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DETERMINANTS AND MODELS OF COMPETITIVE PERFORMANCE OF SMES IN AN INTERNATIONAL BUSINESS ENVIRONMENT: COMBINING MACRO-LEVEL AND FIRM- LEVEL ANALYSES⁶

The article is targeted at exploring determinants associated with the internationalization process and related performance of Bulgarian enterprises. Examined are data on a macro-level such as national and European statistical data and export data for comparative purposes, as well as firm-level determinants and measures. Thus, the study conducted as part of a research project integrates and builds on previous research of the authors, with an addition of a macro perspective. By providing a macro viewpoint and longitudinal perspective on internationalization modes, it attempts to enrich the understanding of the internationalization of SMEs mostly explained by individual and organizational determinants. The empirical sample includes 500 Bulgarian enterprises, both family and non-family, with diverse internationalization patterns and performance. Findings show that export is characterized by a relatively stable contribution for economic growth, balanced geographic scope, but an unfavourable structure where this contribution is mostly made by low value-added goods, low share of high technology export, and low share of firms' export sales. The typical international involvement of Bulgarian SMEs is by less

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complex and resource-intensive modes following both reactive and proactive motives. Their international performance is characterized by a low degree and scope of internationalization and preference of geographically and culturally proximate target markets.

Keywords: internationalization; competitive performance; determinants; models; macro-level; firm-level; individual-level; SMEs

JEL: D22; M16; L25; L26

Introduction

In today's economy, the traditional internationalization of business known from the past is transforming and reshaping into a process of globalization, provoked by the accelerated relations between a growing number of international players, including both large and small firms from different countries and regions around the world. Global orientation improves firm performance and achieving a global reach has a significant positive effect on profitability (Cerrato, Piva, 2015). The globalization of industries since the last decades of the past century has forced companies to increase the pace by which they commit resources to foreign markets (Petersen, Pedersen, 1999). Early internationalizers achieve higher rates of firm growth from internationalization activities than late internationalizers (Lu, Beamish, 2002). In contrast to the traditionally internationalizing firms described by the Uppsala model, selling to foreign customers does not require additional time or effort for the so-called international new ventures and born globals (Hennart, 2014). This transformation exerts an inevitable impact on the motivations, drivers, and patterns of competitive performance for firms that are internationally active. As far as the motives are concerned, they remain relevant when analyzing various aspects of the firm's internationalization and are also useful elements for theory building in international business regarding a firm's international behaviour (Benito, 2015). About export performance, the model studies as determinants the firm's commitment to developing an international marketing strategy, the organizational structure for exports, international modes other than exporting (foreign direct investment, international alliances, global sourcing), and some firm's characteristics (size, age, international experience) (Grandinetti, Mason, 2012).

In addition to economic globalization favoured by the reduction or removal of several restrictions imposed on trade, one should consider regionalization trends – cooperation and increased trade in different regions of the world. Various internationalization theories and models try to explain this phenomenon. Still, the complexity, specifics, and diverse manifestations dependent on the historical, geographical, and economic context make it difficult to find a generally accepted comprehensive definition of the concept of business internationalization. For example, a systematic review of the literature on the internationalization of family SMEs shows that the impact of family ownership and management on internationalization may change in different contexts (culture, traditions, and economic development); samples (firm's size and age; sector; independent; incorporated enterprises); firm-level characteristics (generation: management; innovation and technology; networking); and entrepreneurs' characteristics (education, risk-taking propensity, experience) (Ivanova, Dentchev, Todorov, 2015). The relevance of the theories also depends on the industrial context to which it is applied, on the firms' degree of internationalization,

and whether the industry is mature or growing (Andersson, 2004). In the general case, the term internationalization refers to the different types of exchange relations between countries and regions and the economic entities in them, including the exchange of goods. It denotes the growing involvement of enterprises in international markets, while for some SMEs a faster expansion is possible. Past research proposed an integrative conceptual model of international entrepreneurship based on four internationalization properties (mode, market, product, and time), internationalization performance, and key antecedents and consequences of the internationalization process (Ruzzier, Hisrich, Antoncic, 2006).

This study was conducted as part of a research project targeted, among others, at the accumulation of novel knowledge about the determinants of competitive performance of enterprises in an international environment, contributing for testing of existing theories, models, and development of new research hypotheses about the sources and drivers of competitive advantage and performance in an international business environment. To contribute to that, here, the objective is to explore both macro-level and company-level determinants that are associated with the process of internationalization and related performance of Bulgarian enterprises. It simultaneously attempts to pay attention to alternative theoretical views, models, and concepts explaining internationalization. The research question addressed is what determinants and measures shape the competitive performance of SMEs operating internationally in terms of drivers, modes, and internationalization patterns. This piece of work adds to extant research on the internationalization of Bulgarian SMEs by combining macro-level and firm-level data. By doing so, the study attempts to enrich the understanding of SMEs' internationalization typically explained with individual and organizational determinants and measures by providing a macro viewpoint and longitudinal perspective on SMEs' internationalization modes. This is in line with the call for literature contributions for the adoption of a longitudinal approach with larger samples to capture the dynamics of internationalization (Kuivalainen et al., 2012).

