own elaboration based on the hypotheses

3. RESEARCH METHODOLOGY

The SME dataset used for the empirical analysis is taken from the Global Competitiveness Project (GCP, www.sme-gcp.org) for the years 2016-2021, covering 11 countries from all over the world. The purpose of data collection was clearly to examine the competitiveness of businesses in an international environment through the exploration of the performance of resources and capabilities (Lafuente, Szerb, et al., 2020). The survey was supervised by the researchers of <university omitted for blind review>, but the dataset was built with the help of a team of universities from different countries. The selection process of the surveyed companies consisted of two steps. First, teams in different countries identified relevant companies for data collection. Then managers from these firms were called by

telephone for approval and an appointment with one of the owners or a lead manager. In the second stage, team members conducted face-to-face interviews with previously selected company members. These were structured interviews where owners and lead managers were asked independently to answer similar questions. The interviews were conducted between 2016 and 2021. The use of the dataset for this research was made possible because some of the authors are affiliated with a member institution of the Global Competitiveness Project.

During the fieldwork, a total number of 1,478 face-to-face interviews were made. For the current purpose, strict data cleaning was performed, and also filtered out those companies which did not meet the requirements of SMEs. The company size comparison of the final sample can be found in Appendix 1. During this process, a total number of 118 records were excluded, which yielded a final sample of 1,360 SMEs. It includes SMEs from 11 different countries, and the descriptive statistics are summarized in Table 1.

Table 1. Descriptive statistics of SMEs among different countries

Country name	Number of respondent SMEs	Number of employees at the time of the survey	Age of SME at the time of the survey (years)
Bosnia and Herzegovina	128	86.8	12.1
Brazil	38	49.1	20.1
Colombia	64	26.7	11.8
Costa Rica	213	26.8	17.3
Czech Republic	132	20.2	16.0
France	164	39.8	13.1
Hungary	200	17.4	16.1
Indonesia	155	18.7	10.9
Mexico	111	35.1	14.8
Serbia	91	25.8	16.8
Spain	64	24.3	20.6
Total	1,360	32.2	15.0

Source: own study

Overall, an average SME has 32 employees and 15 years of market experience. 3.2% of these firms operate in agriculture and 27.2% of them in manufacturing and the processing of raw materials. The proportion of retailing SMEs is 14.9%, while the rate of professional services is 54.7%. No significant differences were found in testing non-response bias for early and late respondents among two elements: business size, and business age.

The respondents were asked to evaluate a series of resources and capabilities along a five-point scale (see Priem & Butler, 2001), similarly to Irwin et al. (1998) and Douglas és Ryman (2003). In the proposed Likert-type uniform quantification, the value of '0' indicates no strategic value (Douglas & Ryman, 2003), while the rest of the scale is evaluated from '1' (low relevance) to '4' (high relevance). This scale allows a sufficient differentiation in the valuation of the analyzed variables (Lederer et al., 2013). Based on the questionnaire of the face-to-face interviews, two different groups of variables are defined. The first group of variables describes the fundamental characteristics of SMEs, such as sectoral categorization, number of employees, and company age. The second group relates to various resources and capabilities, which were used to establish six distinct competitiveness pillars based on 27 variables. During this process, we followed step by step the validated methodology of Lafuente, Leiva, et al. (2020) and Lafuente, Szerb, et al. (2020). The description of the established competitiveness pillars can be found in Appendix 2; the descriptive statistics are summarized in Table 2.