The remainder of the article is organized as follows. First, it presents a theoretical overview of the literature and other relevant sources of information and developed hypothesis. Next comes the method section that clarifies the procedure, data collection, and sample. And finally, presented are the results from the statistical processing of macro-level longitudinal and company empirical data, followed by discussion and conclusions.

Literature Review and Research Hypotheses

The traditional view of internationalization represented by so-called stage theories and models attempts to explain the choice of foreign markets and the modes of entry to these markets. Internationalization occurs gradually, in a series of stages: from non-permanent exports to exports through a trade intermediary, opening a sales subsidiary, and production abroad. The original Uppsala model is based on four basic concepts: *(foreign) market knowledge* leading to increase in the *market commitment*, provoking further *commitment to internationalization decisions* with an impact on *current activities* that, at a later stage, ultimately lead to better knowledge and understanding of the foreign market (Johanson,

Vahlne, 1977). Similarly, Cavusgil's stage theory conceptualizes the internationalization process using five stages (domestic marketing, pre-export, experimental involvement, active involvement, and committed involvement) and it is empirically proven that within certain limits, it holds for European manufacturing SMEs (Gankema, Snuif, Zwart, 2000).

Besides the Uppsala model, other theories and constructs that are most used in the entry mode studies include but are not limited to the transactions cost theory (Anderson, Gatignon, 1999; Brouthers, Nakos, 2004); cultural distance; control; eclectic paradigm; risk; resource-based view; foreign direct investment; organizational capabilities; knowledge-based view, and uncertainty (Andersen, 1993; Anderson, Gatignon, 1999; Canabal, White, 2008).

A specific view is provided by the international entrepreneurship perspective. It is already known for more than a decade that SMEs' internationalization modes are not path-dependent and not incremental, and stage models cannot cover the phenomena such as 'born globals', 'instant internationals' (traditional SMEs entering the international market), 'backsourcers' (re-focusing international activities back to the home country), and 'born regionals' (regional players with mostly export activities) (Schulz, Borghoff, Kraus, 2009). International new ventures (INVs) and born globals (BGs) are accidental internationalists with foreign sales from the outset, or very quickly afterwards due to their business model targeting spatially dispersed customers and offering distinctive niche products that incur low communication, transportation, and adaptation costs (Hennart, 2014). Previous research proposed an integrative conceptual model of international entrepreneurship based on four internationalization properties (mode, market, product, and time), internationalization performance, and key antecedents and consequences of the internationalization process (Ruzzier, Hisrich, Antoncic, 2006). In the case of born globals, international entrepreneurial orientation, focus on product/service quality, and competitor orientation are critical drivers of international performance (Gerschewski, Rose, Lindsay, 2015).

Competitive Performance and Modes of Internationalization

An enterprise is considered internationalized when it develops its business outside the territory of the country in which it was established, and it is very likely to have a combination of operations on the local and international market. The internationalization process is implemented in two alternative ways: outward-inward or inward-outward. It is often realized in more complex forms, including a combination of those types. Examples of activities where 'inward' and 'outward' activities are 'linked', are some cooperative agreements, as happens with strategic alliances and cooperative manufacture (Fletcher, 2001). Therefore, examining both types of modes corresponds to the theoretical presentation and practical understanding of internationalization as a holistic phenomenon (Luostarinen, 1994; Fletcher, 2001; Ivanova, 2016).

International market entry modes can be differentiated according to the specific activities implemented on international markets, each of which is characterized by a certain degree of commitment and risk – indirect exports, direct exports, international licensing and franchising, outsourcing, business networks, strategic partnerships such as joint ventures or direct establishment of own sales subsidiary or export production. This may include the so-

called passive form of internationalization – imports. Modes frequently applied by SMEs are exports, subcontracting and entrepreneurial networks. An argument to focus on export is that this mode is often the first step in the internationalization process of SMEs (first international activity) (Karami, 2007). This is confirmed by a previous study in the Bulgarian context, concluding that the most common internationalization modes used as a first and last step in the process are import and export. Import is a starting point to further development of internationalization, and export is the most common last step (Ivanova, 2016, 2017).

Hypothesis 1. *At a macro level, the export is characterized by a relatively stable contribution for economic growth, balanced geographic scope, improved performance, but an unfavourable structure where this contribution is expected to be mostly made by low value-added goods, limited high technology export, low share of firms' export sales and typical involvement of SMEs in less complex and resource-intensive forms.*

The motives for internationalization are diverse and specific for each company. By adopting a too simplified view of firm-level performance and neglecting internationalization motives, the effects on performance may remain ill-understood (Verbeke, Brugman, 2009). Hence, in addition to other determinants motivations to expand international activities are also studied. Examples of such motivations include securing sales through greater proximity to the market, access to other (international) markets in case of a limited internal market and insolvent demand, access to resources or infrastructure that are not available on the local market, placement of the surplus in case of overproduction, cost reductions, taking advantage of opportunities provided by ICT, etc. Findings from a survey of Finnish SMEs suggest that management interest, limited domestic market, and inquiries from buyers are rated as the most significant incentives to start exporting (Holmlund, Kock, Vanyushyn, 2007). Classification of motives, for example, on market-seeking, efficiency-seeking, resource-seeking, and strategic asset-seeking motives, is a useful tool for companies to analyze their strategic alternatives and actions, especially regarding performance measurement (Benito, 2015).

Here we use the proactive-reactive type of classification of motives. Following either proactive or reactive motives distinguishes firms that have an inferior performance from those that perform better. Reactive internationalization occurs when a firm receives unsolicited foreign orders, follows a customer overseas, or distributes worldwide through a customer's established network, while proactive internationalization is when the firm leverages established networks to enter new markets supported by the management team's global mindset and international experience (Stangl, 2012). Following the reactive approach is typical for smaller family firms. Rather than being proactive, family SMEs respond reactively to opportunities that emerge coincidentally (Kontinen, Ojala, 2011).

Having in mind the structure of SMEs, the competitive profile of the Bulgarian economy in terms of exports and contribution to economic growth, and the share of family firms in it, one should expect small and medium firms to follow mostly reactive motives. By exclusion of micro-enterprises, a change may occur leading to a mix of motives. Still, we expect that the reactive motives will be predominant, leading to the hypothesis:

Hypothesis 2. *The motivations for the internationalization of Bulgarian SMEs are a combination of proactive and reactive internationalization, with a predominance of the latter.*

The network perspective acknowledges that the internationalization of firms occurs in a network with business partners from other countries. The underlining reason is that today's business environment is viewed as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers – a perspective incorporated in the revised Uppsala model (Johanson, Vahlne, 2009). Networking is essential for the success of internationalization, as it facilitates privileged access to information and the use of opportunities available only to internal players. Inter-firm collaborations with business partners help SMEs to handle the lack of tangible and intangible internal resources and to enhance their international performance (Ghauri, Elg, 2018).

Network relationships are indispensable for SMEs' international growth (Coviello, Munro, 1997). A multi-level analysis shows that for innovative entrepreneurial firms, there is a complex, interconnected, and multi-level relationship between networks and internationalization in a way that networks contribute to the creation of awareness, pathways, and competencies for internationalization (Stangl, 2012). This relation between networks and internationalization is also valid for other types of firms as well. Establishing alliances with partners that have local knowledge can be an effective strategy to overcome the deficiencies in SMEs' resources and capabilities when they expand into international markets (Lu, Beamish, 2001).

Network relationships are most likely to provide linkages with and facilitate entry into psychically and geographically close markets (Ojala, 2009). By strategic networking, SMEs could gain access to valuable resources – information, know-how, technologies, finance, etc., needed to build and maintain a competitive advantage. The network involvement of Bulgarian firms operating in a limited domestic market can be a tool for gaining access to external markets (Vasilska, Kerezhev, Ivanova, 2014). In addition to business networks, the role of external support can also be interpreted as an important determinant of the internationalization of SMEs to proximate EU markets.

In the network economy, the dynamics of the global business environment create both opportunities for small and medium-sized enterprises (SMEs) related to partnerships with other companies and usage of external support, but also poses requirements to their international competitive performance, in terms of extent and scope.

Hypothesis 3. *The international performance of Bulgarian SMEs is associated with involvement in networks and is characterized by a low degree and scope of internationalization and preference of geographically and culturally proximate target markets (either from the EU or such with a lower physical and psychic distance).*

Some authors associate the decision to internationalize the activity of a small or medium-sized enterprise, as well as the successful implementation of this decision with the personal characteristics of the entrepreneurs managing the enterprise (Glas, Hisrich, Vahčič, Antončič, 1999; Manolova, Brush, Edelman, Greene, 2002; Zucchella, Palamara, Denicolai, 2007;

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Villar, Linares-Navarro, Toral, 2010; Love Roper, Zhou, 2016). The main characteristics that are most often studied are:

- degree and type of education;
- duration and type of professional experience;
- type of experience of the entrepreneur in an international environment.

Of course, the cited studies cover other characteristics such as the age and gender of entrepreneurs, but since no significant effects of these characteristics on the success of internationalization are revealed (Achtenhagen, 2011), the present study will focus mainly on the educational and professional experience of Bulgarian entrepreneurs as one of the determinants of internationalization. In general, higher education in areas, related to knowledge of foreign markets, long-term experience related to key entrepreneurial skills, as well as long-term experience in an international environment are associated with an earlier decision to internationalize a business and a higher degree of success in implementing this decision.

The research focused on the influence of personal characteristics on the internationalization of Bulgarian SMEs is relatively rare but can also serve as a starting point for formulating a research hypothesis. Another study concludes that entrepreneurs with no previous experience or those occupied as employees before to their own business are rather oriented towards a smaller number of countries that are geographically and culturally proximate, while experienced entrepreneurs are targeted at traditional trade partners of Bulgaria, regardless of geographic and cultural distances and managerial experience (Kolarov, Ivanova, Todorov, 2018). This study also found that another personal characteristic – training acts as a prerequisite in choosing active and direct internationalization approaches, that can be riskier but more effective (Ibid.).