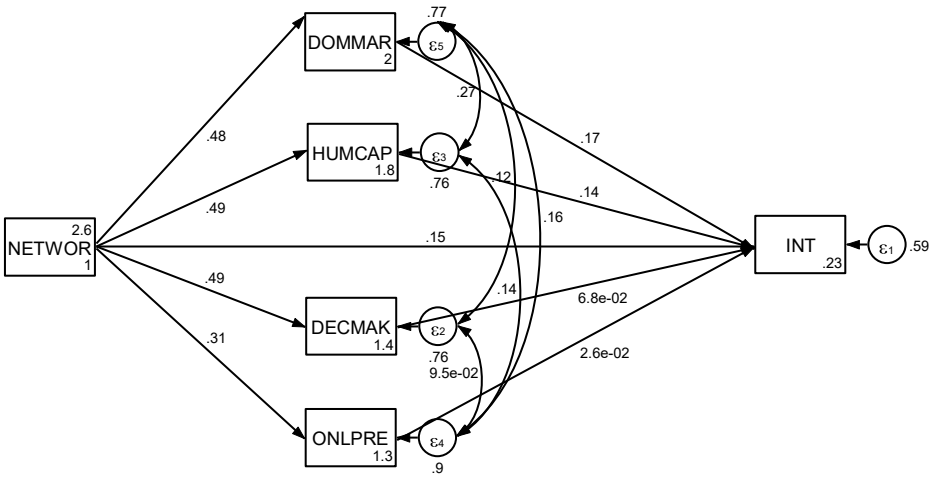
Table 2. The descriptive statistics of the six pillars of the empirical analysis

Pillars	Valid N	Mean	Median	Mode	Std. Dev.	Skewness	Kurto-sis
Domestic market	1,360	0.514	0.508	0.385	0.189	-0.133	0.299
Human capital	1,360	0.513	0.504	0.504	0.195	0.270	0.078
Decision making	1,360	0.507	0.493	1.000	0.221	0.017	0.071
Online presence	1,360	0.515	0.516	0.443	0.274	-0.380	-0.373
Networking	1,360	0.519	0.501	1.000	0.233	-0.005	-0.115
Internationalization	1,360	0.513	0.516	0.442	0.215	-0.448	1.044

Source: own study

In this paper, we aim at identifying the burdens of SMEs in terms of mediating effect between networking and internationalization (Hayes, 2022; Pituch et al., 2005). To show the peculiarities and the single effects of the mediating resources and capabilities, first, we created a structural equation modeling (SEM) for the six pillars, with control variables of business size, country, and logarithmically transformed business age (Iacobucci et al., 2007). To show the appropriateness of the SEM, we use root mean squared error of approximation (RMSEA) with acceptance criteria of 0.08; comparative fit index (CFI) and Tucker-Lewis index (TLI) with acceptance criteria of higher than 0.7; standardized root mean squared residual (SRMR) with acceptance criteria of lower than 0.1. Also, suggestions from modification indices among the four mediation variables are considered (Fornell & Larcker, 1981; Geldhof et al., 2014; Hu &

Bentler, 1999). Figure 2 illustrates the existence of the model and the relationship between networking and internationalization. Note that control variables have been omitted for readability.



Model Fit: χ^2=420.75, p=0.000, RMSEA=0.072, CFI=0.856, TLI=0.783, SRMR=0.033

Figure 2. The SEM model of the Networking and Internationalization with mediation effects of the four other resources and capabilities

Source: own study

4. RESULTS AND DISCUSSION

Before constructing the mediation models, we tested with a series of OLS linear regressions (control variables: LN Business Age, Country, Industry, Size) whether the networking and the investigated variables covariate with internationalization. After the run of the OLS linear regressions, we found the positive interaction between networking and internationalization and also between networking and the mediating variables (Table 3).

Table 3. OLS linear regression results

	INTERNAT					DOM-MAR	HUM-CAP	ONLPRES	DECMAK
NET-WORK	0.358**					0.267**	0.306**	0.192**	0.342**
DOM-MARK		0.436**							
HUMCAP			0.381**						
DECMAK				0.117**					
ONLPRES					0.274**				

Adjusted R square	0.294	0.190	0.270	0.182	0.231	0.225	0.217	0.114	0.240
F	19.128**	18.735**	17.040*	10.675**	14.022**	13.590**	13.033**	6.613**	14.729**

Notes: * p≤0.05, ** p≤0.01

Source: own study

After, we applied the PROCESS macro v4.1 (bootstrap samples 5,000) for SPSS with model 4 to test the mediation of domestic market, human capital, online presence, and decision making of networking for internationalization (Table 4).