Hypothesis 4. *Personal characteristics of the entrepreneur, such as education, professional experience, and international experience, contribute to a higher degree of internationalization and competitive performance in an international environment.*

Method

The applied methodology includes analyses of secondary data, collection of primary data by sampling and interviewing, and subsequent analyses of the empirical datasets.

Studied variables

By making a conceptual distinction between international and general performance, a previous study proposes a basic dynamic model of determinants and measures of SMEs' performance, acknowledging that the link between international and general performance is

characterized by complexity and duality (Ivanova, Todorov, 2019). Similarly, following the proposed basic dynamic model, here we include both measures of international performance, such as internationalization degree and scope, and measures of general performance – entry mode choice and involvement in networks. By considering the conditional division between hard and soft determinants and measures (Ivanova, Todorov, 2019), in this article, we examine both types of variables, such as motivations for international business activities and achieved outcomes.

Procedure and data collection

The research procedure was based on the mixed use of primary and secondary data. Primary data were gathered by an empirical study conducted by an experienced agency for social and marketing research. The target population from which the sample was selected includes Bulgarian companies that have international activities. Respondents are companies' owners and managers that are most involved in international activities. One respondent is responsible for each company. The collection of primary data was done through a structured interview. The sample is formed by reliable information from the Commercial Register for extracting a list of companies with contact data and the National Statistical Institute for the distribution of enterprises by ownership – family or non-family, size – small, medium, or large, sector, and planning region. The identification of internationalized companies is based on a recruiting question regarding their foreign trade activity.

In the process of data collection for the statistical data section and related research hypothesis, was applied a longitudinal approach encompassing ten years. This is related to an accumulation of secondary macro-level national and European data about the export statistics. This longitudinal approach aims to reveal the role of companies of different sizes in the realization of Bulgarian exports and to make comparisons with average EU, where applicable. Public data on the Bulgarian foreign trade activity was sourced from the National Statistical Institute (NSI), Bulgarian National Bank (BNB), and Eurostat. The analysis covers the period 2009-2019.⁷

Sample

To conduct the empirical study, a sample of 500 companies was prepared, representative by the following characteristics: company's ownership (family, non-family), company's size (small, medium, or large), sector, planning region (Severozapaden, Severen tsentralen, Severoiztochen, Yugoiztochen, Yugozapaden, and Yuzhen tsentralen), and internationalization degree. A percentage distribution between groups of enterprises based on the number of employees is illustrated in the table. Micro-firms were excluded due to their overall lower propensity for internationalization and resource limitations.

⁷ For some of the indicators where data for 2019 were not yet available, values for the previous year were used.

Table 1

Distribution of enterprises by size in terms of employed (%)

Statistical regions	Groups of enterprises by number of employed				
	Total	Up to 9	10-49	50-249	250+
Total	100	92.6	6.1	1.1	0.2
Total without micro-enterprises	100	-	82.2	15.4	2.4

Note: to form the sample and determine the percentage distribution by size of the company (and planning area) are used data from the NSI as of 11.2017; data as of 11.2020 in terms of proportion between groups of enterprises are approximately the same.

Source: National Statistical Institute. *Number of Non-Financial Enterprises by Size in Terms of Employed and Statistical Region.*

First, an initial sample was made of companies throughout the country. To structure the sample, an initial list of all companies registered in the Commercial Register was prepared from which companies were selected by size, sector (according to NCEA-2008), six planning regions, type of company (family, non-family), and internationalization according to the accepted definitions. As a next step, companies were selected based on their type – family/non-family and internationalization through recruiting questions about the company's type and activity.

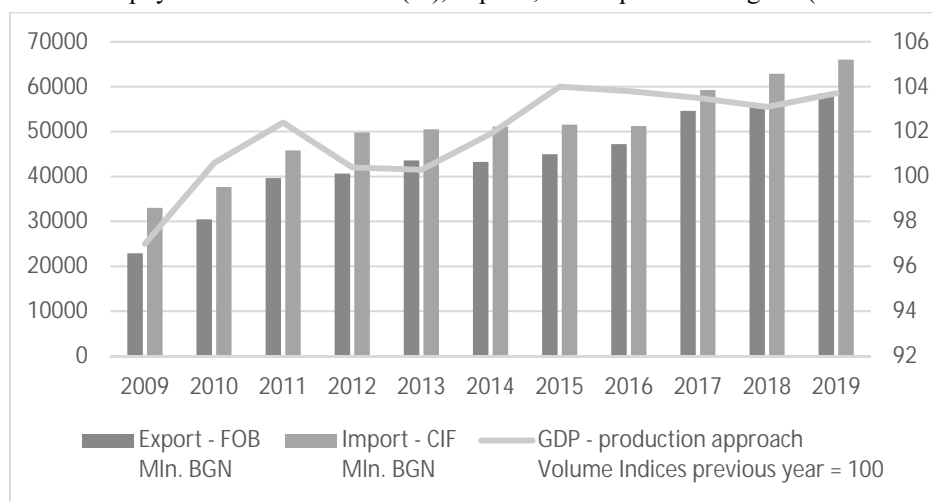
Validation of Research Hypotheses and Main Findings

The internationalization of SMEs in Bulgaria: statistical evidence

To test the first hypothesis were used longitudinal micro-level data for the period 2009-2019 for the structure of Bulgarian exports, their contribution to the economy, export performance exhibited by the so-called indicator 'terms of trade', the geographical scope of export exhibited by the coefficient for geographical diversification of exports and share of high-technology export.

Contribution for economic growth. After the global economic crisis of 2008-2009, exports formed the main source of growth of the Bulgarian economy. This is the reason why here we concentrate primarily on this internationalization mode in the longitudinal data collection and research. Overall, Figure 1 shows the impact of exports on GDP growth. Data were also gathered for import as a passive form. During this period, Bulgarian companies made exports that exceeded the levels before the global economic crisis. But the structure of exports continues to be dominated by raw materials. According to data for 2019, exports formed by high value-added goods are estimated at 24% (excluding exports of special products), while exports of raw materials, energy and materials with a low degree of processing have a share of about 32% (Iliev, 2020).

Figure 1
Index of the physical volume of GDP (%), exports, and imports of Bulgaria (in Mln. BGN)



Source: National Statistical Institute.

The export structure by way of use shows that Bulgaria remains an exporter mainly of low value-added goods. After 2013, there is a slight improvement in the structure. This is expressed by a slight decrease in the share of raw materials and materials and an increase in the share of investment goods by 1-2%. This seems like a favourable trend toward a slight increase in exports of higher value-added goods.

Export performance. The indicator ‘Terms of trade’ based on data from Eurostat compares the prices of exported goods with those of imported ones. It is a measure of trade competitiveness, as it represents how many imports can be obtained per unit of exported goods and services. The indicator refers to the percentage change for 5 years. Until 2015 there was a tendency to a decrease in the indicator’s values, while after 2015 there was a steady growth, which outlines an increase in the commercial competitiveness of Bulgarian exports. This trend is positive, but more serious problems remain with the structure of exports, which remains unfavorable.

Export sales. Bulgarian small enterprises are in the last place in the EU with 539 thousand euros of export sales with EU average values over 1300 thousand euros. The companies from the Netherlands have the highest average values (3900 thousand euros). Bulgarian medium companies have the lowest performance – 2800 thousand euros per year. EU average value is 8400 thousand euros of company’s exports of goods per year. Again, with the highest values are in the Netherlands and Belgium (respectively over 26800 thousand euros and over 24000 thousand euros). The discrepancies between Bulgaria and other countries can be explained by the different levels of productivity of enterprises.

Geographic scope. To study the relation of Bulgarian exporting firms with the economic situation in other countries – the share of the major trading partners is used as an indicator.

The country – trade partner with the largest share in Bulgarian exports, is Germany with 16%. In total, the first three countries – Germany, Romania, Italy form 32%. And with the addition of Greece and Turkey, 45% of Bulgarian exports are formed. Only EU27 countries – 65%. The Bulgaria's neighbouring countries – Turkey, Serbia and Macedonia and the EU27 countries together form the share of 75% of the export.

The data show that the Bulgarian contribution is formed mainly by transactions with neighbouring countries and other EU27 countries. This can be explained on the one hand by geographical proximity. On the other hand, trade in the EU is much easier than trade with third countries.

This higher concentration is unfavourable due to greater dependence and commitment to fewer foreign trade partners and their terms of trade.

Share of high-technology exports. Data from Eurostat and the National Statistical Institute for the EU-28 and Bulgaria reveal that high-tech goods account for about 4 percent of Bulgaria's exports of goods at the beginning of the period 2009-2018. During the period under review, this share increased to nearly 6% in 2018. It is noteworthy that the average European share (calculated for the 28 EU countries) is far higher than the Bulgarian one. It ranges from 15 to 18 percent. But unlike other countries, the main share of exports is formed by intermediate rather than end products. This is leading to a stronger dependence of production and exports on the economic situation in the main trading partners, where the producers of the end product are based. This fact implies that Bulgarian firms contributing to these statistics are likely to operate as subcontractors manufacturing product components for their international contractors.

To test the first hypothesis, we also used data from the empirical study of sampled firms. Given the inherent characteristics of Bulgarian SMEs, it is logical to prefer less complex modes of internationalization, such as imports and exports, rather than modes involving greater resources and risk, such as foreign direct investment. The data analysis confirms it. The most frequently mentioned modes are imports (55%), regular exports (39%) and occasional, non-permanent exports (13%). Surprisingly, participation in joint ventures – another joint activity is in fourth place (also with about 13% of responses). A possible explanation is that firms that have contract relations with foreign firms often operating as their subcontractors, for example, have indicated this option instead of contract manufacturing. This can be due to a misunderstanding of the meaning and features of specific economic terms, such as joint venture and subcontracting relations, from a theoretical viewpoint. Next are sales representatives, participation in consortia and contract manufacturing. These data confirm the typical involvement of Bulgarian SMEs in less complex and resource-intensive forms such as import and export.