Table 4. Mediation model results

	(X->M) B	(M->Y) B	(X->Y) B	Total R^2	Total F	Total effect (X->Y)	Direct effect (X->Y)	Indirect effect (X->Y)
X=NETWORK M=DOMMARK Y=INTERNAT	0.382**	0.320**	0.371**	0.336**	112.946	0.371**	0.277**	0.094**
X=NETWORK M=HUMCAP Y=INTERNAT	0.330**	0.272**	0.371**	0.320**	105.153	0.371**	0.282**	0.089**
X=NETWORK M=DECMAK Y=INTERNAT	0.351**	0.166**	0.371**	0.293**	92.763	0.371**	0.313**	0.058**
X=NETWORK M=ONLPRES Y=INTERNAT	0.237**	0.079**	0.371**	0.281**	87.330	0.371**	0.352**	0.019*

Notes: * p≤0.05, ** p≤0.01

Source: own study

The mediation models indicate that the networking with the four mediators explain 28-33% of changes in the scores of the internationalization. The direct effects remain significant for all of the mediating variables. Therefore, in all of the cases, the networking impact on internationalization is partially mediated.

However, it is to be noted that the online presence has the least impact, which also means that the online presence as an RBV has less importance in the mediation and relationship between networking and internationalization.

The testing of the four hypotheses showed that the mediating effect of each variable was significant, and thus, all of the hypotheses have been *accepted*. However, considering the significance relative to each other, online presence had the least significance, which may be consistent with the literature highlighted throughout this study. While there is

a benefit of an online presence to provide a way for SMEs to move into international markets and develop trust among internal and external stakeholders, the other areas have greater significance. This may result from the unique structure that SMEs maintain. Their unique structure and operational considerations lead to a higher significance of human capital, and domestic market in the mediation and relationship between networking and internationalization.

With regard to the variable of decision making, it was evident in previous literature that the need for codified decision-making techniques only increases in importance as the scale of an SMEs continues to grow (Garengo, Biazzo, Simonetti, et al. (2005). Beyond this, it was mentioned that the success of SMEs internationally largely depends on the companies' ability to formalize their processes and provide attractive business opportunities to vital partners in international markets. Without codified decision-making processes, the ability to create these relationships is extremely stifled or less attractive (Garengo, Biazzo, Simonetti, et al., 2005). As such, the finding that decision-making had a significant effect as a mediating variable between internationalization and networking is less surprising and remains consistent with many of the arguments for the importance of decision-making in the success of SMEs.

In the case of the human capital variable, our results reinforce the theory of Kenny and Fahy (2011), who highlighted that the nature of network resources, like the quality of human capital could be more important than the number of networks for SMEs. Our results show that human capital significantly mediates the effect of networking on internationalization, indicating that networking and human capital influence internationalization both independently and in combination. Specifically, human capital enhances the impact that networking can have on SMEs' internationalization efforts. This finding contributes to the existing literature, which has primarily examined the relationship between human capital and internationalization through direct effects (Ardito et al., 2021; Jafari-Sadeghi et al., 2020; Olise et al., 2019; Ruzzier et al., 2007).

The result in connection with our fourth variable fully supports the idea of Ratajczak-Mrozek (2014), as the domestic market significantly mediates the effect of networking on internationalization in the case of SMEs. It shows that domestically embedded relationships could serve as a bridge to foreign business opportunities and an indirect link to the foreign market, allowing businesses to avoid the liability of outsidership. It also means that the theory mentioned by Odlin (2019) did not work in our case, and the domestic market ambitions do not hold up internationalization aspirations because of the focused resource allocation to domestic markets. On the contrary, if SMEs do not have several relationships at a foreign inter-organizational level or contact with international networks, domestically embedded relationships are especially beneficial to their internationalization.

5. CONCLUSIONS

Given the characteristics of SMEs, such as limited budgets, smaller staff sizes, and greater flexibility in responding to demand, these companies consistently require practical strategies to enhance business growth and overall stability. This study provides leaders with some of these applications and a more complete understanding of the role of decision making, online presence, human capital, and domestic market in their SME.