The second hypothesis was tested based on the information about motivations for international activities. The most significant reasons for the surveyed companies for internationalization of their activity include both proactive and reactive types: Goals related to profit and growth; High-tech or unique product; Information about foreign markets and opportunities; Small (limited) domestic market (Bulgaria); Necessity to be closer to consumers, Inquiries from foreign consumers and Increase in sales of seasonal products. Still,

on average, respondents rated higher mostly reactive motives: economies of scale, overcapacity, and increased sales of seasonal products, which provides some support for the second hypothesis. Meanwhile, previous research of authors in the framework of the same project has found that regarding the main opportunities for international business development in the next 2-3 years, the most opportunities are proactive and are related to both measures of international and general performance, such as growth by an increase in sales, profits, export, market share. Still, there is a reactive opportunity of looking for cheap contract manufacturing (Ivanova and Kolarov, 2020). Based on this data, there is no evident prevalence of reactive motives, meaning that data are not sufficient to support the developed hypothesis.

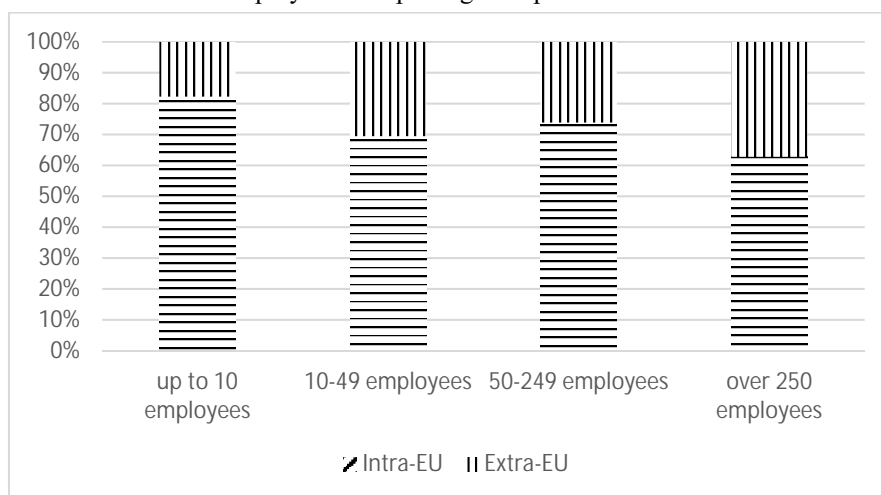
To test the third hypothesis, we used both macro-level and company-level data. Internationalization degree can be interpreted in terms of export share in company turnover and through the overall volume of sales from the international market (all international activities).

Geographic scope. As far as the geographic scope is concerned, it is noteworthy that Bulgarian small and medium-sized enterprises prefer to carry out export transactions mainly within the EU. This indicates their preference for proximate markets.

Based on these data, we can conclude that the facilitation and help provided by Bulgaria's membership in the EU can be interpreted as important determinants of the internationalization of SMEs to proximate EU markets.

Figure 2

Distribution of export transactions according to the target market and the number of employees in exporting enterprises in 2018



Source: based on available Eurostat data.

Out of 500 sampled enterprises, 312 answered that they operate in other countries: a majority of 135 companies have internationalized in two countries, and another 70 have entered only

one international market; 36 of the respondents operate in three foreign markets, and 13 and 15 companies are operating in four and five markets, respectively. Only six of the companies have international operations in 10 different countries. The countries where surveyed firms started their international activity, are mostly from Europe – Greece, Italy, Germany, England, Serbia, Romania, and Russia. Three of the countries are territorial neighbours of Bulgaria, which explains why they are among the most popular destinations among respondents.

These results are expected, given that Greece and Italy, along with Germany, are among the traditional foreign trade partner countries of Bulgaria when it comes to the export of goods (National Statistical Institute, 2019). Examined empirical data confirm the hypothesized lower scope of internationalization of Bulgarian SMEs that tend to internationalize to physically and culturally proximate countries first, which is in line with the Uppsala model and its concepts of physical and psychic distance. The choice of a first foreign country is determined by the existence of previous management experience – those who do not have such experience are more oriented towards geographically and culturally proximate countries (Kolarov, Ivanova and Todorov, 2018). Hence, choosing mostly geographically and culturally proximate countries can likely but not necessarily be viewed as an indication of a more limited management experience, but this premise needs to be further tested empirically. At the same time, in the answers to the question about the primary reasons for choosing a country to do business with, the empirical study showed that cultural proximity is an extremely rare reason – only in 0.64% of cases. It turns out that there are two primary reasons for choosing a country – good logistics and the business climate created by the government of the country. These results do not contradict the Uppsala model, but raise questions that need further clarification: whether the idea of cultural proximity is enough known among entrepreneurs, or just the geographic scope of the internationalization of Bulgarian business does not imply significant cultural differences?

Internationalization degree and export sales. For small and medium-sized enterprises, the manufacturing industry stands out with over 40% and 32% of foreign transactions, respectively. As expected, the data for large companies also show the dominant role of the manufacturing industry, with over 65% of sales abroad.

Table 2

Share of exports in the companies' turnover, according to the number of employees, destination, and leading economic sectors in 2018

Economic sectors / Number of employees	Below 10		10 – 49		50 – 249		Over 250	
	EU	External	EU	External	EU	External	EU	External
Export direction – in the EU or outside the EU								
Total for all activities	9.8	2.1	4.9	2.2	12.8	4.5	20.6	12.2
Manufacturing industry	16.2	4.5	16.6	4.1	32.7	9.4	40.6	24.5
Trade; repair of motor vehicles and motorcycles	14.2	3.1	4.0	2.4	8.1	4.1	4.2	0.7

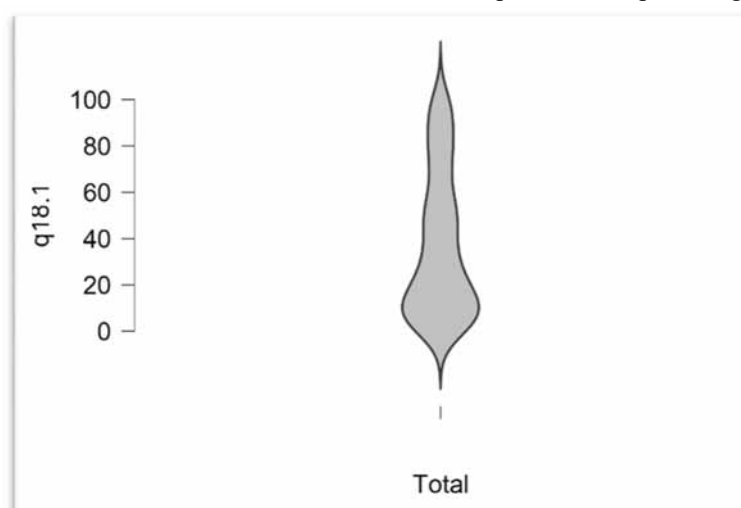
Source: Dimitrov, Tassev, Nestorov, 2021.

For all the groups of micro-, small-, medium-sized, and large firms, the volume of export sales in the EU (total for all activities) is greater than foreign sales realized in external markets of third countries. Still, larger firms have a greater share of sales in both EU internal and external markets compared to other groups of enterprises. These data mean that *small and medium-sized firms have lower internationalization degrees in terms of export sales*.

Results of the conducted empirical study demonstrate that the revenues generated on the foreign market amount to 36%. The largest number of surveyed companies have revenue from the international market in the range of 1 to 20% or 187 out of a total of 406 companies:

Figure 3

Revenue from the International Market of sampled firms in percentages



Source: own empirical study of 500 Bulgarian enterprises.

The distribution of foreign revenues mostly at the bottom of the 0 to 100% scale confirms the hypothesized low internationalization degree of Bulgarian SMEs.

Involvement in international networks. We examined whether the company's participation in business networks (sustainable partnerships) has a direct impact on the company's performance over the past three years compared to major competitors in terms of market efficiency. The results from Pearson correlation analysis makes it clear that for each criterion: increasing market share in international markets, growth in sales revenues from international markets, increasing sales of existing customers in the international market, and attracting new customers through innovation, the correlation coefficient is below 0.05, i.e., participation in business networks has no significant influence on these criteria. On the other hand, the influence of participation in business networks on receiving support from national and European funds is significant. According to the data obtained and their analysis, it cannot be proved that participation in networks contributes to a higher degree of internationalization and competitive performance in an international business environment measured by the

criteria set. On the other hand, the analysis, based on the subjective assessments of the surveyed entrepreneurs and managers, shows that networking is perceived as having a positive impact on the competitive performance of SMEs, as networks facilitate increased speed of services and better quality and design of products, which the enterprises offer, strengthening the company's reputation in the domestic and foreign markets, cutting the costs, etc. (Georgieva, Vasiliska, 2019).

On the other hand, the authors' research – part of the same project reveals, based on cluster analysis, that enterprises involved in international networks have slightly better measures of international and general performance. They have a greater volume of revenue from international sales, a bigger number of countries for international activities, and a bigger number of employees. Their support needs also differ according to their internationalization degree. Firms with the lowest revenue from international sales mostly need information about foreign markets, while those with the highest revenue need support for finding foreign market partners (Ivanova, Kolarov, 2020). Accumulated contradictory empirical evidence provides only partial support of the third hypothesis. Additional research is needed to study the relationships between external financial, managerial, and financial support and the higher degree of internationalization.