Decision-makers within SMEs should first consider the conclusions regarding the variable of online presence. While the online presence had the lowest significance, leadership in SMEs must fully embrace an online presence altogether as the benefit of maintaining a robust and engaging presence remains evident, albeit to a lesser extent compared to the other variables. However, within SMEs leaders ought to be highly strategic with the number of resources they dedicate to the variable. Leaders must also promote a re-evaluation of their online presence and its effectiveness on a regular basis. This re-evaluation will provide an opportunity for leaders to see if the companies' resources and capabilities are producing the greatest return on investment. Additionally, these resources and capabilities should focus on the specific goals of the SME. For those seeking to internationalize, the presence should focus on creating trust within relationships with key distributions and partners that may enable internationalization.

Another distinct finding regarding decision and its significance in the mediation and relationship between networking and internationalization. The success of SMEs relates to the companies' ability to provide more formalized decision-making processes. Leaders of SMEs should first consider the unique properties of their business model and the need for more formalize practices at the domestic and especially international levels (Garengo, Biazzo, Simonetti, et al., 2005). SME decision-makers must codify their processes and create more consistency. The creation of internal documents that highlight the processes of the company or the institution of an advisory board are two one strategies an SME could employ. The goal of these strategies is to create a company ecosystem that is less focused on intuition and subjective decision-making. Creating this environment will enable SME processes to be more effective in different contexts or markets as opposed to a one-dimensional counterparts.

Future research directions should be informed by the limitations of the current dataset. While the sample size is relatively large for SME-focused studies, it is evident that a greater number of respondents is needed, which calls for an expanded data collection process. This can be achieved by including more countries and gathering additional information related to the impacts of COVID-19. Currently, only half of the data originates from European countries, with limited representation of SMEs outside Europe. To address this, further data collection involving a broader range of

countries is planned by mid-2024. This effort will be supported by a simplified questionnaire and a focused examination of competence-related elements.

The analyzed variables do not fully capture the potential of the GCP dataset, as the study focuses on only six of the ten main RBV variables. Based on the literature review, these six variables are closely linked to networking and internationalization; however, other elements may also have meaningful effects. Even without direct literature-based justification, including additional variables or sub-variables as RBV elements could enhance the explanatory power of the model and help isolate other influential factors. Expanding the conceptual framework to incorporate these elements would provide a more comprehensive analysis.

It also remains an open question whether the financial performance of highly networked and internationalized companies aligns with their RBV. Currently, a direct link to respondents' financial performance is not available; only limited, small-scale data can be used for this purpose. However, applying a profile probability model could offer a more holistic perspective, helping to assess actual performance and its predictive value in the relationship between networking and internationalization.

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APPENDIX

Appendix 1. Company size comparison of the final sample

Company type	Frequency	Percent
SME: small micro company (below 5 employees)	279	20.5%
SME: large micro company (5-9 employees)	342	25.1%
SME: small business (10-19 employees)	254	18.7%
SME: small business (20-49 employees)	219	16.1%
SME: medium-sized (50-249 employees)	266	19.5%
Total	1,360	100.0%

Source: own study

Appendix 2. Description of different competitiveness pillars

Competitiveness pillar	Variables included in the pillar
Domestic market	The geographic scope of selling in Hungary
	The level of firm's competition in the market
	The expected growth of the target market in five years
	The intensity of competition
	Quick response to costumers' demand
Human capital	The number and share of employees with higher education degree
	The problems with employees
	The share of employees participating in training programs
	The sophistication of compensation systems
	The uniqueness of human capital
Decision making	The application of the different sources of information
	The application of financial analyses in the business
	Information sharing
	Consultation in decision making
	Administrative routines/operations knowledge sharing of the business organization
Online presence	Webpage technical characteristics
	Webpage offered services
	Webpage content
	Online marketing applications
Networks	The number of economic cooperation and innovation agreements
	The time of networking as compared to the establishment of the firm
	The reliance to outside help in business development
	Uniqueness of networking relationship
Internationalization	The significance of foreign buyers
	The share of export in sales
	Language capabilities at business level
	The uniqueness of location

Source: Own elaboration based on Lafuente, Szerb, et al. (2020)