Entrepreneurs' personal characteristics and internationalization. The results of the analysis of the influence of the personal characteristics of the entrepreneur on the internationalization were published in several articles, developed by individual members of the team formed for conducting the present research. In one of them (Vasiliska, 2020), the author comes to the conclusion that enterprises run by entrepreneurs, who have a specialised university education with included management or business subjects or have attended management courses, report better competitive performance. The importance of the high educational level of entrepreneurs for the internationalization of the surveyed SMEs is discussed in a report by S. Georgieva (2020), which emphasizes the fact that all surveyed entrepreneurs have a master's degree or equivalent. A thorough analysis of the impact of personal characteristics of entrepreneurs on internationalization was made with the participation of part of the research team, the results of which were the subject of a separate publication (Ivanova, Georgieva, Kolarov, Shindarova, 2020) and based on which the following conclusions were drawn:

- In the analysis of the impact of the type of education (economic, technical, legal or other) on the studied measures of success, it was found only one relationship – in terms of the number of countries in which activities are carried out, but its statistical significance is questionable (Sig. 0.190). It turns out that entrepreneurs with technical education (38.1% of all those who provided this information) work in an average of twice as many countries. However, with the more significant variables for success – the size of the enterprise and revenues from sales abroad, the type of education does not affect;
- The variance analysis of the impact of the length of professional experience showed that this factor has the most significant impact on the success of internationalization, measured as a share of sales revenue abroad (Sig. 0.003). That is, entrepreneurs with longer professional experience are able to realize a larger share of sales in foreign countries, or achieve a higher degree of internationalization. With low reliability (Sig. 0.064) it is

found that longer experience is associated with a larger number of countries in which the company operates;

- No influence was found on the type of professional experience (both as a type of job and as a position before starting one's own business) and the success of internationalization. Probably, the professional experience contains other, more significant elements, which the present research has not been able to cover. The study also asked questions about the availability of specific experience in an international country, but the analysis of variance also did not find significant links between the relevant types of experience in an international environment and the success of internationalization.

In summary, it can be said that the data from the empirical study support, but do not conclusively prove the fourth hypothesis. Proving it will undoubtedly require the study of a more comprehensive sample in terms of education, as well as the requirement of more detailed information concerning the studied characteristics of entrepreneurs.

Discussion and Conclusions

The current study integrates and builds on previous research of the authors, with an addition of a macro perspective based on longitudinal export data. Thus, it attempts to enrich the current understanding of SMEs' internationalization, typically explained by individual and organizational determinants and measures. There are four major research contexts on internationalization, namely the level of aggregation, internationalization modes, activities configuration, and other specific elements at the firm level (Letto-Gillies, 2009). Here we tried to examine determinants on a macro level, different internationalization modes, and other determinants and measures on the company level. The internationalization process of smaller firms is different from that of large international firms, such as multinational enterprises, and therefore, smaller firms' internationalization may not follow extant theories of MNEs and related theoretical constructs, e.g., international business focus on the firm and entrepreneurship focusing on the entrepreneur (Etemad, 2004). Such a statement suggests that individual determinants need to be incorporated in a study of SMEs' internationalization which can be considered as a major limitation of this study due to its focus on macro and firm-level data.

The longitudinal analysis of macro-level data shows that the foreign trade activity of Bulgarian companies is key to achieving economic growth. The Bulgarian economy maintains the unfavourable structure of predominant exports of raw materials and export mainly of low value-added goods. Still, there is a tendency in recent years to increase the share of exports of goods with higher added value. The study of Bulgarian exports in the period 2009-2019, shows that it is balanced in terms of its geographical structure. In the separate years, the leading five main partner countries form between 43 and 56% of the total exports of goods of Bulgaria. For the small and medium-sized companies, the average annual sales abroad are the lowest in the EU. There is a clear tendency of most Bulgarian foreign trade companies to carry out transactions mainly in other EU countries than in third countries. It is also noteworthy that in the general case, the share of exports in the turnover of enterprises increases with an increase in the number of employees. Based on this, we can make the

following conclusion: the larger the enterprise, the greater the share of export in the total turnover. Findings from previous research indicate that internationalization degree and scope are positively related to firm performance (Schwens *et al.*, 2018). Following this logic, the lower degree and limited scope of internationalization of sampled firms can be associated with overall lower performance.

By this study, we also suggest that while the internationalization of companies is a complex phenomenon, SMEs' international involvement often starts with simple modes and passive forms, such as import, therefore this mode should be considered. Another argument for that is that importing per se can have a moderate, but statistically significant influence on exporting (Holmlund, Kock and Vanyushyn, 2007). This means that one might expect for some firms that are already experienced in internationalization, be it in a passive way, to consider resource commitments and subsequently switch to an active mode or combine both types. Bulgarian enterprises are mostly active in modes with lower resource commitment and risk, such as import and export. Meanwhile, it is empirically proven that foreign direct investment activities are a more effective growth strategy for SMEs than exporting (Lu and Beamish, 2002). In this context, the characteristics of the entrepreneur related to his/her educational background and previous professional experience, including his experience in an international environment, should be taken into account, as the results of the empirical study indicate a link between these characteristics and the degree of internationalization, including the internationalization's mode. The policy implication is that support for Bulgarian SMEs should be targeted at facilitating inclusion in more complex modes of internationalization.

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